UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2001

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-14870

SANPAOLO IMI S.p.A.

(Formerly Istituto Bancario San Paolo di Torino – Istituto Mobiliare Italiano S.p.A.)

(Exact name of Registrant as specified in its charter)

Italy

(Jurisdiction of incorporation of organization)

Piazza San Carlo 156, 10121 Turin, Italy
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing 2 Ordinary Shares of €2.8 par value each	The New York Stock Exchange
Ordinary Shares of €2.8 par value each (the “Shares”)	The New York Stock Exchange*

* Not for trading, but only in connection with the registration of American Depositary Shares representing such Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☒ Item 18 ☐

Form 20-F

Sanpaolo IMI S.p.A.

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PRESENTATION OF INFORMATION

SANPAOLO IMI S.p.A. ("Sanpaolo IMI", the "Bank", the "Parent Bank" or the "Company") publishes consolidated financial statements which are included elsewhere in this annual report (the "Consolidated Financial Statements") for the Bank and its consolidated subsidiaries constituting the Sanpaolo IMI Group (the "Sanpaolo IMI Group" or the "Group") in euro, the lawful currency of Italy and eleven other member states of the European Union ("EU"). On January 1, 2002, the participating member states of the EU began issuing new euro-denominated bills and coins for use in cash transactions. As of March 1, 2002, the participating member states have withdrawn the bills and coins denominated in their respective currencies from circulation, and they are no longer legal tender for any transactions.

In this annual report, references to "U.S. dollars", "dollars" or "$" are to United States dollars; references to "euro", "Euro" or "€" are to euro; and references to "lire" or "Lit." are to Italian lire, the former Italian non-decimal denomination of the euro. On January 1, 1999, the Italian lira became a member currency of the euro at a fixed conversion rate of €1 = Lit. 1,936.27. For purposes of this annual report, "billion" means a thousand million. The noon buying rate in the City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the "Noon Buying Rate") for the euro in effect on June 20, 2002 was €1=$0.9646.

This annual report contains translations of certain euro amounts into U.S. dollars at specified rates. Unless otherwise specified, the translations of euro into U.S. dollars have been made at the Noon Buying Rate for the euro in effect on December, 31 2001, which was €1= $0.8901. That rate may differ from the actual rates during the year used in the preparation of Sanpaolo IMI's Consolidated Financial Statements, and dollar amounts in this annual report may differ from the actual dollar amounts that were translated into euro in the preparation of the Consolidated Financial Statements.

The Consolidated Financial Statements included in this annual report have been prepared in accordance with generally accepted accounting principles in Italy, including Legislative Decree No. 87 of January 27, 1992, which implemented European Commission ("EC") Directive 86/635, and the Bank of Italy regulations of January 16, 1995, supplemented by the accounting principles issued by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (collectively, "Italian GAAP"), which differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). For example, while the audited financial statements of Sanpaolo IMI Group include the accounts of the Bank and the banking and finance companies in which it holds a controlling voting interest, insurance and real estate companies controlled by the Bank are accounted for using the equity method. For a summary of the significant differences between Italian GAAP and U.S. GAAP, please see Note 32.1 to the Consolidated Financial Statements.

From time to time, this annual report gives information concerning Sanpaolo IMI's market share in a particular market or segment. In such cases, the figures are derived from official sources, such as the Bank of Italy, or industry bodies, such as the Italian Banking Association.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This annual report contains forward-looking statements which reflect management's current views on Sanpaolo IMI Group's business, strategy and financial performance. Statements that are not about facts or events that have already occurred, including statements about the Group's or management's beliefs or expectations, are forward-looking statements. Words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "target", "goal", "project" or similar expressions are intended to identify forward-looking statements but are not the exclusive means of doing so. Forward-looking statements include, but are not limited to, statements under the following headings:

- "Item 3. Key Information—Selected Statistical Information";
- "Item 4. Information on the Company—Recent Developments";

- “Item 4. Information on the Company—Business Overview”;
- “Item 5. Operating and Financial Review and Prospects”;
- “Item 8. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings”, including statements regarding the likely effect of matters discussed therein; and
- “Item 11. Quantitative and Qualitative Disclosures about Market Risk”.

The following important factors could cause the Group’s actual results to differ materially from those projected or implied in any forward-looking statements:

- the impact of regulatory decisions and changes in the regulatory environment;
- the impact of political and economic developments in Italy and other countries in which the Group operates;
- the impact of fluctuations in currency exchange and interest rates;
- the Group’s ability to successfully integrate the employees, products, services and systems of recent mergers and acquisitions; and
- the Group’s ability to achieve the expected return on the investments and capital expenditures it has made in Italy and in foreign countries.

The foregoing factors should not be construed as exhaustive and speak only as of the date hereof. The Group undertakes no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in the Group’s business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

Certain forward-looking statements involve statements about risks and uncertainties that could significantly affect expected results and are based upon assumptions of future events which may not prove to be accurate. In particular, this document includes forward-looking statements relating, but not limited, to the Group’s potential exposures to various types of market risk. Certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. See “Market Risk”, “Currency Risk”, “Trading Market Risk” and “Non-trading Market Risk”. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains and losses could differ materially from those that have been estimated.

Due to such uncertainties and risks, readers should not place undue reliance on such forward-looking statements which speak only as of the date of this annual report. Sanpaolo IMI assumes no responsibility for updating such forward-looking statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The Sanpaolo IMI consolidated financial statements for the year ended December 31, 2001 have been audited by PricewaterhouseCoopers S.p.A. ("PricewaterhouseCoopers"), independent auditors.

San Paolo (as defined below) consolidated financial statements for the year ended December 31, 1997, have been audited by Arthur Andersen S.p.A. ("Arthur Andersen"), independent auditors. The Sanpaolo IMI consolidated financial statements for the year ended December 31, 1998, 1999 and 2000 have been audited by Arthur Andersen, independent auditors.

The financial information set forth below, except for the Restated statements of income for the years ended, respectively, December 31, 2000 and December 31, 1999, and the pro forma statements of income for the years ended, respectively, December 31, 1998 and December 31, 1997 has been selected from, and should be read in conjunction with, the audited Consolidated Financial Statements and notes thereto included elsewhere in this annual report.

The audited consolidated statement of income for the year ended December 31, 2000 and the consolidated balance sheet at December 31, 2000 reflect full consolidation of the results of Banco di Napoli from July 1, 2000.

The unaudited pro forma consolidated statement of income for the year ended December 31, 2000 has been prepared on the assumption that the Banco di Napoli and the Wargny group were acquired on January 1, 2000, rather than during the year.

Sanpaolo IMI was formed from the merger in 1998 of Istituto Bancario San Paolo di Torino S.p.A. ("San Paolo") and Istituto Mobiliare Italiano S.p.A. ("IMI"). The consolidated statement of income for the year ended December 31, 1997, and the consolidated balance sheet data at December 31, 1997, were extracted or derived from the consolidated financial statements of San Paolo only. The consolidated statement of income for the year ended December 31, 1997 has been reclassified to reflect management's analysis of the results of operations of the Sanpaolo IMI Group and to allow greater consistency in comparing the results for this year with those for the year ended December 31, 1998.

The unaudited, restated consolidated statement of income for the year ended December 31, 2000 reflects the consolidation of the Banco di Napoli at equity. In this income statement, the Banco di Napoli results are reflected solely in the line item "Profits from companies carried at equity and dividends from shareholdings". These figures are presented to allow greater consistency in comparing the results for the year ended December 31, 2000 with those for the year ended December 31, 1999. Net income remains the same.

The unaudited, restated consolidated statement of income for the year ended December 31, 1999 reflects (i) the reclassification of net interest income earned by Banca di Intermediazione Mobiliare IMI S.p.A. Group ("Banca IMI") from the line item "net interest income" to the line item "Profits (losses) on financial transactions and dividends on shares", because that income is more closely related to dealing in securities than earning interest; and (ii) the reclassification of certain adjustments from the line item "Adjustments to intangible and tangible assets" to the line item "Adjustments to goodwill merger and consolidation differences" to show the impact of the amortization of goodwill arising from acquisitions and equity investments made in 2000. No such reclassification was made for years prior to 1999; in those years, the line item "Adjustments to goodwill merger and consolidation differences" was included in the line item "Adjustments to intangible and tangible assets". These reclassifications were made in the interest of greater transparency of results, but they do not materially change the results for the year ended December 31, 1999 since they do not change, for example, the figures for income before extraordinary items, income before taxes and minority interest, or net income.

The unaudited, pro forma consolidated statement of income for the year ended December 31, 1998 excludes the results of Crediop S.p.A. ("Crediop") – control of which was relinquished in 1999 – from the scope of consolidation. The pro forma statement was prepared by eliminating from every line item of the audited consolidated statement of income for the year ended December 31, 1998 the contribution made by Crediop and its subsidiaries; the investment in Crediop was then valued at equity. After application of this method, the pro forma net income remains the same as that shown in the audited consolidated statement of income for the year ended December 31, 1998.

The unaudited, pro forma consolidated statement of income for the year ended December 31, 1997 was prepared as if the merger between San Paolo and IMI had occurred on January 1, 1997, in order to allow greater consistency in comparing the results for the year ended December 31, 1997 with the audited consolidated statement of income for the year ended December 31, 1998, which was prepared on the basis that the merger between Sanpaolo and IMI occurred on January 1, 1998.

Reclassified Consolidated Statement of Income

The following table shows reclassified consolidated statement of income data for the years indicated:

	Year ended December 31,									
	2001	2000(1)	2000	2000	1999	1999	1998(2)	1998(2)	1997(2)	1997(2)
		Pro Forma (Unaudited)		Restated (Unaudited)		Restated (Unaudited)		Pro Forma (Unaudited)		Pro Forma (Unaudited)
	(in millions of €)									
Reclassified consolidated statement of income										
Interest income and similar revenue(3)	8,114	8,514	7,695	6,752	5,981	5,956	9,981	8,642	8,886	11,802
Interest expense and similar charges(4)	(5,326)	(5,640)	(5,123)	(4,584)	(3,934)	(3,934)	(7,330)	(6,219)	(6,753)	(9,116)
Net interest income	2,788	2,874	2,572	2,168	2,047	2,022	2,651	2,423	2,133	2,686
Net commission and other dealing revenues(5)	2,608	2,852	2,641	2,469	2,066	2,066	1,738	1,744	919	1,211
Profits/(losses) on financial transactions and investment income(6)	274	296	263	255	251	276	324	316	226	282
Profits/(losses) of companies carried at equity and dividends on equity investments(7)	207	147	146	159	205	205	108	173	22	84
Net interest and other income	5,877	6,169	5,622	5,051	4,569	4,569	4,821	4,656	3,300	4,263
Payroll(8)	(2,221)	(2,256)	(1,929)	(1,620)	(1,534)	(1,534)	(1,543)	(1,526)	(1,478)	(1,629)
Other administrative costs(9)	(1,180)	(1,109)	(958)	(859)	(763)	(763)	(780)	(769)	(512)	(781)
Indirect taxes and similar dues(10)	(199)	(207)	(189)	(173)	(169)	(169)	(172)	(171)	(238)	(199)
Administrative costs	(3,600)	(3,572)	(3,076)	(2,652)	(2,466)	(2,466)	(2,495)	(2,466)	(2,228)	(2,609)
Other operating income, net(11)	234	247	213	187	175	175	185	184	191	225
Adjustments to intangible and tangible fixed assets(12)	(393)	(330)	(299)	(237)	(293)	(209)	(307)	(302)	(281)	(327)
Operating income	2,118	2,514	2,460	2,349	1,985	2,069	2,204	2,072	982	1,552
Adjustments to goodwill merger and consolidation differences(13)	(150)	(176)	(90)	(89)	-	(84)	-	-	-	-
Provisions for risks and charges(14)	(136)	(346)	(323)	(249)	(81)	(81)	(125)	(100)	(52)	(71)

	Year ended December 31,									
	2001	**2000(1)**	**2000**	**2000**	**1999**	**1999**	**1998(2)**	**1998(2)**	**1997(2)**	**1997(2)**
		Pro Forma (Unaudited)		**Restated (Unaudited)**		**Restated (Unaudited)**		**Pro Forma (Unaudited)**		**Pro Forma (Unaudited)**
	(in millions of €)									
Adjustments to loans and provisions for guarantees and commitments, net(15)................................	(368)	(272)	(238)	(185)	(313)	(313)	(531)	(531)	(697)	(759)
Adjustments to financial fixed assets, net(16).....................	(233)	(21)	(20)	(20)	(87)	(87)	(67)	(67)	(131)	(136)
Income before extraordinary items	1,231	1,699	1,789	1,806	1,504	1,504	1,481	1,374	102	586
Net extraordinary income(17).........................	392	402	396	369	294	294	159	120	139	167
Income before taxes and minority interests	1,623	2,101	2,185	2,175	1,798	1,798	1,640	1,494	241	753
Income taxes(18).............	(318)	(770)	(785)	(795)	(685)	(685)	(630)	(534)	(114)	(295)
Change in reserve for general banking .... Risks(19)..........................	(1)	2	2	2	(1)	(1)	(8)	(8)	(5)	(6)
Net income attributable to minority interest(20)	(101)	(102)	(94)	(90)	(62)	(62)	(93)	(43)	(36)	(68)
Reversal of second half income Banco di Napoli Group(21)	–	–	(16)	–	–	–	–	–	–	–
Net income.......................	1,203	1,231	1,292	1,292	1,050	1,050	909	909	86	384
Net income after minority interests in accordance with U.S. GAAP	571	1,203	1,003	1,003	842	842	524	524	178	–

The following item numbers refer, as the case may be, to the item numbers shown in the audited consolidated statements of income of Sanpaolo IMI for the years ended December 31, 2001, 2000, 1999 and 1998; the audited consolidated statement of income of San Paolo for the year ended December 31, 1997; the unaudited, restated consolidated statements of income of Sanpaolo IMI for the years ended December 31, 2000 and 1999; and the unaudited, pro forma consolidated statements of income of Sanpaolo IMI for the years ended December 31, 2000, 1998 and 1997.

(1) The pro forma for the year ended December 31, 2000 assumed that Sanpaolo IMI acquired the control of Banco di Napoli and Wargny on January 1, 2000. The pro forma is presented to facilitate the comparison of the results for the year ended December 31, 2001 with those for the year ended December 31, 2000. Please see note 2 to the Sanpaolo IMI consolidated financial statements.

(2) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27 = €1.

(3) For the years ended December 31, 2001, 2000 Pro Forma, 2000, 2000 Restated and 1999 Restated, the line item refers to the sum of Item 10 "Interest income and similar revenues" plus Item 10.a) "Dividends from equity investments under 20% of stake, treated as interest" plus Item 10.b) "Interest margin of Banca IMI Group". For the year ended December 31, 1999, it refers to the sum of Item 10 "Interest income and similar revenues" plus Item 10.a) "Dividends from equity investments under 20% of stake, treated as interest". For the years ended December 31, 1998, 1998 Pro Forma, 1997 and 1997 Pro Forma, it refers to Item 10 "Interest income and similar revenues".

(4) The line item refers to Item 20 "Interest expense and similar charges".

(5) For the years ended December 31, 2001, 2000 Pro Forma, 2000 and 2000 Restated, the line item refers to the sum of Item 40 "Commission income" plus Item 50 "Commission expense" plus Item 70.a) "Income from sale of merchant banking activities, other income from leasing activities", which is made up of the following components of Item 70 "Other operating income": income from sale of merchant banking activities, other income from leasing activities; plus Item 110.a) "Losses from merchant banking activities, other charges on leasing transactions", which is made up of the sum of the following components of Item 110 "Other operating expenses": losses from sale of merchant banking activities and other charges from leasing activities, for the part, within those components, that expressly refers to commission expenses.

For the years ended December 31, 1999, 1999 Restated, 1998 and 1998 Pro Forma, the line item refers to the sum of Item 40 "Commission income" plus Item 50 "Commission expense" plus Item 70.a) "Income from sale of merchant banking activities, gains on the sale of leased asset, other income", which is made up of the following components of Item 70 "Other operating income": income from sale of merchant banking activity, gains on the sale of leased asset and other income; plus Item 110.a) "Losses from merchant banking activities, losses on the sale of leased assets, other expenses", which is made up of the following components of Item 110 "Other operating expenses": losses from merchant banking activities, losses on the sale of leased assets, other expenses, expenses for distribution network of financial consultant, other charges on leasing transactions.

For the years ended December 31, 1997, 1997 Pro Forma, the figures have been reclassified to reflect the same accounting criteria used for the years ended December 31, 1999, 1998 and 1998 Pro Forma.

(6) For the years ended December 31, 2001, 2000 Pro Forma, 2000, 2000 Restated and 1999 Restated, the line item refers to the sum of Item 30.a) “Dividends and other revenues from shares and other equities” plus Item 60 “Profits (losses) on financial transactions” less Item 10.b) “Interest margin of Banca IMI Group”. For the years ended December 31, 1999, 1998, 1998 Pro Forma 1997 and 1997 Pro Forma, it refers to the sum of Item 30.a) “Dividends and other revenues from shares and other equities” plus Item 60 “Profits (losses) on financial transactions”.

(7) For the years ended December 31, 2001, 2000 Pro Forma, 2000 , 2000 Restated, 1999, 1999 Restated, 1998 and 1998 Pro Forma, the line item refers to the sum of Item 30.b) “Dividends and other revenues from equity investments” less Item 10.a) “Dividends from equity investments under 20% of stake, treated as interest” and less (for 2001) the dividends (€2 million) received on investment in Banca Cardine refunded to the Bank according to the agreement, plus Item 170. “Income (losses) from investments carried at equity”. For the year ended December 31, 1997 and 1997 Pro Forma, the line item is net of losses from restructuring debt to certain companies carried at equity.

(8) The line item refers to Item 80.a) “Payroll”.

(9) The line item refers to Item 80.b) “Other administrative costs”.

(10) The line item refers to Item 80.b) “Other indirect taxes”.

(11) The line item refers to the sum of Item 70.b) “Operating income”, which is made up of Item 70 “Other operating income” less the components of Item 70.a) described in note 3 above, plus Item 110.b) ”Operating expenses”, which is made up of Item 110 “Other operating expenses” less the components of 110.a) described in note 5 above.

(12) For the years ended December 31, 2001, 2000 Pro Forma, 2000, 2000 Restated and 1999 Restated, the line item refers to Item 90 “Adjustments to intangible and tangible fixed assets” less the following components of Item 90 “Adjustments to intangible and tangible fixed assets”: amortization of goodwill arising on application of equity method, amortization of merger differences, amortization of goodwill, and amortization of goodwill arising on consolidation.

For the years ended December 31, 1999, 1998, 1998 Pro Forma, 1997 and 1997 Pro Forma, it refers to Item 90 “Adjustments to intangible and tangible fixed assets”.

(13) For the years ended December 31, 2001, 2000 Pro Forma, 2000, 2000 Restated and 1999 Restated, the line item refers to the component of Item 90 “Adjustments to intangible and tangible fixed assets” described in note 12 above. For the years ended December 31, 1999, 1998, 1998 Pro Forma, 1997 and 1997 Pro Forma, this component was included in the “Adjustments to Intangible and Tangible Fixed Assets” and amounted to €(84) million, €(93) million, €(93) million, €(77) million and €(84) million, respectively.

(14) The line item refers to Item 100 “Provisions for risks and charges”.

(15) The line item refers to the sum of Item 120 “Adjustments to loans and provisions for guarantees and commitments” plus Item 130 “Writebacks of adjustment to loans and provisions for guarantees and commitments” plus Item 140 “Provisions to the reserve for possible loan losses”.

(16) The line item refers to the sum of Item 150 “Adjustments to financial fixed assets” plus Item 160 “Writebacks of adjustments to financial fixed assets” plus Item 170. b) “Losses from investments carried at equity from restructuring debt to companies”, which is made up of components of Item 170 “Income (losses) from investments carried at equity” other than the components of Item 170.a), amounting for each of the years ended December 31, 2001, 2000 Pro Forma, 2000, 2000 Restated, 1999, 1999 Restated, 1998 and 1998 Pro Forma to €0; and amounting for the year ended December 31, 1997 and 1997 Pro Forma to €(121) million and €(121) million, respectively.

(17) The line item refers to the sum of Item 190 “Extraordinary income” plus Item 200 “Extraordinary expenses”.

(18) The line item refers to Item 240 “Income tax”.

(19) The line item refers to Item 230 “Change in reserve for general banking risks”.

(20) The line item refers to Item 250 “Minority interest”.

(21) The line item refers to Item 255 “Reversal of second half income Banco di Napoli Group”.

Per Share Data

The following table shows certain per share and other data for the years indicated:

Per Share Data	Year ended December 31, 2001	2000	1999	1998(2)	1997(2)
	(in €, except for numbers of shares)				
Income before extraordinary items per ordinary share at year end	0.88	1.27	1.07	1.06	0.13
Income before extraordinary items per ordinary share outstanding at year end(1)	0.89	1.31	1.09	1.06	0.13
Net income per ordinary share at year end	0.86	0.92	0.75	0.65	0.11
Net income per ordinary share outstanding at year end(1)	0.87	0.95	0.76	0.65	0.11
Net income per average number of ordinary shares	0.86	0.92	0.75	0.65	0.11
Dividend per ordinary share at year end(3)	0.57	0.57	0.52	0.46	0.06
Shareholders' equity per ordinary share outstanding at year end(1)	5.90	5.39	5.84	6.18	6.18
Ordinary shares at year end	1,404,441,114	1,404,018,198	1,402,184,948	1,402,184,948	815,992,852
Ordinary shares outstanding at year end(1)	1,387,360,711	1,364,652,216	1,374,753,448	1,402,184,948	815,992,852
Average number of ordinary shares	1,404,258,435	1,402,997,548	1,396,489,095	1,401,830,448	815,992,852
U.S. GAAP					
Basic earnings per share (in Euro)	0.412	0.738	0.60	0.55	0.22
Diluted earnings per share (in Euro)	0.411	0.737	0.60	0.55	0.22

(1) Excludes ordinary shares issued and held by Sanpaolo IMI.

(2) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27 = €1.

(3) The dividend per ADS in U.S.$ was 0.53 in 2001, 0.49 in 2000, 0.45 in 1999, 0.49 in 1998 and 0.06 in 1997.

Consolidated Balance Sheet and Other Data

The following table shows certain consolidated balance sheet and other data at the dates indicated:

	At December 31, 2001	2000	1999	1998	1997
	(in millions of €, except for percentages)				
Consolidated Balance Sheet Data					
Total assets(1)	170,485	172,798	140,223	158,289	132,584
Net loans(2)	118,627	117,825	95,318	109,982	96,216
Due to banks(3)	27,922	29,596	28,012	27,762	26,990
Marketable debt securities and subordinated debt(4)	46,446	44,496	37,242	53,722	42,306
Minority interests(5)	698	715	539	394	243
Capital	3,932	3,931	3,926	4,346	4,214
Other reserves	4,544	4,119	4,446	4,323	827
Shareholders' equity under Italian GAAP (6)	8,476	8,050	8,372	8,669	5,041
Shareholders' equity under U.S. GAAP	11,607	11,639	11,626	12,278	3,993
Consolidated Ratios					
Profitability Ratios					
Net interest margin(7)(8)	2.20%	2.09%	1.80%	1.78%	1.91%
Return on average total assets(8)(9)	0.70%	0.93%	0.78%	0.53%	0.06%
Return on assets at year-end(10)	0.71%	0.75%	0.75%	0.57%	0.07%
Return on average shareholders' equity(11)	16.60%	18.06%	13.09%	10.63%	1.71%
Return on equity at year-end(12)	14.19%	16.05%	12.54%	10.49%	1.72%
Capital Ratio					
Shareholders' equity to total assets at year-end	4.97%	4.66%	5.84%	5.48%	3.80%
Credit Quality Data					
Doubtful loans(13)	1,948	2,157	3,009	3,859	4,723

	At December 31,				
Doubtful loans as a percentage of net loans(14)...............................	1.64%	1.83%	3.16%	3.51%	4.91%

The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27 = €1.

The following item numbers refer, as the case may be, to the corresponding item numbers shown in the audited consolidated balance sheet of Sanpaolo IMI at December 31, 2001, 2000, 1999 and 1998 and the audited consolidated balance sheet of Sanpaolo at December 31, 1997.

(1) The line item refers to total assets.

(2) The line item refers to the sum of Item 30 "Due from banks" plus Item 40 "Loans to customers".

(3) The line item refers to Item 10 "Due to banks".

(4) The line item refers to the sum of Item 30 "Securities issued" plus Item 110 "Subordinated liabilities".

(5) The line item refers to Item 140 "Minority interest".

(6) The line item refers to the sum of Item 150 "Capital" plus Item 160 "Additional paid in capital" plus Item 170 "Reserves" plus Item 100 "Reserve for general banking risks" plus Item 120 "Negative goodwill arising on consolidation" plus Item 130 "Negative goodwill arising on application of the equity method" plus Item 180 "Revaluation reserves" plus Item 190 "Retained earnings" plus Item 200 "Net income for the year".

(7) Net interest margin is net interest income as a percentage of average interest-earning assets.

(8) Recomputed on 2000 Restated data. Consequently, Banco di Napoli's average interest-earning assets were excluded from this calculation.

(9) Return on average total assets is net income after minority interests as a percentage of average total assets.

(10) Return on assets at year end is net income after minority interests as a percentage of total assets at year-end.

(11) Return on average shareholders' equity represents net income after minority interests as a percentage of average shareholders' equity. For the years ended December 31, 2001 and 2000, average shareholders' equity excludes net income. For the years ended December 31, 1999, 1998 and 1997, average shareholders' equity includes net income.

(12) Return on shareholders' equity at year-end represents net income after minority interests as a percentage of shareholders' equity at year-end.

(13) The line item refers to the sum of doubtful loans, including non-performing loans, problem loans, loans currently being restructured, restructured loans and unsecured loans exposed to country risk.

(14) The line item represents the doubtful loans (see note 13 above) as a percentage of the net loans referred to in Item 30 "Due to banks" and Item 40 "Loans to customers".

Exchange Rates

The following table shows, for the periods indicated, certain information regarding the Noon Buying Rate for the Italian lira, expressed in Italian lire, per U.S. dollar.

Year ended December 31,	High	Low	Average(1)	At Period End
1997	1,841	1,516	1,712	1,769
1998	1,828	1,592	1,737	1,654

(1) Average of the rates for the last business day of each month in the period.

On January 1, 1999, the Italian lira became a member currency of the euro at a fixed conversion rate of €1 = Lit. 1,936.27. The following table shows, for the periods indicated, certain information regarding the Noon Buying Rate for the euro, expressed in U.S. dollars per euro.

Year ended December 31,	High	Low	Average(1)	At Period End
1999	1.1812	1.0016	1.0588	1.0070
2000	1.0335	0.8270	0.9207	0.9388
2001	0.9535	0.8425	0.8909	0.8901
2002 (through June 20, 2002)	0.9646	0.8594	0.8993	0.9646

(1) Average of the rates for the last business day of each month in the period except for June 2002 for which the date used is June 20, 2002.

The following table shows the high and low exchange rates between the euro and the U.S. dollar, expressed in U.S. dollars per euro, during the last six months:

Month	High	Low
January 2002	0.9031	0.8594
February 2002	0.8778	0.8613
March 2002	0.8836	0.8652
April 2002	0.9028	0.8750
May 2002	0.9373	0.9022
June 2002 (through June 20, 2002)	0.9646	0.9285

Beginning January 4, 1999, the Sanpaolo IMI ordinary shares ("Shares") commenced trading on *mercato telematico azionario* ("Telematico"), managed by Borsa Italiana S.p.A. ("Borsa Italiana") in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the euro price of the Shares and the price of the Sanpaolo IMI American Depositary Shares ("ADSs") on the New York Stock Exchange ("NYSE"). Cash dividends will be paid by Sanpaolo IMI in euro, and exchange rate fluctuations will also affect the U.S. dollar amounts received by owners of ADSs upon conversion by the depositary of dividends on the underlying Sanpaolo IMI Shares.

B. Selected Statistical Information

Average Balances and Interest Rates

The following tables show average balances and interest rates for the Group for the years ended December 31, 2001, 2000 Pro Forma, 2000, 2000 Restated, 1999, and 1999 Restated. For a discussion of the actual, pro forma and restated data see "Item 5. Operating and Financial Review and Prospectus—Introduction – Presentation of Results" For purposes of these tables, (i) average balances have been determined based on daily figures for interest-earning assets and interest-bearing liabilities of Sanpaolo IMI and Banco di Napoli and on month-end figures for Banca Fideuram S.p.A. ("Banca Fideuram"), Sanpaolo IMI International S.A. ("Sanpaolo IMI International"), Banca IMI, and IMI Bank (Lux) S.A., and at June 30 and December 31 of each of the indicated years for all other assets and liabilities of the Group; management believes that the average figures below present substantially the same trend as would be presented by daily averages; (ii) interest income derived from, and interest expenses associated with, transactions treated under Italian GAAP as hedging activities are reflected in the income and expense information; accordingly, interest income and expense in the following tables vary somewhat from the amounts presented in the Consolidated Financial Statements; (iii) tax-exempt income has not been calculated on a tax-equivalent basis because the effect of such calculations would not be significant; and (iv) the monthly balance of non-accruing loans has been included in the monthly balance of loans and leases to non-credit institutions.

	Year ended December 31,											
	2001			2000 Pro Forma (unaudited)			2000			2000 Restated (2) (unaudited)		
	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate
Assets:	(in millions of €, except percentages)											
Interest earning assets Interest earning												
deposits and loans to credit institutions	15,388	654	4.25%	16,967	817	4.82%	20,348	892	4.38%	18,733	841	4.49%
euro	13,417	564	4.20%	12,459	575	4.62%	15,434	667	4.32%	14,410	632	4.39%
non euro	1,971	90	4.57%	4,508	242	5.37%	4,914	225	4.58%	4,323	209	4.83%
Reverse repurchase agreements	2,798	126	4.50%	4,600	213	4.63%	4,318	198	4.59%	4,036	183	4.53%
euro	2,201	98	4.45%	4,015	174	4.33%	3,733	159	4.26%	3,451	144	4.17%
non euro	597	28	4.69%	585	39	6.67%	585	39	6.67%	585	39	6.67%
Trading account securities and investment	14,563	743	5.10%	15,794	879	5.57%	12,265	683	5.57%	8,735	487	5.58%
euro	10,253	507	4.94%	10,669	557	5.22%	8,713	464	5.33%	6,756	371	5.49%
non euro	4,310	236	5.48%	5,125	322	6.28%	3,552	219	6.17%	1,979	116	5.86%
Loans and leases to non-credit institutions	89,839	5,721	6.37%	86,886	5,738	6.60%	82,056	5,349	6.52%	72,314	4,719	6.53%
euro	79,444	5,214	6.56%	77,012	5,140	6.67%	73,226	4,819	6.58%	64,527	4,257	6.60%
non euro	10,395	507	4.88%	9,874	598	6.06%	8,830	530	6.00%	7,787	462	5.93%
Other interest earning assets from Banco di Napoli	3,874	196	5.06%	4,554	227	4.98%	–	–	–	–	–	–
Total interest earning assets	126,462	7,440	5.88%	128,801	7,874	6.11%	118,987	7,122	5.99%	103,817	6,230	6.00%
euro	109,189	6,579	6.03%	108,709	6,673	6.14%	101,106	6,109	6.04%	89,144	5,404	6.06%
non euro	17,273	861	4.98%	20,092	1,201	5.98%	17,881	1,013	5.67%	14,673	826	5.63%
Non-interest earning assets	45,047			44,784			37,177			35,770		

	Year ended December 31,											
	2001			2000 Pro Forma (unaudited)			2000			2000 Restated (2) (unaudited)		
	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate
Total assets	171,509			173,585			156,164			139,587		

	Year Ended December 31,					
	1999			1999 Restated (3) (unaudited)		
	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate
Interest earning assets Interest earning deposits and loans to credit institutions	18,174	635	3.49%	16,479	614	3.73%
euro	14,502	502	3.46%	12,528	456	3.64%
non euro	3,672	133	3.62%	3,951	158	4.00%
Reverse repurchase agreements	8,150	288	3.53%	4,323	151	3.49%
euro	5,996	218	3.64%	3,844	140	3.64%
non euro	2,154	70	3.25%	479	11	2.30%
Trading account securities and investment	17,980	913	5.08%	12,541	641	5.11%
euro	14,658	731	4.99%	10,761	538	5.00%
non euro	3,322	182	5.48%	1,780	103	5.79%
Loans and leases to non-credit institutions	69,115	4,195	6.07%	69,098	4,202	6.08%
euro	62,633	3,882	6.20%	62,599	3,881	6.20%
non euro	6,482	313	4.83%	6,499	321	4.94%
Total interest earning assets	113,419	6,031	5.32%	102,441	5,608	5.47%
euro	97,789	5,333	5.45%	89,732	5,015	5.59%
non euro	15,630	698	4.47%	12,709	593	4.67%
Non-interest earning assets	21,684			32,662		
Total assets	135,103			135,103		

(1) Interest income varies slightly from income as shown in the Consolidated Financial Statements due to differences in accounting for swaps entered into for asset/liability management purposes.

(2) The unaudited, Restated consolidated financial statements for the year ended December 31, 2000 were prepared with the consolidation of Banco di Napoli Group at equity.

(3) The unaudited, Restated consolidated financial statements for the year ended December 31, 1999 reclassified net interest income of Banca IMI from "Net interest income" to "Profits (losses) on financial transactions and dividends on shares," as it is more closely related to dealing in securities than earning interest.

	Year ended December 31,											
	2001			2000 Pro Forma (5) (unaudited)			2000			2000 Restated (2) (unaudited)		
	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate
Liabilities and Shareholders' Equity:	(in millions of €, except percentages)											
Interest bearing liabilities												
Deposits, short-term borrowings and medium- and long-term debt from credit institution	18,014	847	4.70%	22,150	1,190	5.37%	22,578	1,104	4.89%	21,007	1,017	4.84%
- Euro	10,725	514	4.79%	13,195	710	5.38%	13,994	612	4.37%	13,794	603	4.37%
- Non-Euro	7,289	333	4.57%	8,955	480	5.36%	8,584	492	5.73%	7,213	414	5.74%
Short-term borrowings and medium- and long-term debt from non-credit institutions	52,586	1,319	2.51%	52,162	1,252	2.40%	47,494	1,194	2.51%	39,825	1,009	2.53%
- Euro	45,291	1,032	2.28%	44,278	811	1.83%	40,296	804	2.00%	34,314	701	2.04%
- Non-Euro	7,295	287	3.93%	7,884	441	5.59%	7,198	390	5.42%	5,511	308	5.59%
Repurchase agreements	7,109	313	4.40%	6,168	240	3.89%	5,281	206	3.90%	4,394	172	3.91%
- Euro	7,109	313	4.40%	6,126	238	3.89%	5,239	204	3.89%	4,352	170	3.91%
- Non-Euro	–	–	–	42	2	4.76%	42	2	4.76%	42	2	4.76%
Securities and subordinated liabilities	42,035	2,173	5.17%	42,375	2,318	5.47%	37,840	2,046	5.41%	34,058	1,864	5.47%
- Euro	39,225	2,017	5.14%	38,601	2,067	5.35%	34,709	1,827	5.26%	31,120	1,657	5.32%
- Non-Euro	2,810	156	5.55%	3,774	251	6.65%	3,131	219	6.99%	2,938	207	7.05%
Total interest bearing liabilities	119,744	4,652	3.88%	122,855	5,000	4.07%	113,193	4,550	4.02%	99,284	4,062	4.09%
- Euro	102,350	3,876	3.79%	102,200	3,826	3.74%	94,238	3,447	3.66%	83,580	3,131	3.75%
- Non-Euro	17,394	776	4.46%	20,655	1,174	5.68%	18,955	1,103	5.82%	15,704	931	5.93%
Non-interest earning liabilities:												
Other liabilities	43,777			43,469			35,200			32,576		
Minority interest in consolidated subsidiaries	742			614			614			570		
Total non-interest bearing liabilities	44,519			44,083			35,814			33,146		
Shareholders' equity:												
Common Shares	3,931			3,931			3,931			3,931		
Other shareholders' equity	3,315			2,716			3,226			3,226		
Total shareholders' equity(4)	7,246			6,647			7,157			7,157		
Total liabilities and shareholders' equity	171,509			173,585			156,164			139,587		

	Year ended December 31,					
	1999			1999 Restated (3) (unaudited)		
	Average balance	Interest(1)	Average rate	Average balance	Interest(1)	Average rate
Liabilities and Shareholders' Equity:	(in millions of €, except percentages)					
Interest bearing liabilities						
Deposits, short-term borrowings and medium- and long-term debt from credit institution	20,966	917	4.37%	18,007	834	4.63%
- Euro	14,663	662	4.51%	12,805	597	4.66%
- Non-Euro	6,303	255	4.05%	5,202	237	4.56%
Short-term borrowings and medium-and long-term debt from non-credit institutions	37,273	622	1.67%	36,392	597	1.64%
- Euro	36,137	577	1.60%	35,326	556	1.57%
- Non-Euro	1,136	45	3.96%	1,066	41	3.85%
Repurchase agreements	12,419	406	3.27%	6,114	195	3.19%
- Euro	10,515	339	3.22%	5,816	181	3.11%
- Non-Euro	1,904	67	3.52%	298	14	4.70%
Securities and subordinated liabilities	38,291	2,039	5.33%	36,511	1,960	5.37%
- Euro	32,151	1,725	5.37%	30,460	1,652	5.42%
- Non-Euro	6,140	314	5.11%	6,051	308	5.09%
Total interest bearing liabilities	108,949	3,984	3.66%	97,024	3,586	3.70%
- Euro	93,466	3,303	3.53%	84,407	2,986	3.54%
- Non-Euro	15,483	681	4.40%	12,617	600	4.76%
Non-interest earning liabilities:						
Other liabilities	17,767			30,205		
Minority interest in consolidated subsidiaries	368			368		
Total non-interest bearing liabilities	18,135			30,573		
Shareholders' equity:						
Common Shares	3,926			3,926		
Other shareholders' equity	4,093			3,580		
Total shareholders' equity(4)	8,019			7,506		
Total liabilities and shareholders' equity	135,103			135,103		

(1) Interest income varies slightly from income as shown in the Consolidated Financial Statements due to differences in accounting for swaps entered into for asset/liability management purposes.

(2) The unaudited, Restated consolidated financial statements for the year ended December 31, 2000 were prepared with the consolidation of Banca di Napoli group at equity.

(3) The unaudited, Restated consolidated financial statements for the year ended December 31, 1999 reclassified net interest income of the Banca IMI which, in the interests of greater transparency of Group results, has been reclassified from "Net interest income" to "Profits (losses) on financial transactions and dividends on shares," as it is more closely related to dealing in securities rather than earning interest.

(4) For the year ended December 31, 2001. 2000 Pro Forma, 2000, 2000 Restated and 1999 Restated, excludes net income. For the year ended December 31, 1999 includes net income.

(5) The unaudited, pro forma consolidated financial statements for the year ended December 31, 2000 were prepared as if Sanpaolo IMI acquired Banco di Napoli and the Wargny group on January 1, 2000.

Change in Net Interest Income – Volume and Rate Analysis

The following table shows the allocation, by category of interest-earning assets and interest-bearing liabilities and by currency, of changes in the Group's net interest income among changes in average volume, changes in average rate and changes in rate/volume (i) for the year ended December 31, 2001 compared to the year ended December 31, 2000 Pro Forma, (ii) for the year ended December 31, 2001 compared to the year ended December 31, 2000, (iii) for the year ended December 31, 2000 Restated compared to the year ended December 31, 1999 Restated and (iv) for the year ended December 31, 2000 compared to the year ended December 31, 1999 Restated.

	Year ended December 31,															
	2001/2000 Pro Forma				2001/2000				2000 Restated/1999 Restated				2000/1999 Restated			
	Increase/(decrease) due to changes in				Increase/(decrease) due to changes in				Increase/(decrease) due to changes in				Increase/(decrease) due to changes in			
	Volume	Rate	Volume/ Rate	Net Change	Volume	Rate	Volume/ Rate	Net Change	Volume	Rate	Volume/ Rate	Net Change	Volume	Rate	Volume/ Rate	Net Change
Interest income																
Interest earning deposits and loans to credit institution	(76)	(97)	10	(163)	(217)	(26)	5	(238)	84	126	17	227	144	108	25	278
- Euro.......................................	44	(52)	(3)	(11)	(87)	(19)	3	(103)	69	93	14	176	106	85	20	211
- Non-Euro...............................	(136)	(36)	20	(152)	(135)	–	–	(135)	15	33	3	51	39	23	6	67
Reverse purchase agreements ...	(83)	(6)	2	(87)	(70)	(4)	2	(72)	(10)	45	(3)	32	–	47	–	47
- Euro.......................................	(79)	5	(2)	(76)	(65)	7	(3)	(61)	(14)	20	(2)	4	(4)	24	(1)	19
- Non-Euro...............................	1	(12)	–	(11)	1	(12)	–	(11)	2	21	5	282	2	21	5	28
Trading account securities and investment	(69)	(74)	7	(136)	128	(58)	(10)	60	(195)	58	(18)	(154)	(14)	57	(1)	42
- Euro.......................................	(22)	(30)	2	(50)	82	(34)	(5)	43	(200)	53	(20)	(167)	(102)	35	(7)	(74)
- Non-Euro...............................	(51)	(41)	6	(86)	47	(25)	(5)	17	12	1	–	13	103	7	7	116
Loans and leases to non-credit institutions	195	(200)	(12)	(17)	507	(123)	(12)	372	196	307	14	517	788	302	57	1,147
- Euro.......................................	162	(85)	(3)	74	409	(15)	1	395	120	251	6	376	659	239	41	938
- Non-Euro...............................	32	(117)	(6)	(91)	94	(99)	(18)	(23)	64	64	13	141	115	69	25	209
Other interest earnings from Banco di Napoli(1)	(34)	4	(1)	(31)	–	–	–	–	–	–	–	–	–	–	–	–
Total interest income	(143)	(296)	5	(434)	448	(131)	1	318	75	539	7	622	906	524	85	1,514
-Euro...	29	(120)	(3)	(94)	488	(10)	(8)	470	(33)	425	(3)	389	636	407	52	1,094
-Non-Euro................................	(169)	(201)	30	(340)	(34)	(123)	5	(152)	92	122	19	233	241	127	52	420
Interest Expense																
Deposits, short-term borrowings and medium- and long-term debt from credit institutions:	(222)	(148)	27	(343)	(223)	(43)	9	(257)	139	38	6	183	212	46	12	270
-Euro...	(133)	(78)	15	(196)	(143)	59	(14)	(98)	46	(37)	(3)	6	55	(37)	(3)	15
-Non-Euro................................	(89)	(71)	13	(147)	(74)	(100)	15	(159)	92	62	24	177	154	61	40	255
Short-term borrowings and medium- and long-term debt from non-credit institutions	10	57	-	67	128	-	(3)	125	56	325	31	412	182	318	97	597
-Euro...	19	199	3	221	100	113	15	228	(16)	166	(5)	145	78	149	21	248
-Non-Euro................................	(33)	(131)	10	(154)	5	(107)	(1)	(103)	171	19	77	267	236	17	96	349
Repurchase agreements............	37	31	5	73	71	26	10	107	(55)	44	(12)	(23)	(27)	43	(6)	11
-Euro...	38	31	6	75	73	27	9	109	(46)	46	(12)	(11)	(18)	45	(5)	23
-Non-Euro................................	(2)	(2)	2	(2)	(2)	(2)	2	(2)	(12)	-	-	(12)	(12)	-	-	(12)
Securities and subordinated liabilities.............................	(19)	(127)	1	(145)	227	(91)	(9)	127	(132)	38	(3)	(96)	(132)	233	(16)	86
-Euro...	33	(81)	(2)	(50)	238	(42)	(6)	190	36	(30)	(1)	5	230	(49)	(7)	175
-Non-Euro................................	(64)	(42)	11	(95)	(22)	(45)	4	(63)	(158)	118	(61)	(101)	(149)	115	(56)	(89)
Total interest expense:	(127)	(233)	12	(348)	263	(158)	(3)	102	84	384	9	476	598	314	52	964
-Euro...	6	51	(7)	50	297	123	9	429	(29)	176	(2)	145	348	101	12	461
-Non-Euro................................	(185)	(252)	39	(398)	(91)	(258)	22	(327)	147	148	36	331	301	134	67	503

Interest-Earning Assets: Margin and Spread

The following table shows the Group's gross yield, net interest margin and spread, including the effect of hedging, for the years ended December 31, 2001, 2000 Pro Forma, 2000 Restated, 2000 and 1999.

	Year ended December 31,				
	2001	2000 Pro Forma (unaudited)	2000 Restated (unaudited)	2000	1999
			(percentages)		
Gross yield (1)	5.88	6.11	6.00	5.99	5.32
- euro	6.03	6.14	6.06	6.04	5.45
- non-euro	4.98	5.98	5.63	5.67	4.47
Net interest margin (2)	2.20	2.23	2.09	2.16	1.80
- euro	2.48	2.62	2.55	2.63	2.08
- non-euro	0.49	0.13	(0.72)	(0.50)	0.11
Spread (3)	2.00	2.04	1.91	1.97	1.66
- euro	2.24	2.40	2.31	2.38	1.92
- non-euro	0.52	0.30	(0.30)	(0.15)	0.07

(1) Gross yield is interest income as a percentage of average interest-earning assets.

(2) Net interest margin is net interest income as a percentage of average interest-earning assets.

(3) Spread is the difference between gross yield and the average cost of interest-bearing liabilities.

Return on Equity and Assets

The following table shows certain selected financial ratios which have been derived from average balance sheet information and the Consolidated Financial Statements.

	Year ended December 31,			
	2001	2000 Restated (unaudited)	2000	1999
		(percentages)		
Net income as percentage of:				
Average total assets	0.70	0.93	0.83	0.78
Average shareholder's equity (1)	16.60	18.05	18.05	13.09
Dividends as percentage of net income	66.28	61.73	61.73	68.97
Average shareholders' equity as a percentage of average total assets (1)	4.22	5.13	4.58	5.94

(1) For the year ended December 31, 2001, 2000 Restated, 2000 excludes net income. For the year ended December 31, 1999, includes net income.

Securities Portfolio

At December 31, 2001, the Group's securities were carried on the Group's consolidated balance sheet at a book value of €22.117 billion, representing 13% of its total assets. The aggregate book value and the aggregate market value of securities held by the Group issued by the Italian government and Italian government agencies were €11.343 billion and €11.369 billion, respectively, at December 31, 2001. The Group does not otherwise hold securities issued or guaranteed by any one entity or obligor, other than the Italian government, whose carrying value represents more than 10% of consolidated shareholders' equity.

Book and market value

The following table shows the book value and the market value of the Group's securities by type and domicile of issuer at the dates indicated. For a discussion of how the Group values its securities, see Note 10 to the Consolidated Financial Statements.

	Year ended December 31,					
	2001		2000		1999	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
	(in millions of €)					
Domestic:						
Government	11,343	11,369	12,464	12,519	9,390	9,412
Corporate and other securities	2,723	2,731	2,564	2,572	2,593	2,593
Equity and other (1)	1,039	1,039	1,766	1,766	1,388	1,389
Total domestic	15,105	15,139	16,794	16,857	13,371	13,394
International:						
Government	1,738	1,743	2,043	2,041	1,140	1,110
Corporate and other securities	4,785	4,802	5,884	5,889	3,814	3,817
Equity and other (1)	489	490	237	237	55	55
Total international	7,012	7,035	8,164	8,167	5,009	4,982
Total Securities	22,117	22,174	24,958	25,024	18,380	18,376

(1) This line item does not include shares of Sanpaolo IMI owned by the Group at December 31, 2001, 2000 and 1999 with, respectively, a book value of €304 million, €739 million and €357 million, and a market value of €221 million, €763 million and €391 million.

Maturity and weighted average yield

The following table shows the maturities and weighted average yield of the Group's securities by type and domicile of issuer at December 31, 2001. Yield on tax-exempt obligations has not been calculated on a tax-equivalent basis because the effect of such a calculation would not be material.

	At December 31, 2001				
	Maturing within one year	Maturing between one year and five years	Amount (1) maturing between five years and ten years	Maturing after ten years	Total amount
	(in millions of €, except percentages)				
Domestic:					
Government	4,409	4,490	2,195	249	11,343
Corporate and other securities	420	1,449	790	64	2,723
Equity and other	1,039	-	-	-	1,039
Total domestic	5,868	5,939	2,985	313	15,105
International:					
Government	283	596	755	104	1,738
Corporate and other securities	2,196	2,071	455	63	4,785
Equity and other	489	-	-	-	489
Total international	2,968	2,667	1,210	167	7,012
Total Securities	8,836	8,606	4,195	480	22,117
Total Securities (market value)	8,864	8,607	4,224	479	22,174
Weighted average yield (2)	3.39%	4.01%	4.39%	5.23%	3.91%

(1) Based on book value unless otherwise indicated.

(2) Based on book value.

Loan Portfolio

The Group's loan portfolio includes securities purchased under agreements to resell and loans to other banks. Loans, including principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking into account the financial condition of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the country in which such borrowers are residents. See "**—**Risk Elements in the Loan Portfolio**—**Non-accrual of interest" below and Note 10 to the Consolidated Financial Statements. The assessment performed also takes into consideration any guarantees received, market prices (where applicable) and general difficulties experienced by the different categories of borrowers. Estimated realizable value is determined following a detailed review of loans outstanding at period-end, considering the degree of risk associated with the various forms of lending and the risk of default inherent in loans that are currently performing normally. The estimated realizable value of doubtful loans takes into consideration not only the likelihood of eventual recovery, but also any total or partial failure to generate income and delayed repayments of doubtful loans. These value adjustments are made directly to the loan value, and not against any reserve account.

When it has been determined that a loan is impaired, the Group makes either a value adjustment to the loan, which is charged directly to income, or a provision, which is charged to income through allowance for possible loan losses. See "**—**Risk Elements in the Loan Portfolio**—**Allowance for possible loan losses and value adjustments to Loans" below. In this Selected Statistical Information section of the annual report, the term "net loans" refers to the amount of loans shown on the face of the balance sheet. Net loans are net of any value adjustments (losses charged directly to income) and net of any allowance for possible loan losses. The term "total loans" refers to loans net of any value adjustments, but before deduction of the allowance for possible loan losses. Total loans do not appear on the face of the balance sheet, but are set forth under "Total loans to customers" and "Total loans to banks" in Note 12 to the Consolidated Financial Statements.

At December 31, 2001, the Group's net loans amounted to €118.627 billion (69.6% of total assets). The allowance for loan losses amounted to €3.271 billion (2.7% of total loans). Total domestic loans amounted to €92.220 billion (75.7% of total loans), while total international loans amounted to €29.678 billion. At December 31, 2001, secured loans to customers other than banks amounted to €45.823 billion, equal to approximately 38.6% of the Group's total net loans. In addition to loans, at December 31, 2001 the Group had loan commitments (certain and not certain to be called) amounting to €24.839 billion and guarantees amounting to €16.016 billion.

Loans by Location and Type of Borrower

The following table shows, at the dates indicated, the Group's total loans divided into domestic and international loans, broken down by loans to the public sector, banks and other private sector customers.

	At December 31,									
Total Loans (1)	**2001**		**2000**		**1999**		**1998**		**1997**	
	(in millions of €, except percentages)									
Domestic:										
Government and other public entities	11,957	9.81%	14,120	11.62%	9,487	9.60%	21,377	18.84%	14,470	14.66%
Banks and credit institutions	8,718	7.15%	9,863	8.12%	10,264	10.39%	10,038	8.85%	11,911	12.07%
Non-financial business	61,395	50.37%	60,482	49.78%	50,500	51.13%	50,222	44.27%	25,080	25.41%
Other	10,150	8.33%	10,325	8.50%	3,996	4.05%	8,236	7.26%	18,761	19.01%
Total domestic	92,220	75.65%	94,790	78.02%	74,247	75.17%	89,873	79.22%	70,222	71.14%
International:										
Government	595	0.49%	818	0.67%	1,497	1.52%	605	0.53%	660	0.67%
Banks and credit institutions	12,891	10.58%	9,281	7.64%	12,048	12.20%	13,156	11.60%	16,368	16.58%
Other	16,192(2)	13.28%	16,602(3)	13.67%	10,984	11.12%	9,818	8.65%	11,455	11.61%
Total international	29,678	24.35%	26,701	21.98%	24,529	24.83%	23,579	20.78%	28,483	28.86%
Total domestic and international	121,898	100%	121,491	100%	98,776	100%	113,452	100%	98,705	100%

(1) Total loans are loans net of any value adjustments but before deduction of any allowance for possible loan losses. Total loans do not appear on the face of the balance sheet, but are set forth in Note 12 to the Consolidated Financial Statements under "Total loans to customers" and "Total loans to banks".

(2) Comprises by loans to non-financial businesses (€11.148 million), financial institutions (€3.679 million) and households (€1.103 million).

(3) Comprises non-financial businesses (€8.178 million), financial institutions (€4.618 million) and households (€25 million).

Loans by Type of Facility

The Group's principal lending instruments are overdrafts on current accounts, repurchase agreements and medium- and long-term loans.

The following table shows, as the dates indicated, the net loans of the Group by type of facility.

Net loans (1)	At December 31, 2001		2000		1999		1998(2)		1997(2)	
	(in millions of €, except percentages)									
Mortgages and industrial loans	45,760	38.57%	45,045	38.23%	37,110	38.93%	50,741	46.14%	31,767	33.02%
Other forms of finance	25,509	21.50%	27,636	23.46%	14,594	15.31%	12,386	11.27%	10,920	11.34%
Loans to banks	14,800	12.48%	14,332	12.16%	16,580	17.39%	15,069	13.70%	23,030	23.94%
Current account overdrafts	10,581	8.92%	11,732	9.96%	9,681	10.16%	9,052	8.23%	10,431	10.84%
Repurchase agreements(3)	10,482	8.84%	7,767	6.59%	7,334	7.69%	12,979	11.80%	9,949	10.34%
Advances with recourse	2,781	2.34%	2,890	2.45%	2,201	2.31%	2,467	2.24%	2,093	2.18%
Import-export loans	2,465	2.08%	2,531	2.15%	1,579	1.66%	1,394	1.27%	2,872	2.98%
Finance leases	2,253	1.90%	1,877	1.59%	1,695	1.78%	1,341	1.22%	954	0.99%
Personal loans	1,250	1.05%	1,128	0.96%	969	1.02%	521	0.47%	448	0.47%
Discounted notes	968	0.82%	1,090	0.93%	1,089	1.14%	1,212	1.10%	994	1.03%
Factoring	798	0.67%	707	0.60%	721	0.76%	782	0.71%	178	0.19%
Subordinated loans(3)	49	0.04%	74	0.06%	71	0.07%	26	0.02%	60	0.06%
Non-performing loans(3)	931	0.78%	1,016	0.86%	1,694	1.78%	2,012	1.83%	2,520	2.62%
Net loans(3)	118,627	100.00%	117,825	100.00%	95,318	100.00%	109,982	100.00%	96,216	100.00%

(1) Net loans are loans net of any value adjustments and net of any allowance for possible loan losses. The amount of net loans is the loan amount that appears on the face of the balance sheet.

(2) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27 = €1.

(3) Includes loans to banks.

The Sanpaolo IMI Group provides credit services to a wide and diversified range of individual and corporate customers, predominantly in the Italian domestic market. The Sanpaolo IMI Group also grants medium- and long-term loans, consisting both of industrial and real estate mortgage loans.

The Sanpaolo IMI Group's lending business is divided between (i) installment loans, which consist primarily of mortgages (including mortgage loans to public entities) and industrial loans, and (ii) non-installment loans, including demand loans (principally current account overdrafts) and loans which are expected to be repaid with a single payment.

Mortgages and industrial loans

Mortgage loans consist primarily of (1) residential mortgages to individuals for private residences, (2) loans to co-operative institutions in the housing industry, and (3) commercial construction loans secured by the underlying real property. Residential mortgages to individuals for private residences are typically repaid in monthly installments. Loans to co-operative institutions in the housing industry and commercial construction loans secured by the underlying real property are repaid in six month installments. Mortgage loans include loans to public entities, which historically have received full government support in Italy. Sanpaolo IMI does not believe that these loans present a significant credit risk.

In 1998, Sanpaolo IMI established a business unit dedicated to retail residential mortgages. These have a maximum loan to value ratio of 75% (less than the 80% envisaged under current Italian regulations) with maturities of up to 30 years, at fixed or floating rates of interest (or a combination of the two, at the customer's option).

The process for recovering against collateral through the Italian legal system often consists of a series of judicial auctions, which successively reduce the ultimate potential recovery and which currently last an average of five and one-half years. Sanpaolo IMI's policy is to limit the value of each loan to 75% of the value of the premises, in the case of mortgages; up to 50% of the cost of construction at the time of loan origination, in the case of construction loans; and up to 75% of renovation costs at the time of loan origination, in the case of renovation costs. These limits are reduced if appropriate in light of credit analyses performed on each borrower. Sanpaolo IMI believes that the value of the collateral on its mortgage loans covers its exposure, and takes a provision or adjustment whenever such coverage is no longer deemed to be sufficient.

Other forms of finance

Other forms of finance principally include short-term loans to (Italian and foreign) non-financial institutions and physical persons, other than loans covered by the "—Mortgages and industrial loans" category discussed above.

Loans to banks

Loans to banks principally include mandatory reserves deposits and current accounts.

The following table shows net loans by maturity at December 31, 2001.

	At December 31, 2001							
Net loans(1)	**Within one year**		**Between one and five years**		**Greater than five years**		**Total**	
	(in millions of €)							
Mortgages and industrial loans	7,076	10.83%	21,474	68.23%	17,210	78.79%	45,760	38.57%
Other forms of finance	16,379	25.08%	6,060	19.26%	3,070	14.06%	25,509	21.50%
Loans to banks	13,444	20.58%	467	1.48%	889	4.07%	14,800	12.48%
Current account overdrafts	10,581	16.20%	-	-	-	-	10,581	8.92%
Repurchase agreements	10,482	16.05%	-	-	-	-	10,482	8.84%
Advances with recourse	2,779	4.25%	2	0.01%	-	-	2,781	2.34%
Import-export loans	2,259	3.46%	174	0.55%	32	0.15%	2,465	2.08%
Finance leases	565	0.87%	1,263	4.01%	425	1.95%	2,253	1.90%
Discounted notes	608	0.93%	360	1.14%	-	-	968	0.82%
Personal loans	513	0.79%	619	1.97%	118	0.54%	1,250	1.05%
Factoring loans	626	0.96%	86	0.27%	86	0.39%	798	0.67%
Subordinated loans	1	-	36	0.11%	12	0.05%	49	0.04%
Non-performing loans(2)	-	-	931	2.96%	-	-	931	0.78%
Net loans	65,313	100%	31,472	100%	21,842	100%	118,627	100%

(1) Net loans are total loans net of any value adjustments and net of any allowance for possible loan losses. The amount of net loans is the loan amount that appears on the face of the balance sheet.

(2) Includes non-performing loans to banks. For purposes of this table, all non-performing loans are included in the column "Between one and five years". These numbers refer only to net loans and therefore differ from the figures for non-performing loans shown under "—Risk Elements in the Loan Portfolio" below in the table setting forth Total Loans.

Loans by Category of Borrower

At December 31, 2001, a single borrower, the Italian Ministry of the Treasury (€2.501 billion), accounted for more than 2% of Sanpaolo IMI's net loans. The largest 20 total loan exposures accounted for 17.10% of its total loan portfolio, while the largest 50 total loan exposures accounted for 25.78%. Sanpaolo IMI Group had four ''significant risk exposures'', defined by the Bank of Italy as positions that exceeded 10% of consolidated shareholders' equity for supervisory purposes. These four exposures amounted to a total of €9.236 billion. See "Item 4. Information on the Company—Business Overview—The Italian Banking System: Supervision and Regulation—Lending Limits".

The following table shows, at the dates indicated, the distribution of the Group's net loans by category of borrower:

Net Loans(1)	2001		2000(2)		1999		1998(3)		1997(3)	
	At December 31,									
	(in millions of €)									
Building and construction industry	3,832	3.23%	3,901	3.31%	3,711	3.89%	5,013	4.56%	5,468	5.68%
Commercial and similar activities	13,334	11.24%	14,472	12.28%	11,353	11.91%	10,877	9.89%	9,209	9.57%
Industrial	21,376	18.02%	22,131	18.78%	17,081	17.92%	17,018	15.47%	12,256	12.74%
Governments	5,342	4.50%	5,093	4.32%	4,471	4.69%	14,255	12.96%	11,203	11.64%
Other public agencies	7,193	6.06%	7,663	6.50%	5,469	5.74%	7,642	6.95%	3,877	4.03%
Transportation	2,912	2.45%	2,389	2.03%	1,592	1.67%	3,257	2.96%	571	0.59%
Agriculture	1,264	1.07%	1,400	1.19%	865	0.91%	1,044	0.95%	966	1.00%
Finance, insurance, leasing, etc	13,669	11.52%	14,765	12.53%	6,751	7.08%	12,534	11.40%	9,157	9.52%
Banks	21,571	18.18%	19,119	16.23%	22,144	23.23%	23,093	21.00%	28,239	29.35%
Communications	1,308	1.10%	1,424	1.21%	1,389	1.46%	1,366	1.24%	1,088	1.13%
Foreign non-financial business	10,952	9.23%	10,178	8.64%	7,269	7.63%	9,208	8.37%	4,134	4.30%
Other	15,874	13.38%	15,290	12.98%	13,223	13.87%	4,675	4.25%	10,048	10.44%
Total	118,627	100%	117,825	100%	95,318	100%	109,982	100%	96,216	100%

(1) Net loans are total loans net of any value adjustments and net of any allowance for possible loan losses. The amount of net loans is the loan amount that appears on the face of the balance sheet.

(2) The categories included for 2000 are reclassified to take into account the classifications used by Banca OPI to provide a more consistent comparison.

(3) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27 = €1.

Loans by Geographic Area

The following table shows, at the dates indicated, the geographic distribution of net loans (including securities purchased under agreement to resell and loans to banks) by general location of the customer as reported to the Bank of Italy:

Net loans(1)	2001		2000		1999		1998(3)		1997(3)	
	At December 31,									
	(in millions of €, except percentages)									
Loans to residents(2):										
Northern Italy	45,359	50.8%	42,460	46.4%	42,646	59.8%	45,577	52.6%	38,503	56.6%
Central Italy	18,927	21.2%	22,876	25.0%	21,445	30.1%	32,674	37.7%	21,700	31.9%
Southern Italy	25,049	28.0%	26,132	28.6%	7,238	10.1%	8,397	9.7%	7,823	11.5%
Total to residents(2)	89,335	100.0%	91,468	100.0%	71,329	100.0%	86,648	100.0%	68,026	100.0%
Loans to non-residents(2)	29,292		26,357		23,989		23,334		28,190	
Total to residents and non residents	118,627		117,825		95,318		109,982		96,216	

(1) Net loans are total loans net of any value adjustments and net of any allowance for possible loan losses. The amount of net loans is the loan amount that appears on the face of the balance sheet.

(2) Including banks.

(3) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in the lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27=€1.

Interest Rate Sensitivity

The following table shows, at the dates indicated, a breakdown of the amounts outstanding of fixed rate and floating rate loans due after one year. See also "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

Net loans(1)	At December 31, 2001 Domestic	International	Total
		(in millions of €)	
Fixed rate	17,517	6,733	24,250
Floating rate	27,693	1,423	29,116
Total	45,210	8,156	53,366

	At December 31, 2000 Domestic	International	Total
		(in millions of €)	
Fixed rate	18,023	5,407	23,430
Floating rate	26,601	924	27,525
Total	44,624	6,331	50,955

	At December 31, 1999 Domestic	International	Total
		(in millions of €)	
Fixed rate	14,398	3,316	17,714
Floating rate	20,592	1,434	22,026
Total	34,990	4,750	39,740

(1) Net loans are total loans net of any value adjustments and net of any allowance for possible loan losses. The amount of net loans is the loan amount that appears on the face of the balance sheet.

Foreign Country Outstandings

For the years ended December 31, 2001, 2000 and 1999, foreign country outstandings are those outstandings outside Italy denominated or loaned and funded (or otherwise hedged) in a currency other than the euro. The outstandings include net loans to customers and to banks, other advances, securities and other monetary assets, but exclude finance provided within the Group, and loans guaranteed by SACE (an Italian government agency which provides export credit insurance) or by supranational organizations.

The following table shows, at the dates indicated, the aggregate amount of the Group's cross-border outstandings to borrowers outside Italy where outstandings in the borrower's country exceeded 1% of the Group's total assets. The geographic breakdown is based on the country of the borrower or guarantor of ultimate risk.

Loans and monetary assets	At December 31, 2001		2000		1999	
	(millions of €)	% of total assets	(millions of €)	% of total assets	(millions of €)	% of total assets
United States	5,758	3.38	7,488	4.33	4,089	2.92
United Kingdom	1,659	0.97	1,809	1.05	3,348	2.39

The following table shows, at the dates indicated, the total amount for each type of borrower and the aggregate amount of the Group's cross-border outstandings to borrowers outside Italy where outstandings in the borrower's country exceeded 0.75 % of the Group's total assets. Undrawn lines of credit are disclosed to the extent that management considers them to be material. The geographic breakdown is based on the country of the borrower or the guarantor of ultimate risk.

Loans and monetary assets	Government	Banks and other financial institutions	Commercial industrial and others	Total	% of total assets
		(in millions of €, except percentages)			
At December 31, 2001					
United States	114	3,084	2,560	5,758	3.38
United Kingdom	1	597	1,061	1,659	0.97
Total	115	3,681	3,621	7,417	4.35

Loans and monetary assets	Government	Banks and other financial institutions	Commercial industrial and others	Total	% of total assets
		(in millions of €, except percentages)			
At December 31, 2000					
United Kingdom	35	2,115	5,338	7,488	4.33
United States	1	658	1,150	1,809	1.05
Japan	31	114	1,269	1,414	0.82
Total	67	2,887	7,757	10,711	6.20
At December 31, 1999					
United Kingdom	-	618	2,730	3,348	2.39
United States	40	1,742	2,307	4,089	2.92
Total	40	2,360	5,037	7,437	5.31

Risk Elements in the Loan Portfolio

The Group analyzes the risk elements in its loan portfolio based on Italian regulations and industry practice and on applicable local regulations and industry practices in other countries where the Group does business. Its loan classification policies and procedures differ in significant respects from those followed by banks in the United States.

The Group divides its loan portfolio into five broad categories:

- *in bonis*, or performing loans;
- restructured loans or loans in course of restructuring;
- *incagli*, or problem loans;
- *sofferenze*, or non-performing loans; and
- loans exposed to country risk.

In bonis, or preforming loans

In bonis, or performing loans includes loans past due by more than 90 days which are not otherwise classified. Under Italian practice and the Bank of Italy regulations, a loan may be classified as *in bonis*, even though the loan is 90 days past due as to principal, interest or both. In this condition, the loan is still *in bonis*, but it generates default interest. Sanpaolo IMI writes down the entire amount of such default interest, regardless of the possibility of the default interest being paid. It does not write down the regular interest on such loans because they are still considered performing.

Sanpaolo IMI classifies loans past due by more than 90 days as *in bonis* if:

- in its discretion, Sanpaolo IMI believes that the borrower is experiencing temporary financial difficulties; and
- the Bank of Italy regulations do not require Sanpaolo IMI to consider the loan as a problem loan (*incagli)* in view of the nature of the transaction (the term of the delay in the payment is shorter than prescribed by the Italian regulators).

If a loan that is overdue by more than 90 days fails to satisfy one or both of the above criteria, it will be classified as *incagli* or *sofferenze*, as the case may be.

Performing loans are subject to general provisioning only, except for loans to certain companies under credit watch, which are subject to valuation on a case-by-case basis. General adjustments to performing loans are calculated on a historical-statistical basis, taking into consideration the average percentage of previously performing loans which became doubtful during the last four years. This percentage was applied to the total of performing loans at the end of the year to determine the potential percentage of performing loans which, based on historical trends, could be transferred in the future to other categories of loans with a higher degree of risk. The average percentage writedown for each risk category was then applied to the total

For the Parent Bank this method is integrated with a portfolio model to monitor and control lending risks.

The historical/statistical method of the Parent Bank, which provides a historical valuation of portfolio risk consists of the following steps:

- year-end estimate by the Bank of the performing loans which are likely to become doubtful loans during the next year, the estimate is based on the increases or decreases of doubtful loans in the last four years;

- calculation of the potential losses likely to be incurred on the amount estimated in the bullet point above, assuming that the loss percentage is the same as the average loss on performing loans transferred to doubtful loans in the preceding four years.

This portfolio model, which estimates the extent of the loss on its loan portfolio that the Parent Bank may suffer in a year, is essentially based on the following elements:

- the rating attributed to each counterparty, which reflects the risk of insolvency over the next twelve months (i.e. the transfer to doubtful loans);

- the so-called "loss given default", which measures the average loss percentage in the case of insolvency.

The loss resulting from the above described elements constitutes the maximum general writedown to cover the inherent risk in performing loans. This is increased by the Parent Bank, by applying a multiplying factor to a value considered adequate to take into account the various phases of the economic cycle.

Restructured loans or loans in course of restructuring; these loans are subject to valuation on ca case-by-case basis.

Incagli, or problem loans; these loans are subject to valuation on a case-by-case basis.

Sofferenze, or non-performing loans; these loans are subject to valuation on a case-by-case basis.

Loans exposed to country risk; these are loans to borrowers resident in countries with debt-servicing difficulties, and are normally adjusted on a general basis by applying writedown percentages that are not lower than those specified by the Italian Banking Association. However, where specific loans exposed to country risk have underlying guarantees, the level of lending risk hedging offered by the underlying guarantees are taken into account when evaluating the specific loans. Underlying guarantees are not taken into account for certain specific positions presenting particular risks; such positions are assessed on a case-by-case basis, using objective criteria for the applicable category of risk.

The five categories above are currently used within the Sanpaolo IMI Group and are reported in the explanatory notes to the financial statements for 2001 (see Note 12 to the Consolidated Financial Statements) according to the principles in force during the period.

The Group reports the amounts of loans falling within these categories to the Bank of Italy in accordance with its regulations. The amount of loans which are restructured loans or loans in course of restructuring has been reported to the Bank of Italy since 1995.

Italian regulation and industry practices often result in loans being classified as problem or non-performing loans later than would be the case in the United States. Since many loan payments are due only on a semi-annual basis, a significant proportion of problem loans are loans where a delay in scheduled payments has exceeded 18 months, although the Group does classify many loans, particularly non-installment loans, when the delay in expected payments is much less than 18 months.

Sanpaolo IMI Group's loan portfolio is monitored on an ongoing basis at Sanpaolo IMI headquarters and in the branches or subsidiaries in order to identify potential problems as early as possible and to evaluate the prospects of recovery and estimated losses with respect to problem and non-performing loans (see "Item 11. Quantitative and Qualitative Disclosures about Market Risk"). In addition, for accounting purposes, each non-performing loan, problem loan, restructured loan or loan in the course of restructuring, or loan exposed to country risk is evaluated on an ongoing basis and, if warranted, a specific provision or adjustment is made for the expected loss in accordance with the policies and procedures described below. The entire performing loan portfolio is evaluated for accounting purposes every three months on an aggregate basis.

Loans, including principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking into account the financial condition of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the country in which such borrowers are residents. See "—Non-accrual of interest" below. The following table shows, at the dates indicated, the Group's total classified loans by category of loan classification, except for loans exposed to country risk, which are discussed in "Loans Exposed to Country Risk" below. The table below follows U.S. practice and shows total loans that are past due by more than 90 days. With the exception of total loans that are past due by more than 90 days, all other information in this section of the annual report, including credit quality ratios, follows Italian regulations and industry practices which, in comparison to U.S. practice, result in fewer loans classified in the applicable categories.

Guarantees and commitments

Guarantees and commitments giving rise to lending risk are recorded at the total value of the exposure, while the related risk is assessed on the basis described in relation to loans. Expected losses in relation to guarantees and commitments are covered by the related provision. Where the Group has taken over, through a guarantee, the lending risk ("seller protection") of a loan, exposures to the debtors underlying credit derivatives are included among the commitments.

	At December 31,				
Total Loans(1)	**2001**	**2000**	**1999**	**1998(4)**	**1997(4)**
	(in millions of €, except percentages)				
Loans past due by more than 90 days (but still classified as *in bonis*):					
Domestic	581	758	262	283	1,087
Outstanding principal(2)	497	551	208	217	898
Unpaid installments(3)	84	207	54	66	189
International	9	73	1	2	17
Outstanding principal(2)	8	68	1	2	1
Unpaid installments(3)	1	5	-	-	16
Total	590	831	263	285	1,104
Restructured loans or loans in course of restructuring domestic	182	131	112	189	-
International	5	8	43	-	-
Total	187	139	155	189	-
Problem loans *(incagli)* domestic	987	1,213	1,532	1,802	2,017
International	103	128	13	144	258
Total	1,090	1,341	1,545	1,946	2,275
Non-performing loans *(sofferenze)* domestic	2,730	3,331	3,972	4,282	3,997
International	350	225	185	244	269
Total	3,080	3,556	4,157	4,526	4,266
Total loans overdue by more than 90 days, non performing, restructured loans and loans in course of restructuring, and problem loans	4,947	5,867	6,120	6,946	7,645

Total Loans(1)	At December 31, 2001	2000	1999	1998(4)	1997(4)
	(in millions of €, except percentages)				
As a percentage of all total loans	4.1%	4.8%	6.2%	6.1%	11.3%

(1) Total loans are loans net of any value adjustments but before deduction for the allowance for possible loan losses. Total loans do not appear on the face of the balance sheet, but are set forth in Note 12 to the Consolidated Financial Statements under "Total loans to customers" and "Total loans to banks".

(2) Outstanding principal consists of installments of principal (but not interest) which have not yet come due.

(3) Unpaid installments consist of installments of principal and interest (including default interest) which have come due but have not been paid. See Note 12 to the Consolidated Financial Statements.

(4) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27=€1.

Non-performing Loans

Under the Bank of Italy regulations, as implemented by Sanpaolo IMI policies, Sanpaolo IMI classifies a loan as non-performing (*sofferenze)*:

(1) when the borrower is in insolvency proceedings;

(2) once Sanpaolo IMI or any other creditor initiates legal proceedings in respect of the debt of that borrower; or

(3) if the borrower is experiencing serious financial difficulties that are not likely to be temporary, even if Sanpaolo IMI has not yet initiated legal proceedings.

In addition, effective January 1, 2000 Sanpaolo IMI's policy, which is derived from the Bank of Italy regulations, has been to classify all loans with periodic payments, whether amortizing or not, as non-performing when both (a) a borrower fails to pay a specified number of installments when due and (b) the amount of the overdue payments, net of default interest, is equal to or above 20% of Sanpaolo IMI's exposure to the borrower (net of default interest).

The number of missed installments that will cause a loan to be treated as non-performing depends upon the number of installments required contractually and the term of the loan, as follows:

Installment period	Term of 36 months or less	Term of over 36 months
Monthly	8	10
Quarterly	5	7
Semi-annually	3	4
Annually	6 months after 2	6 months after 2

The Bank of Italy regulations will result in a loan being treated as non-performing significantly later than would be the case in the United States.

The following table shows, at the dates indicated, the amount of Sanpaolo IMI Group's non-performing loans by customer group and economic sector and as a percentage of total non-performing loans.

Total non-performing loans(1)	At December 31, 2001		2000		1999		1998(2)	
	(millions of €)	% of total non-performing loans	(millions of €)	% of total non-performing loans	(millions of €)	% of total non-performing loans	(millions of €)	% of total non-performing loans
Non performing loans to non-financial businesses and personal businesses:								
- to residents of Italy								
Building and construction industry	636	20.6	963	27.1	1,122	27.0	1,270	28.1

Total non-performing loans(1)	At December 31, 2001 (millions of €)	2001 % of total non-performing loans	2000 (millions of €)	2000 % of total non-performing loans	1999 (millions of €)	1999 % of total non-performing loans	1998[2] (millions of €)	1998[2] % of total non-performing loans
Wholesale and retail trade..............	360	11.7	472	13.3	349	8.4	364	8.0
Other sales and distribution services	375	12.2	341	9.6	500	12.0	530	11.7
Agriculture, forestry, fisheries........	206	6.7	206	5.8	159	3.8	186	4.1
Food, beverages, tobacco...............	98	3.2	111	3.1	140	3.4	171	3.8
Textiles, footwear, clothing	79	2.6	103	2.9	78	1.9	80	1.8
Hotels and public services	83	2.7	82	2.3	91	2.2	88	2.0
Metals	48	1.6	68	1.9	65	1.6	65	1.4
Electronics, electrical goods, EDP..	57	1.9	61	1.7	59	1.4	51	1.1
Transportation services..................	39	1.3	58	1.6	57	1.4	35	0.8
Industrial and agricultural machine.	19	0.6	46	1.3	50	1.2	65	1.4
Mining, minerals............................	36	1.2	46	1.3	25	0.6	52	1.1
Miscellaneous industrial products...	35	1.1	43	1.2	35	0.8	34	0.8
Paper, printing, publishing.............	32	1.0	38	1.1	34	0.8	37	0.8
Chemicals	24	0.8	33	0.9	14	0.3	32	0.7
Means of transport.........................	25	0.8	31	0.9	35	0.8	42	0.9
Rubber, plastics	20	0.6	25	0.7	23	0.6	26	0.6
Oil and gas, electric utilities	18	0.6	23	0.6	21	0.5	40	0.9
Communications............................	2	0.1	2	0.1	1	-	1	-
Total to residents	2,192	71.2	2,752	77.4	2,858	68.7	3,169	70.0
- to non residents............................	267	8.7	204	5.7	202	4.9	224	5.0
Total non-performing loans related to non-financial businesses and personal businesses	2,459	79.8	2,956	83.1	3,060	73.6	3,393	75.0
Other								
Individuals and other operators.......	471	15.3	498	14.0	943	22.7	972	21.5
Financial institutions......................	131	4.3	83	2.3	137	3.3	156	3.4
Credit Institutions	11	0.4	14	0.4	12	0.3	4	0.1
Other public agencies	5	0.2	2	0.1	5	0.1	-	-
Governments..................................	3	0.1	3	0.1	-	-	1	-
Total non-performing loans	3,080	100.0	3,556	100	4,157	100.0	4,526	100.0

(1) Total loans are loans net of any value adjustments but before deduction for the allowance for possible loan losses. Total loans do not appear on the face of the balance sheet, but are set forth in Note 12 to the Consolidated Financial Statements under "Total loans to customers" and "Total loans to banks".

(2) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27 = €1.

The decrease in the amount of non-performing loans at year-end 2001 compared to year-end 2000 is attributable primarily both to the exclusion from the scope of consolidation of Sanpaolo Immobiliare S.p.A. which was sold in July 2, 2001 and to the assignment without recourse during the year 2001 of 18,577 short-term loans. These loans, recorded for a gross value of €640 million and a net value of €111 million, have been sold for €113 million.

In 2000, Sanpaolo IMI sold 20,391 short-term loans, 16,282 mortgage loans and 935 industrial loans. These non-performing loans had a gross book value of €1.554 billion and a net book value of €756 million, and were sold for €848 million. This led to writebacks to the statement of income of €92 million.

In 1997, San Paolo sold 1,400 non-performing loans, with a gross book value of €217 million and a net book value of €170 million, for €98 million.

Problem Loans

Under the Bank of Italy guidelines, as implemented by Sanpaolo IMI policies, Sanpaolo IMI classifies a loan as a problem loan (*incagli*) when the borrower is experiencing financial difficulties that are likely to be temporary (i.e., can be resolved within a reasonable time). A "reasonable time" is defined as a maximum of 12 months unless Sanpaolo IMI has agreed with the borrower on a rescheduling of payments and the borrower is making payments paying in accordance with that schedule. A current account overdraft may be classified as a problem loan if the borrower has exceeded the established credit limit for a period of time that would suggest that the borrower is experiencing financial difficulties.

Installment loans are classified as problem loans based on a variety of criteria, including as a result of a borrower's non-installment loan being classified as a problem loan; conversely, a non-installment loan may be classified as a problem loan, among other reasons, as a result of a borrower's installment loan being classified as a problem loan.

As in the case of non-performing loans, Sanpaolo IMI's policy has been to classify installment loans, whether amortizing or not, as problem loans, when both (a) a borrower fails to pay a specified number of installments when due and (b) the amount of the overdue payments, net of default interest, is equal to or above 20% of Sanpaolo IMI's exposure to the borrower (net of default interest).

The number of missed installments that will cause a loan to be treated as a problem loan depends upon the number of installments required contractually and the term of the loan, as follows:

Installment period	Term of 36 months or less	Term of over 36 months
Monthly	5	7
Quarterly	3	5
Semi-annually	2	3
Annually	6 months after 1	6 months after 1

Restructured loans or loans in course of restructuring

Under the Bank of Italy guidelines, Sanpaolo IMI classifies a loan as restructured when a syndicate of banks (or a single bank) agrees to a delay in payment of the loan or re-negotiates the loan at lower-than-market rates; a loan is classified as in course of restructuring when the borrower has applied for consolidation of debt to its banks not more than 12 months previously.

Loans exposed to country risk

Loans exposed to country risk are set by the Italian Banking Association under the Bank of Italy guidelines, with the exception of case-by-case valuations of specific positions which, on the basis of objective criteria, are valued consistent with the loan category to which they relate. They do not include loans guaranteed by entities in a non-classified country.

Country risk is classified in four categories by the Bank of Italy, focusing in particular on credit history, access to the international markets, ratios of debt to gross national product and to exports, debt service ratio and potential and actual extraordinary events for each country. At December 31, 2001, the Group's net exposure in all countries classified as presenting some risk by the Italian Banking Association was €89 million.

Non-accrual of interest

Accrual of interest is treated differently for installment and non-installment loans. In accordance with Italian law on the enforcement of loan contracts, the Group continues to accrue contractual interest on the non-overdue principal of installment loans if the Group has not accelerated the loan, even if the loan is classified as problem or non-performing, except where the borrower is in bankruptcy. The Group capitalizes and includes in the loan balance such accrued but unpaid contractual interest. Such capitalized interest is subject to allowance and adjustments as discussed in "—Allowance for possible loan losses and value adjustments to Loans" below. In 2001, the Group included in income before allowances and adjustments €69 million of unpaid contractual interest with respect to classified loans.

Contractual interest does not accrue on non-installment loans that are classified as non-performing, but it generally accrues on non-installment problem loans, except in certain circumstances.

For both installment and non-installment loans, default interest (*interessi di mora*) is calculated at a penalty rate on all past due payments of principal and contractual interest. Since January 1, 1996, the Group has had a policy of treating all default interest as irrecoverable and non-accruing. However, default interest is capitalized with a matching specific allowance, resulting in no net balance sheet effect.

Payments of default interest are accounted for on a cash basis. The amount of default interest collected by Sanpaolo IMI in 2001, 2000, 1999 and 1998 was, respectively, €35 million, €61 million, €42 million and €53 million.

Neither contractual interest nor default interest is calculated on loans to borrowers who have been declared bankrupt or are in bankruptcy proceedings. At December 31, 2001, approximately 26.32% of Sanpaolo IMI Group's total non-performing loans were to such borrowers.

Allowance for possible loan losses and value adjustments to Loans

Sanpaolo IMI Group records loan provisions through allowances for possible loan losses, which may be deducted from income for tax purposes only in specified amounts over time as discussed below, and through adjustments to the value of loans, which may be made only in the limited circumstances described below but which are immediately deductible for tax purposes.

Under Italian tax law, net provisions for possible losses in loans to customers and provisions for general credit risk are immediately deductible from taxable income up to 0.6% of the amount of loans to customers at year-end, until the cumulative allowance for general credit risk totals a maximum of 5% of the amount of such loans. Following changes in Italian tax law in 2000, net provisions over 0.6% may be deducted from taxable income on a straight-line basis over nine years. Provisions for loans to banks are not deductible from taxable income until the loss is realized. As noted in "Loans exposed to country risk" above, Sanpaolo IMI Group makes provisions for loans exposed to country risk in accordance with percentages not lower than those set by the Italian Banking Association under the Bank of Italy regulations, and these loans are shown net of such provisions on the balance sheet. Such provisions are generally subject to the 0.6% deductibility limit.

Loans, including principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking into account the financial condition of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the country in which such borrowers are residents. Allowances for possible loan losses are shown in a notation on the balance sheet, while value adjustments, which are made directly to the value of loans, are not separately noted, except for value adjustments related to the current year.

Guarantees, commitments, risks and charges are subject to valuation by Sanpaolo IMI Group using the same criteria applicable to loans and, where necessary, a provision for possible losses is recorded in the statement of income and balance sheet.

The following table shows, for the years indicated, details of the changes in the Group's allowances for possible loan losses as they affected the balance sheet and statement of income.

	Year ended December 31,				
	2001	2000	1999	1998	1997
	(in millions of €)				
Opening balances	3,666	3,458	3,470	2,489	2,333
Charge off:					
Reported provision	607	616	655	741	742
Value adjustments charged directly to income	15	18	9	22	287
Total charge off	622	634	664	763	1,029
Recoveries:					
Reversal taken to income:	(107)	(261)	(159)	(92)	(79)
Recoveries of value adjustments taken to income	(37)	(47)	(68)	(68)	(114)
Change in estimated loss on loans	(132)	(107)	(134)	(94)	(141)
Total recoveries	(276)	(415)	(361)	(254)	(334)
Net charge off	346	219	303	509	695
Other charges:					
Loans closed or cashed out	(716)	(1,036)	(494)	(459)	(744)
Acquisitions and disposals(1)	-	813	(23)	670	(51)
Gross up to reflect default interest	143	148	176	212	256
Other	(168)	64	26	49	-
Total other	(741)	(11)	(315)	472	(539)
Ending balances	3,271	3,666	3,458	3,470	2,489

(1) The balance includes the total adjustments for the acquisition of Banco di Napoli as of December 31, 2000, for the deconsolidation of Crediop as of December 31, 1999 and of the merged Sanpaolo IMI Group as of December 31, 1997.

The following tables show, at the dates indicated, a breakdown of the allowance for loan losses by category:

	At December 31, 2001		
	Allowance	Percent allowance(1)	Percent total loans(2)
	(in millions of €, except percentages)		
Domestic			
Government and other public entities	9	0.28%	9.81%
Credit institutions	1	0.03%	7.15%
Non-financial businesses	2,105	64.34%	50.36%
Other	115	3.52%	8.33%
International	342	10.46%	24.35%
Unallocated	699	21.37%	–
Total	3,271	100.00%	100.00%

	At December 31, 2000		
	Allowance	Percent allowance(1)	Percent total loans(2)
	(in millions of €, except percentages)		
Domestic			
Government and other public entities	3	0.08%	11.62%
Credit institutions	1	0.03%	8.12%
Non-financial businesses	2,741	74.77%	49.29%
Other	94	2.56%	8.99%
International	282	7.69%	21.98%
Unallocated	545	14.87%	-
Total	3,666	100.00%	100.00%

	At December 31, 1999		
	Allowance	Percent allowance(1)	Percent total loans(2)
	(in millions of €, except percentages)		
Domestic			
Government and other public entities	1	0.03%	9.60%
Credit institutions	1	0.03%	10.39%
Non-financial businesses	2,781	85.74%	51.13%
Other	129	3.73%	4.05%
International	341	10.32%	24.83%
Unallocated	205	0.15%	
Total	3,458	100.00%	100.00%

	At December 31, 1998(3)		
	Allowance	Percent allowance(1)	Percent total loans(2)
	(in millions of €, except percentages)		
Domestic			
Government and other public entities	85	2.48%	18.88%
Credit institutions	2	0.05%	8.93%
Non-financial businesses	2,599	74.88%	44.27%
Other	211	6.08%	6.82%
International	329	9.48%	21.10%
Unallocated	244	7.03%	-
Total	3,470	100.00%	100%

	At December 31, 1997(3)		
	Allowance	Percent allowance(1)	Percent total loans(2)
	(in millions of €, except percentages)		
Domestic			
Government and other public entities	25	1.01%	21.35%
Credit institutions	-	-	0.59%
Non-financial businesses	1,654	66.45%	37.24%
Other	398	15.99%	26.97%
International	293	11.77%	13.85%
Unallocated	119	4.78%	-
Total	2,489	100.00%	100.00%

(1) Allowance in category as percentage of aggregate allowances.

(2) Loans in category as percentage of total loans.

(3) The financial statements for December 31, 1997 and 1998 and for the years then ended were prepared in lire and translated into euros at the fixed rate of exchange of Lit. 1,936.27 = €1.

The following table shows certain credit quality ratios at the dates indicated:

	At December 31,				
	2001	2000	1999	1998	1997
	(percentages)				
Loan loss allowance for non-performing loans as percentage of total non-performing loans	69.77	71.43	59.25	55.53	40.90
Loan loss allowance for problem loans as percentage of total problem loans	26.88	34.15	32.10	24.13	19.94
Loan loss allowance for loans as percentage of total loans	2.68	3.02	3.50	3.06	2.52
Non-performing loans as percentage of total loans:					
Total	2.53	2.93	4.21	3.99	4.32
Net	0.76	0.84	1.71	1.77	2.55
Problem loans as percentage of total loans					
Total	0.89	1.10	1.56	1.71	2.31
Net	0.65	0.73	1.06	1.30	1.85
Net charge off as percentage of average loans and leases to non-credit Institutions	0.39	0.30	0.44	0.61	1.09

The following table shows certain statistics related to total loans at the dates indicated:

	At December 31,				
Total Loans(1)	2001	2000	1999	1998	1997
	(in millions of €, except percentages)				
Total loans	121,898	121,491	98,776	113,452	98,705
Net charge off as a percentage of total loans	0.28%	0.18%	0.31%	0.45%	0.70%
Total allowance at the end of period as a percentage of total loans	2.68%	3.02%	3.50%	3.06%	2.52%

(1) Total loans are loans net of any value adjustments but before deduction for the allowance for possible loan losses. Total loans do not appear on the face of the balance sheet, but are set forth in Note 12 to the Consolidated Financial Statements under “Total loans to customers” and “Total loans to banks”.

Funding Sources

The principal components of the Group’s funding are customer deposits (demand and saving accounts), repurchase agreements, certificates of deposit (“CDs”), bonds, subordinated debt and interbank funding. Domestic current and saving accounts are primarily interest-bearing accounts. CDs and bonds are issued both by Sanpaolo IMI, its international branches, Sanpaolo IMI Bank (International) and Banca IMI Group, and have maturities ranging from three months to ten years. The Group’s retail customers are the main source of the Group’s funding.

At December 31, 2001, funding in euro represented approximately 80% of the Group’s total funding.

The following table shows the source and type of the Group's funding at the dates indicated:

	At December 31,					
	2001		2000		1999	
	(in millions of €, except percentages)					
Customer funds:						
Current accounts	40,330	28.74%	38,531	27.74%	31,344	28.89%
Saving accounts	13,394	9.55%	14,865	10.70%	4,752	4.38%
Repurchase agreements	9,133	6.51%	7,944	5.72%	3,758	3.46%
CDs	8,346	5.95%	8,888	6.40%	9,090	8.38%
Bonds	27,695	19.74%	26,589	19.14%	23,643	21.79%
Commercial papers	4,137	2.95%	3,107	2.24%	2,584	2.38%
Other(1)	3,750	2.67%	4,220	3.04%	3,786	3.49%
Unsubordinated customer funds	106,785	76.10%	104,144	74.98%	78,957	72.77%
Subordinated liabilities	5,607	4.00%	5,158	3.71%	1,524	1.41%
Total customer funds	112,392	80.10%	109,302	78.69%	80,481	74.18%
Due to banks:						
Due to central banks	2,551	1.82%	3,767	2.71%	5,070	4.67%
Due to other banks	25,371	18.08%	25,829	18.60%	22,942	21.15%
Total due to banks	27,922	19.90%	29,596	21.31%	28,012	25.82%
Total funding	140,313	100.00%	138,898	100.00%	108,493	100.00%

(1) Includes public funds administered at December 31, 2001, 2000 and 1999 amounting to €100 million, €88 million, €50 million, respectively.

C. Risk Factors

Market declines and volatility can materially adversely affect revenues and profits.

Conditions in the financial markets in Italy and elsewhere, materially affect Sanpaolo IMI's businesses. An overall market downturn can adversely affect Sanpaolo IMI's business and financial performance. Market declines can cause revenues to decline.

Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.

In some of Sanpaolo IMI's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if Sanpaolo IMI cannot close out deteriorating positions in a timely way. This may especially be the case for assets Sanpaolo IMI holds for which there are not very liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may have values that Sanpaolo IMI calculates using models other than publicly-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that Sanpaolo IMI did not anticipate.

Even where losses are for Sanpaolo IMI's clients' accounts, they may fail to repay Sanpaolo IMI, leading to material losses for Sanpaolo IMI, and Sanpaolo IMI can be harmed.

While Sanpaolo IMI's clients would be responsible for losses Sanpaolo IMI incurs in taking positions for their accounts, Sanpaolo IMI may be exposed to additional credit risk as a result of their need to cover the losses. Sanpaolo IMI business may also suffer if Sanpaolo IMI's clients lose money and Sanpaolo IMI loses the confidence of clients in its products and services.

Sanpaolo IMI's investment banking revenues may decline in adverse market or economic conditions.

Sanpaolo IMI's investment banking revenues, in the form of financial advisory and underwriting fees, directly relate to the number and size of the transactions in which Sanpaolo IMI participates and are susceptible to adverse effects from sustained market downturns. These fees and other revenues are generally linked to the value of the underlying assets and therefore decline as asset values decline. In particular, Sanpaolo IMI's revenues and profitability could sustain material adverse effects from a significant reduction in the number or size of debt and equity offerings and merger and acquisition transactions.

Sanpaolo IMI may generate lower revenues from brokerage and other commission- and fee-based businesses.

Market downturns are likely to lead to declines in the volume of transactions that Sanpaolo IMI executes for its customers and, therefore, to declines in Sanpaolo IMI's non-interest revenues. In addition, because the fees that Sanpaolo IMI charges for managing our clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of Sanpaolo IMI clients' portfolios or increases the amount of withdrawals would reduce the revenues Sanpaolo IMI receives from its asset management and private banking and custody businesses.

Even in the absence of a market downturn, below-market performance by Sanpaolo IMI mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue Sanpaolo IMI receives from its asset management business.

If Sanpaolo IMI is unable to successfully integrate its mergers and acquisitions and to fully implement the reorganization of its structure, Sanpaolo IMI's future earnings and share price may be materially and adversely affected.

As a result of its acquisition of Banco di Napoli S.p.A. ("Banco di Napoli"), and merger by incorporation of Banca Cardine S.p.A. ("Cardine"), Sanpaolo IMI is exposed to the risk of not successfully integrating Banco di Napoli's and Cardine's employees, products, services and systems with those of the rest of the Group. If Sanpaolo IMI is not successful in this integration effort, it may not be able to realize the anticipated synergies and other benefits from the acquisition. To successfully integrate Banco di Napoli and Cardine, the Group was restructured in 2001 and Sanpaolo IMI is developing a *"Macchina operativa intragruppo"* ("MOI") an intragroup operating structure.

Sanpaolo IMI's future earnings, as well as the future value of Sanpaolo IMI's shares and ability to compete effectively, may be materially and adversely affected should Sanpaolo IMI fail to achieve the anticipated benefits from acquisitions, the reorganization and the MOI or should Sanpaolo IMI's costs to achieve these benefits be higher than expected.

Sanpaolo IMI's risk management policies, procedures and methods may leave Sanpaolo IMI exposed to unidentified or unanticipated risks, which could lead to material losses.

Sanpaolo IMI has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, Sanpaolo IMI's risk management techniques and strategies may not be fully effective in mitigating Sanpaolo IMI's risk exposure in all economic market environments or against all types of risk, including risk that Sanpaolo IMI fails to identify or anticipate. Some of Sanpaolo IMI's qualitative tools and metrics for managing risk are based upon Sanpaolo IMI's use of observed historical market behavior. Sanpaolo IMI applies statistical and other tools to these observations to arrive at quantifications of our risk exposures. These tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors Sanpaolo IMI did not anticipate or correctly evaluate in its statistical models. This would limit Sanpaolo IMI's ability to manage its risks. Sanpaolo IMI's losses thus could be significantly greater than the historical measures indicate. In addition, Sanpaolo IMI's quantified modeling does not take all risks into account. Sanpaolo IMI's more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential customers believe Sanpaolo IMI's risk management is inadequate, they could take their business elsewhere. This could harm Sanpaolo IMI's reputation as well as its revenues and profits.

Intense competition, especially in our home market of Italy, where Sanpaolo IMI has the largest single concentration of its businesses, could materially hurt Sanpaolo IMI's revenues and profitability.

Competition is intense in all of Sanpaolo IMI's primary business areas in Italy and the other countries in which we conduct our business, including other European countries and the United States. We derived approximately 79% of our net revenues in 2001 from Italy, a mature market where competitive pressures have been increasing quickly. If Sanpaolo IMI is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for Sanpaolo IMI, Sanpaolo IMI may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the Italian economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for Sanpaolo IMI and its competitors to try to capture.

Sanpaolo IMI's results are affected by events which are difficult to anticipate.

Sanpaolo IMI's earnings and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank (the "ECB"), and competitive factors, in each case on a regional, national or international level. Each of these factors can change the level of demand for Sanpaolo IMI's products and services, and change the risk to Sanpaolo IMI of providing such products and services. For instance, changes in general economic conditions, the performance of financial markets, interest rate levels and the policies of central banks may affect, positively or negatively, Sanpaolo IMI's financial performance by the demand for Sanpaolo IMI's products and services, the credit quality of borrowers and counterparties, the interest rate margin realized by Sanpaolo IMI between its lending and borrowing costs, and the value of Sanpaolo IMI's investment and trading portfolios. Changes in laws and regulations may affect, positively or negatively, Sanpaolo IMI's ability to provide certain products and services, and the cost of complying with such laws and regulations.

Sanpaolo IMI has economic, financial market, credit, legal and other specialists who monitor economic and market conditions and government policies and actions. However, because it is difficult to predict with accuracy changes in economic or market conditions or in governmental policies and actions, it is difficult for Sanpaolo IMI to anticipate the effects that such changes could have on its financial performance and business activities.

Sanpaolo IMI is also exposed to operational risk. In order to conduct its activities, Sanpaolo IMI must be able to process operationally a large number of transactions, of varying complexity, across numerous and diverse products and services, in different currencies, for different clients, subject to a number of different legal and regulatory regimes, and in different locations. Sanpaolo IMI's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled. Any breakdown or weakness in these systems could negatively affect Sanpaolo IMI's financial performance and business activities.

Sanpaolo IMI is also exposed to market risk. For a discussion of market risk factors, please see "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

Devaluations of assets and write-downs could adversely affect Sanpaolo IMI's financial conditions and results of operations.

Future events in the capital markets and in credit ratings of market participants may result in substantial impairment to Sanpaolo IMI's assets at any time. Accounting standards relating to asset valuations and impairment may be refined to require the use of new criteria or methodology. Starting in fiscal year 2002, under U.S. GAAP goodwill must be valued pursuant to SFAS 142 "Goodwill and Other Intangible Assets". In accordance with the provisions of SFAS 142, goodwill will no longer be amortized, but will be subject to annual impairment tests which are based on a present value technique such as discounted cash flows. If, in applying SFAS 142, Sanpaolo IMI records a substantial impairment to goodwill or other intangible assets, Sanpaolo IMI's financial results reconciled to U.S. GAAP could be materially adversely affected. As of the date of this annual report, the management of Sanpaolo IMI has not quantified the impact that SFAS 142 may have to its financial results reconciled to U.S. GAAP.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Developments of the Company

Incorporation, Length of Life and Domicile

Sanpaolo IMI is incorporated as a limited liability company (Società per Azioni or S.p.A.) under the laws of Italy. Sanpaolo IMI was created on November 1, 1998 by the merger (the "Merger") of Istituto Bancario San Paolo di Torino S.p.A. ("Sanpaolo") and Istituto Mobiliare Italiano S.p.A. ("IMI''). Sanpaolo IMI is the legal successor of both Sanpaolo and IMI. Pursuant to Article 2504 bis of the Italian Civil Code, all rights previously exercised and all obligations and liabilities previously incurred by Sanpaolo and IMI have automatically passed to Sanpaolo IMI.

During 2000, Sanpaolo IMI acquired control of the Banco di Napoli group (formerly Gruppo Bancario Banco di Napoli and its Parent Bank Banco di Napoli – as defined below) which is now included within the Sanpaolo IMI Banking Group (the "Group").

In January 2001, Sanpaolo IMI acquired a stake of 10.9% in Cardine Banca S.p.A. ("Cardine"), the savings bank resulting from the merger of the Casse Venete and the Cassa di Risparmio di Bologna S.p.A., both operating in the North East of Italy. In consideration of the sale of its shareholding in Cardine to Sanpaolo IMI, Fondazione di Cassa di Risparmio di Venezia, one of the charitable foundations resulting from the application of the Law No. 218 of 30th July, 1990 (the "Amato Law"), took 1.96% of Sanpaolo IMI. In October 2001, certain shareholders of Sanpaolo IMI and Cardine (Compagnia di San Paolo, in respect of Sanpaolo IMI, and Fondazione di Cassa di Risparmio di Padova e Rovigo and Fondazione di Cassa di Risparmio in Bologna, in respect of Cardine), presented to the Bank of Italy a project for the integration of the groups headed by Sanpaolo IMI and Cardine. The Extraordinary Shareholders' Meetings of Sanpaolo IMI and Cardine approved this project by a resolution taken in March 2002.

As a result of these developments, the Group has proceeded to establish a new business model based upon its regional strengths and brands as described below under "—Organizational Structure".

Sanpaolo IMI is registered with the Company Register under number 06210280019 and with the Bank of Italy as a bank and, together with its subsidiaries (including Banco di Napoli S.p.A. ("Banco di Napoli")), as a banking group under numbers 5084.9.0 and 1025.6, respectively. Sanpaolo IMI is the reporting bank ("*capogruppo*") of the Group for regulatory purposes and, as capogruppo, is responsible for monitoring the Group's activities and maintaining the relationship with the Bank of Italy.

Sanpaolo IMI's registered office is located at Piazza San Carlo 156, Turin and its secondary offices are Viale dell'Arte 25, Rome, and Via Farini 22, Bologna.

History and Development

Sanpaolo IMI's origins date back to 1563 when Sanpaolo was established in Turin as a charitable foundation under the name Compagnia della Fede Cattolica sotto l'Invocazione di San Paolo with both charitable and banking activities. The origins of the Banco di Napoli date back to the sixteenth century and, particularly, to the foundation of the Sacro Monte di Pietà in 1539. Several credit institutions in the region were merged in 1809 into the Banco delle due Sicilie which was renamed as Banco di Napoli upon the proclamation of the Kingdom of Italy in 1860.

In the 1930s the Italian banking industry went through a period of reorganization and regulation in the course of which IMI was established as a public law entity (*Ente di Diritto Pubblico*) in 1931 and Sanpaolo became a public law credit institution (*Istituto di Credito di Diritto Pubblico*) in 1932. In the context of the reformed banking regulation, which lasted until the beginning of the 1990s, the main focus of IMI's activities was towards medium- and long-term lending to promote the development of the Italian industrial sector, including lending for public works and export finance, while Sanpaolo IMI's activities were directed more towards short-term commercial banking, together with certain separately-accounted sections for activities such as mortgage and industrial lending, in its home base.

In the 1990s, certain reforms were introduced into the Italian banking sector. In particular, the Bank of Italy relaxed certain restrictions on the opening of new branches and Sanpaolo was thus encouraged to continue to expand beyond its traditional home base in Piedmont. The government also sought to encourage a greater private sector involvement in banking through the conversion of charitable foundations with banking businesses (such as Sanpaolo) into separate charities and businesses and through the sale of stakes in state-controlled banks (such as IMI). These developments were to be effected through a series of legal measures, including tax incentives, to strengthen the capital structure of the banking sector (the first of which was the Amato Law) and through direct sales by the Italian Ministry of Treasury (the "Treasury") or state controlled holding companies.

Pursuant to the Amato Law, Sanpaolo was established as a Società per Azioni as of December 31, 1991, under the name Istituto Bancario San Paolo di Torino Società per Azioni. In 1992, approximately 21% of Sanpaolo's share capital was floated in Italy and the shares traded on the Stock Exchange Automated Quotation International System of the London Stock Exchange Limited ("SEAQ International").

The charitable foundation, Compagnia di San Paolo, indirectly remained majority shareholder until 1997, when six long-term shareholders and four medium-term shareholders purchased 22% of Sanpaolo's share capital, while a further 31% was sold in an Italian public offering and a global institutional offering. Following the Bank of Italy's approval, Sanpaolo became capogruppo.

IMI became a *Società per Azioni* in 1991. There was no public market for IMI's shares prior to 1994. In that year, as part of the government's direct privatization campaign, the Treasury and several other shareholders in IMI took part in a global offering (the "Global Offering") of more than one-third of IMI's share capital. In connection with the Global Offering, IMI's shares were listed on the Italian Stock Exchange and its American Depository Shares (each ADS representing three shares) were listed on the New York Stock Exchange, and the shares were also listed on SEAQ International. In 1995, shares in IMI held by the Treasury were privately placed with Italian and European financial institutions and private industrial companies. In July 1996, IMI lead-managed the third offering of its own shares by the Treasury, to institutional investors in Italy, Europe and the USA.

The Merged Group: Sanpaolo and IMI

During the second half of the 1990s the banking sector in Italy and worldwide went through a phase of rationalization and consolidation. In Europe, this consolidation was also influenced by the advent of the Euro, with Italy joining the European economic and monetary union and the replacement of the Italian Lira by the Euro at the beginning of 2002. In light of these developments, new Italian banking groups were created or consolidated. The Italian Government and the Bank of Italy encouraged such developments. The managements of both Sanpaolo and IMI determined that, to compete effectively in the changing Italian and European banking environments, a larger size and an appropriate merger partner would be a positive development and would also provide the basis for further aggregation and consolidation in the sector.

The Merger was completed on November 1, 1998. For accounting and tax purposes, the Merger became effective as from January 1, 1998. Sanpaolo IMI's shares and ADSs (each ADS representing two shares) are listed on, respectively, Mercato Telematico Azionario in Italy and the New York Stock Exchange. The ADS depository is JPMorgan Chase Bank.

In Italy, there are no specific legal rules or accounting principles concerning the accounting treatment of business combinations, including mergers such as that of San Paolo and IMI. As a result, merger accounting in Italy has developed on the basis of certain rules, including tax rules, specifically applicable to merger transactions and combines aspects of the U.S. purchase and pooling of interests methods of accounting.

The Italian practice does not require a choice between two mutually exclusive methods but depends rather on the provisions of the business combination agreement. Under Italian practice, as it related to the merger of San Paolo and IMI, combinations that are effected through the exchange of shares, assets and liabilities (at historical values) are generally aggregated, as in a consolidation process, net of intercompany eliminations; shareholders' equity is also aggregated, after elimination of cross-holdings.

The merger by incorporation of San Paolo and IMI was accounted for, under Italian GAAP, as follows:

- the assets and liabilities of San Paolo and IMI were aggregated at their historical value with intercompany eliminations; and
- the shareholders' equity of San Paolo and IMI were aggregated at their historical value, taking into consideration the cancellation of the San Paolo shares held by IMI.

The financial statements of Sanpaolo IMI for the year ended December 31, 1998, therefore include the assets and liabilities of IMI, net of any reciprocal balances. The assets and liabilities of Sanpaolo IMI at December 31, 1998 were recorded at book value. The 1998 statement of income includes the profits and losses of IMI. Transactions between the two groups during the period prior to November 1, 1998 were not eliminated.

In 1999, in the context of the increasing consolidation of banking and financial services in Italy, Sanpaolo IMI reached an agreement with Assicurazioni Generali S.p.A. ("Generali"), an insurance company, whereby Sanpaolo IMI would acquire control of Banco di Napoli group while Generali would take over the insurance business of Istituto Nazionale delle Assicurazioni S.p.A. ("INA"). Further to a series of transactions from 1999 through 2002, Sanpaolo IMI acquired full control of Banco di Napoli's ordinary and savings shares.

Significant Developments during 2001

Banco di Napoli

In 2000, Sanpaolo IMI acquired the control of Banco di Napoli, a commercial bank based in Naples. In May 2001, Sanpaolo IMI increased its stake in Banco di Napoli to 99.66% of Banco di Napoli's common shares through a residual public offer.

On March 6, 2002, Sanpaolo IMI announced the launch of a public offer for 126,991,859 saving shares of Banco di Napoli representing 99.15% of the outstanding Banco di Napoli saving shares (6.37% of the total share capital of Banco di Napoli). Pursuant to the public offer, Sanpaolo IMI offered €1.30 in cash for each tendered saving share of Banco di Napoli. The public offer was not extended to any holder of Banco di Napoli savings shares resident in the United States. The public offer was concluded on April 19, 2002 and was accepted by the holders of 115,465,209 saving shares of Banco di Napoli (90.15% of the outstanding savings shares of Banco di Napoli). The cash tendered by Sanpaolo IMI pursuant to the public offer was over €150 million.

Spin-off of Supplementary Staff Pension Fund

In July 2001, Banco di Napoli established a foundation to manage its supplementary staff pension fund , such foundation the "BdN Foundation". Banco di Napoli contributed to the BdN Foundation €1,096 million representing the balances of the supplementary pension funds of its employees. The balances of the supplementary pension funds, as well as the liabilities connected thereto, were accounted for as part of Banco di Napoli's balance sheet before their contribution to the BdN Foundation. The supplementary pension funds of the BdN Foundation consist of two funds, one of €1,072 million and one of €24 million. Banco di Napoli remained jointly liable for the obligations of the €1,072 million fund.

Provisions were made by the Parent Bank (€49 million) and by Banco di Napoli (€163 million) in connection with future liabilities of the BdN Foundation for which Banco di Napoli could be liable. The provision made by Banco di Napoli includes €114 million representing the updated revision of the total estimate for risks and charges which could arise at Banco di Napoli concerning supplementary pensions. The updated revision of the amount of the potential charges provided for has been determined by Banco di Napoli in the light of available information, the complicated legal situation and the procedures which may be adopted. The provision is made against the probability of confirmation of negative events connected to the guarantee extended by the Banco di Napoli to the BdN Foundation against possible resources required, possible compensation amounts to be made when the charges of the Banco di Napoli for personnel in pension after January 1, 1999 are determined (in addition to the amounts set aside in previous years) and, finally, the ruling of the Corte di Cassazione (Italian high court) in July 2001 concerned the disputes, in course in previous years, which originated from the amendment, after Legislative Decree 503 of 1992. For a discussion of the Group's provisions for supplementary pensions see note 19 to the Consolidated Financial Statements.

The Wargny Group

In December 2000, Banca Fideuram acquired for €103.2 million, Wargny Associés (France) S.A., the holding company of the Wargny Group, which has not only a leading position in the French market in traditional and online securities brokerage, but also a niche presence in private banking. In July 2001, Banque Privée Fideuram Wargny, a company of the Wargny Group, was granted a French banking license and started to provide asset management services**.**

The Alliance with Cassa di Risparmio di Firenze

As a further step forwards strengthening Group operations in the Italian market, in February 2000, Sanpaolo IMI formed a strategic alliance with Cassa di Risparmio di Firenze S.p.A. ("Cassa di Risparmio di Firenze"), a savings bank based in Florence with a network of more than 400 branches in central Italy. In 2000, Sanpaolo IMI acquired a 15% equity stake in Cassa di Risparmio di Firenze; in addition to the 4.1% ownership interest Sanpaolo IMI already held, the Group's total equity stake in Cassa di Risparmio di Firenze to 19.1%. In 2000, Ente Cassa di Risparmio di Firenze, the foundation that is the controlling shareholder of Cassa di Risparmio di Firenze, acquired a 2% ownership interest in Sanpaolo IMI.

Other Steps taken to reinforce the Group's Presence in the Italian Market

In November 2000, Sanpaolo IMI and Cassa di Risparmio di Firenze agreed to purchase from Fondazione Cassa dei Risparmi di Forlì, the foundation that is the controlling shareholder of Cassa dei Risparmi di Forlì, a savings bank with approximately over 40 branches in the region of Emilia Romagna, an interest in the savings bank. On June 12, 2001, Sanpaolo IMI acquired a 15% equity stake in Cassa dei Risparmi di Forlì for €122 million, while Cassa di Risparmio di Firenze acquired a 5% equity stake.

On June 27, 2001, Sanpaolo IMI and Cassa di Risparmio di Firenze jointly launched a public takeover offer for an additional 8.03% equity stake (consisting of both ordinary and preferred shares) in Cassa di Risparmi di Forlì, with Sanpaolo IMI offering to acquire approximately 6% and Cassa di Risparmio di Firenze offering to acquire approximately 2%, at a price of €41.4 per ordinary share and €42.2 per preferred share. In April 2001, as part of the strategic alliance with Cassa di Risparmio di Firenze, CR Firenze Gestion Internationale, a Luxembourg investment management company commenced its operations. Sanpaolo IMI and Cassa di Risparmio di Firenze own 20% and 80%, respectively, of CR Firenze Gestion Internationale. In 2001 the branches of Cassa di Risparmio di Firenze began to distribute funds managed by CR Firenze Gestion Internationale.

The public offer was fully subscribed. The aggregate cost of the public offer to Sanpaolo IMI was €62 million. Upon closing of the public offer Sanpaolo IMI and Cassa di Risparmio di Firenze held 21% and 7%, respectively, of Cassa dei Risparmi di Forlì.

In 2001 Cassa dei Risparmi di Forlì began offering insurance policies and portfolio management services of the Group as well as mutual funds managed by CR Firenze Gestion Internationale.

Banka Koper

On October 30, 2001, Sanpaolo IMI entered into an agreement with the main shareholders of Banka Koper for the acquisition of a majority stake in Banka Koper. Banka Koper is Slovenia's fourth largest bank in terms of total assets and operates through a network of 37 branches concentrated in the area of Ljubljana, Slovenia's capital and largest city. Banka Koper has a market share of approximately 7% in the Slovenian market for banking services.

In November 2001, Sanpaolo IMI acquired an initial 15% stake in Banka Koper for €37 million and launched a public offer for all of the other outstanding shares of Banka Koper. The public offer granted to the Banka Koper shareholders who accepted the offer a nontransferable put option on the Banka Koper shares not tendered in the public offer. The put option will be exercisable between December 31, 2002 and July 31, 2006 and the exercise price per share will be €457 per share, the same price per share that Sanpaolo IMI paid pursuant to the public offer.

The public offer expired on February 25, 2002 and was accepted by the holders of 250,271 shares of Banka Koper, (47.1% of Banka Koper's share capital), raising Sanpaolo IMI's stake in Banka Koper to 62.1%. The cost of the public offer to Sanpaolo IMI was €116 million.

In compliance with the authorization for the purchase granted by the Bank of Slovenia, Sanpaolo IMI will limit its voting rights in Banka Koper to 32.99% of Banka Koper's share capital.

Collaboration with Caisse des Dépôts et Consignations

In July 2001, Sanpaolo IMI announced a co-operation agreement with the French banking group, *Caisse des Dépôts et Consignations* ("CDC").

The areas in which Sanpaolo IMI and CDC are considering future co-operation include, among others, asset management, private equity, capital markets and project finance.

Pursuant to the collaboration agreement the CDC Group acquired in October 2001, a 2% stake in Sanpaolo IMI for €323 million. Sanpaolo IMI through an exchange of shares with the Eulia group, the financial alliance between the CDC group and the Caisse d'Epargne group, acquired a 3.5% stake in CDC Ixis, the investment bank of the CDC group, also for €323 million.

CDC Ixis is an investment and financing bank and operates in France and abroad through three sectors: finance and markets banking, securities services; and asset management. CDC Ixis has 5,000 employees, 45% of them abroad. Its shares are expected to be listed on the Paris stock exchange.

Joint venture with Agrotiki Life & Health

In July 2001, Sanpaolo Vita and Agrotiki Life & Health entered into a letter of intent agreement relating to the creation of a joint venture. Agrotiki Life & Health is a Greek insurance company controlled by the Agricultural Bank of Greece, the third largest bank in Greece in terms of assets, with a network of more than 440 branches. The joint venture commenced its operations in January 2002.

Dispositions

In May 2001, Sanpaolo IMI sold without recourse, for €112 million, a package of short-term unguaranteed non-performing loans with a book value of €110 million.

In June 2001, Sanpaolo IMI sold a 10.7% interest in Beni Stabili for €110 million. The sale generated a capital gain of €50 million. Following the disposition of the 10.7% stake in Beni Stabili, Sanpaolo IMI's stake in Beni Stabili was 3.5%.

In July 2001, Sanpaolo IMI sold Sanpaolo Immobiliare for €7.6 million. Sanpaolo Immobiliare specialized in servicing the non-performing mortgages sold without recourse by the Bank in 1994. The sale of Sanpaolo Immobiliare reduced the net book value of the Group's non-performing loans by €45 million and led to a pre-tax capital gain of €5 million.

Internal Group Developments

Increase of the level of specialization

The Group increased its internal level of specialization by creating an autonomous business area dedicated to wealth management to provide asset management products and services to the Group's distribution network as well as to other networks and to institutional investors. Thus Wealth Management Sanpaolo IMI was incorporated to serve as a holding company for the Group's wealth management activities. As of April 2001 the Group's interests in companies handling mutual funds, portfolio management, private banking and life insurance were transferred to Wealth Management Sanpaolo IMI. See "—Business Overview—Results by Business Area—Wealth Management".

Sanpaolo IMI identified three business segments in the local economies served by its domestic network of commercial banks: companies, small businesses and households. In 2001 Sanpaolo IMI increased the level of specialization of its domestic network of commercial banks in order to better serve such business segments.

Streamlining of the Group structure

A plan to streamline the structure of the Group and to control costs was defined in the first half of 2001 (the "2001-2003 Plan"). The implementation of the plan was launched in June 2001 and is expected to take two years. The plan consists of two projects:

- the creation of the MOI for the information systems, the auxiliary support systems and back office functions of Sanpaolo IMI and Banco di Napoli; and
- the reorganization of the Sanpaolo IMI head office functions.

Through the MOI, the Bank and Banco di Napoli, the Group's two commercial banks, will be able optimize investments in new technologies and personnel. The MOI is being designed to allow its scope to be extended to other banks which may become part of the Group in the future. The main benefits of the MOI are expected to be:

- a significant spending reduction in information technology and auxiliary activities at Group level; and
- the availability of Sanpaolo IMI's multi-channel information system for Banco di Napoli.

Activities of Banco di Napoli

The 2001-2003 Plan aims at strengthening Banco di Napoli's presence in the small business and household segments in southern Italy, while implementing cost containment activities and disposing of Banco di Napoli non-strategic activities. In 2001 and in the first part of 2002, Banco di Napoli:

- restructured its domestic distribution network by identifying 11 geographical areas;
- restructured its subsidiaries;
- provided for the contribution, of its fund management activities to Wealth Management Sanpaolo IMI; and
- withdrew from most of its foreign activities: transferred the Hong Kong branch to the Bank, sold the London branch and cut back the operations of the New York branch to facilitate the liquidation of such branch.

Recent Developments

Cardine

In January 2001, Sanpaolo IMI acquired from Fondazione Cassa di Risparmio di Venezia a 10.9% equity stake in Cardine in exchange for 27.5 million Shares, valued at €516 million. The 27.5 million Shares represented a 1.96% equity stake in Sanpaolo IMI. In May 2002, Sanpaolo IMI sold to the Compagnia di San Paolo a 8% equity stake in Cardine. See "—Streamlining of Group's equity holding through transactions involving Sanpaolo IMI and Compagnia di San Paolo."

In December 2001, the Boards of Directors of Sanpaolo IMI and of Cardine approved a plan to merge Cardine into Sanpaolo IMI (the "Cardine Merger"). The plan for the Cardine Merger was presented to the Bank of Italy (which, in accordance with Italian law, requires any such plan to be informally presented to the Bank of Italy before it is submitted to boards of directors for formal approval) in October 2001 and was approved by the Sanpaolo IMI shareholders and by the Cardine shareholders in March 2002. Upon completion of the Cardine Merger, the Group is Italy's second largest banking group in terms of customer financial assets, with approximately €130 billion in direct deposits, €225 billion in indirect deposits and €120 billion in loans, and in number of branches, with approximately

3,000 domestic branches. Upon completion of the Cardine Merger, the Group has (based on data as of December 31, 2001) total assets of €213 billion.

The Cardine Merger was structured as a stock-for-stock merger in which holders of Cardine ordinary shares received 1.7950 Shares for each Cardine common share exchanged.

The Cardine group was created by the merger of two important Italian regional banking groups (Casse Venete and CAER) especially active in northeastern Italy. As of December 31, 2001 the Cardine group had a network of 837 branches. Cardine is especially active in the traditional retail banking areas of deposit-taking and lending.

The Cardine Merger provided for the merger of Cardine into Sanpaolo IMI. The Cardine Merger was effective January 1, 2002, for Italian accounting and tax purposes, and June 1, 2002 for legal purposes.

In connection with the Cardine Merger, Sanpaolo IMI increased its share capital by €1,211.6 million by issuing 432.7 million Shares, which were allocated to the Cardine shareholders other than Sanpaolo IMI and Cardine, in exchange for 267.8 million ordinary shares of Cardine. In connection with the Cardine Merger, Sanpaolo IMI used 48 million treasury shares.

New ownership structure of Sanpaolo IMI upon completion of the Cardine Merger

The two largest shareholders of Cardine were two charitable foundations: the Fondazione Cassa di Risparmio di Padova e Rovigo ("Fondazione CRPR") with a 40.2% beneficial ownership interest in Cardine, and the Fondazione Cassa di Risparmio in Bologna ("Fondazione CRB" and, together with Fondazione CRPR, the "Cardine Foundations") with a 28.6% beneficial ownership interest in Cardine.

In a letter of intent dated October 18, 2001 (the "Letter of Intent") the Compagnia di San Paolo and the Cardine Foundations (collectively the "Foundations") agreed to the voluntary conversion (the "Conversion") of Shares held by the Foundations into preferred shares of a special class (the "Preferred Shares"). See "Item 7. Major Shareholders and Related Party Transactions—The Major Shareholders". Pursuant to the Cardine Merger and to the Conversion, as of the date of this annual report, the Foundations have a 15% interest in the ordinary share capital of Sanpaolo IMI.

The Conversion was made pursuant to Law 461 of December 23, 1998 enacted by legislative decree 153 of May 17, 1999 (collectively, the "Ciampi Law") which allows the ordinary shares of banking institutions, such as Sanpaolo IMI, held by charitable banking foundations, such as the Foundations, to be converted into preferred shares of a special class. The Preferred Shares have priority over the Shares in respect of dividends and are currently entitled to vote only at extraordinary shareholders' meetings. In 2012 the Preferred Shares held by the Foundations will be converted back into Shares with full voting rights.

The Preferred Shares will be converted, by operation of law, into Shares if they are transferred to a different beneficial owner. The conversion ratio of the Preferred Shares into Shares will be one-to-one.

In January 2002, the Foundations formed Fondaco *società di gestione del risparmio* ("Fondaco SGR") a special purpose asset management company. The Compagnia di San Paolo has a 40% beneficial ownership interest in Fondaco SGR, the Cardine Foundations have a 40% beneficial ownership in Fondaco SGR and Ersel Finanziaria S.p.A. (an independent professional fund manager), has a 20% beneficial ownership in Fondaco SGR.

Pursuant to the Letter of Intent, the Foundations have agreed to contribute for a period of ten years (the "Fondaco Contribution") the 15% interest in the ordinary share capital of Sanpaolo IMI (the Shares that were not subject to the Conversion) to Fondaco SGR. The Fondaco Contribution, subject to the granting of applicable licenses and authorizations relating to Fondaco SGR, is expected to be completed by the end of 2002.

The Fondaco Contribution hinges on the separation of the beneficial ownership of the contributed Shares, which will remain to the Foundations, from the exercise of the related voting power in the ordinary shareholders' meetings of Sanpaolo IMI, for which Fondaco SGR will have full and discretionary responsibility.

In addition to the Shares subject to the Fondaco Contribution, Compagnia di San Paolo holds 157,341,052 Preferred Shares (equivalent to an 8.6% stake in the total share capital of Sanpaolo IMI), Fondazione CRPR holds 134,968,267 Preferred Shares (equivalent to a 7.3% stake in the total share capital of Sanpaolo IMI) and Fondazione CRB holds 96,024,699 Preferred Shares (equivalent to a 5.2% stake in the total share capital of Sanpaolo IMI).

The Conversion and the Fondaco Contribution will decrease the role of the Foundations in ordinary shareholders' meetings and particularly in the nomination of the directors of Sanpaolo IMI.

The ownership structure, as contemplated by the Letter of Intent, confirms the introduction of new stable shareholders. In accordance with the Letter of Intent, CDC became a party to the agreement among certain shareholders of Sanpaolo IMI, as described in Item 7 below, and agreements relating to the Foundations' interests in Sanpaolo IMI will be entered into by Fondaco SGR rather than by the Foundations. See "Item 7. Major Shareholders and Related Party Transactions—The Major Shareholders—Agreement Among Certain Shareholders". The Board of Directors of Sanpaolo IMI was enlarged in order to include members designated by Fondazione CRPR, Fondazione CRB and CDC.

Streamlining of Group's equity holding through transactions involving Sanpaolo IMI and Compagnia di San Paolo

In December 2001 Sanpaolo IMI and Compagnia di San Paolo entered into certain agreements relating to the Group's equity holdings in order to further streamline the Group structure. Pursuant to these agreements, Sanpaolo IMI agreed to sell to Compagnia di San Paolo an 8% stake in Cardine. The 8% stake in Cardine sold to the Compagnia di San Paolo was part of the 10.8% stake in Cardine that Sanpaolo IMI held before the merger with Cardine.

For the 8% stake in Cardine, Compagnia di San Paolo paid to Sanpaolo IMI €439,652,420; for the same amount Compagnia di San Paolo sold to Sanpaolo IMI:

- 39.77% of the outstanding shares of IMI Investimenti S.p.A. (formerly Nuova Holding Sanpaolo IMI S.p.A. or "Old NHS") and 27.02% of the outstanding shares of the newly-formed Nuova Holding Sanpaolo IMI S.p.A ("New NHS"). Old NHS was reorganized and renamed IMI Investimenti S.p.A. in March 2002. Until its reorganization, Old NHS was the company of the Sanpaolo IMI group which was primarily involved in private equity and in merchant banking activities. In March 2002, Old NHS contributed its private equity activities and its portfolio of equity investments to New NHS; and

- all the outstanding shares of Compagnia di San Paolo Investimenti Patrimoniali ("CIP"). CIP is a company involved in real estate development; most of CIP's assets are represented by interests in real estate properties. As of December 31, 2001, CIP's net assets were €241.6 million.

The Compagnia di San Paolo and Sanpaolo IMI agreed on a valuation for the 8% stake in Cardine of €439,652,420. The valuation was established by making reference to the value that resulted from applying the exchange ratio used in the Cardine merger (1.795 Shares for each ordinary share of Cardine) to the average value of the Shares during the period from December 27, 2001 to January 18, 2002. Such value was discounted for the dividend paid by Cardine.

The value of the assets sold by the Compagnia di San Paolo was determined as follows:

- the interests in Old NHS and in New NHS were valued, respectively, €145,487,061.50 and €64,165,358.50. Such valuations were made on the basis of Old NHS and New NHS pro forma consolidated financial statements for the year ended December 31, 2001; the valuations took into consideration the decrease in value of listed shares held by Old NHS and New NHS and were discounted for the dividends paid by Old NHS. Sanpaolo IMI agreed to pay by 2005 to the Compagnia di San Paolo certain amounts in recognition of an eventual increase in value of the interest of Old NHS in Hutchinson3G Italy S.p.A. Any eventual payment by Sanpaolo IMI to the Compagnia di San Paolo will be subject to a cap and to the release of a fairness opinion.

- CIP was valued at €230 million. The valuation reflected the market value of the assets of the company.

A fairness opinion was issued by Schroder Salomon Smith Barney with respect to the agreements between the Compagnia di San Paolo to Sanpaolo IMI.

Purchase of interest in Sanpaolo IMI by Deutsche Bank

On May 15, 2002, the board of directors of Monte dei Paschi di Siena S.p.A (Monte dei Paschi") decided to divest its interest in Sanpaolo IMI. Monte dei Paschi entered into two option agreements, both exercisable in May 2002, with Deutsche Bank AG London Branch ("Deutsche Bank").

Deutsche Bank subsequently exercised the option agreements. As of June 14, 2002, Deutsche Bank and Monte dei Paschi held, respectively, a 4.669% and a 1.128% interest in the ordinary share capital of Sanpaolo IMI. Deutsche Bank paid approximately €11.2 per Share for its interest in Sanpaolo IMI. See "Item 7. Major Shareholders and Related Party Transactions—The Major Shareholders".

Caisse des Dépôts et Consignation

In February 2002, CDC became a party to the agreements between Compagnia di San Paolo and other shareholders of Sanpaolo IMI. See: "Item 7. Major Shareholders and Related Party Transactions—The Major Shareholders—Agreement Among Certain Shareholders".

The 2002 Business Model

In view of the Cardine Merger, a new business model was introduced in March 2002 (the "2002 Business Model") in an effort to ensure that the benefits of integration will be achieved as quickly as possible.

Consistently with the group's strategic objectives, the 2002 Business Model will be aimed at achieving the following goals:

Exploiting the brands of the Group within the regional reference markets

In the retail business, the brand establishment and its differentiation within the relevant markets will be exploited in an effort to reinforce the group's service capacity and regional penetration. An organization of the banking networks based on three geographical areas is a consequence of this; each of them, maintaining its own brand and adjusting its service offerings according to the different needs of the customers served, will operate in and develop its own area: the Sanpaolo IMI network in the Tyrrhenian area, Cardine Finanziaria S.p.A. (with its own local brands) in the Adriatic area, and Banco di Napoli in the South of Italy. An integrated, multi-channel remote infrastructure will support the group's broad presence in these areas.

Reaping the advantages of specialization

The 2002 Business Model is also intended to allow the group to:

- supply a number of products and services to specific customer segments where the Group's brand establishment is not based on local roots but on specialist distribution (Private Banking, Personal Financial Services, Wholesale Banking);

- focus on skills, where the development of specialization constitutes a competitive advantage (Wealth Management, Investment Banking, Private Equity and Wholesale Banking). In this sense, therefore, the different brands will be correlated and all the product businesses and the main specialist units where the group is the sole shareholder will be concentrated;

- leverage simultaneously on economies of scale and scope resulting from the relative size of the Group. The common service centers (such as the bank network IT, back office and finance), which are the typical areas benefiting from the cost synergies subsequent to combinations and acquisitions, will be assigned to Sanpaolo IMI. This is expected to contain the incidence of indirect costs on the total cost structure and to produce an optimal cost structure with respect to revenue generation capacity and sustainable competitiveness of the business model. In this respect, the establishment of the MOI, into which the information technology management and operational platforms of the Group will be concentrated, is viewed by management as a crucial development.

The new organizational architecture of the Group will be aimed at maintaining a central corporate governance and strong business co-ordination in terms of strategic direction and risk management, with particular attention to optimizing the cost structure through the centralization of production and service functions. At the same time, management intends to preserve strong autonomy and managerial responsibility for the economic results of the divisions and subsidiaries.

Sanpaolo IMI will have responsibility for ensuring the realization of the complete business plan of the Group and to accomplish this, in accordance with current regulations governing banking groups, will continue to be responsible, on behalf of all the operating units, for:

- *Strategic Direction*, define and implement the strategic lines and the policy direction of the Group, and strategic and operational plans of the various units of the Group;
- *Governance*, ensure the dynamic management of the specific markets and business areas in which the Group operates;
- *Control*, ensure the best exploitation of the business portfolio (strategic control), to supervise the balanced economic, financial and balance sheet situation (management control) and the valuation and management of risks at Group level coming from the individual operating units (technical operational control).

Unaudited results of the first quarter of 2002

The Group's results**,** which exclude Cardine's results, for the first quarter of 2002 were announced on May 14, 2002. In the first quarter of 2002, the Group recorded the following results:

- Net interest income was €632 million, a decrease of 12.9% compared to the first quarter of 2001, primarily due to the decrease in interest rates, which was reflected in lower returns on liquid funds and a narrowing of spreads which was partially offset by for an increase in average volumes in business with customers;
- Net commissions were €591 million, a decrease of 9.5% compared to the first quarter of 2001. The reduction in commissions was primarily due to a shift in customer financial assets towards forms of investment that generate lower commissions, to which customers moved while awaiting an improvement in market conditions;
- Profits from financial transactions and dividends on shares amounted to €89 million compared to €65 million in the same period in 2001, an increase of 36.9%, primarily due to certain dispositions of stakes in unconsolidated companies;
- Administrative costs were €870 million, a decrease of 0.3% compared to the first quarter of 2001. Personnel costs decreased by 2% compared to the first quarter of 2001, due primarily to reductions in staff. Other administrative costs grew by 4.1% against the first quarter of 2001, primarily due to the development of the MOI;
- Operating income was €451 million compared to €604 million in the same period in 2001;
- Provisions and net adjustments to loans and financial fixed assets amounted to €123 million compared to €101 million in the first three months of 2001, primarily due to write-downs of equity stakes in unconsolidated companies associated with the uncertain economic situation;

- Net doubtful loans of the Group at March 31, 2002 were €941 million, €160 million less than at the end of March 2001, a decrease of 7.5%. The ratio of net non-performing loans to net loans to customers was stable at 1%, and unsecured loans to customers subject to country risk fell from €103 million to €38 million, primarily due to repayments of loans by clients resident in Argentina; and

- Consolidated net income was €211 million compared to €327 million in the first quarter of 2001.

FIAT and Italenergia

In May 2002, FIAT S.p.A. ("FIAT") announced a strategic and industrial plan which contemplates the reduction of its net indebtedness. The plan is designed to address the concerns of major rating agencies, which signaled the possibility of a downgrading of FIAT's debt to below investment grade unless drastic measures were taken to reduce FIAT's debt level. As of December 31, 2001 and as of the date of FIAT's announcement, Sanpaolo IMI had a material credit exposure to FIAT.

FIAT

On May 27, 2002, Sanpaolo IMI, Banca di Roma S.p.A. ("BdR") and Intesa BCI S.p.A ("BCI" and, together with Sanpaolo IMI and BdR, the "Participating Banks") and FIAT entered into a framework agreement (the "FIAT Agreement") which supports FIAT's strategic and industrial plan. The FIAT Agreement is a framework agreement; the specific terms of the transactions contemplated by the FIAT Agreement will be contained in further agreements which have not yet been agreed to as of the date of this annual report.

Pursuant to the FIAT Agreement:

- FIAT undertook to reduce its financial indebtedness from the current €6.6 billion to €3 billion by December 31, 2002 (as contemplated by the above-mentioned FIAT strategic and industrial plan).

- Up to €3 billion of FIAT's current short term debt owed to the Participating Banks will be converted into a mandatorily convertible facility (the "FIAT Convertible Facility") with a maturity of three years. If the FIAT Convertible Facility is not repaid at maturity, the unpaid balance of the FIAT Convertible Facility will be converted (upon a corresponding capital increase) into FIAT ordinary shares (the "New FIAT Shares").

- The New FIAT Shares will be issued to the Participating Banks upon cancellation of the outstanding FIAT Convertible Facility. The value of the New FIAT Shares will correspond to the arithmetic average between €15.5 and the weighted average of the share price of FIAT ordinary shares in the 6 months preceding the issuance of the New FIAT Shares.

- The Participating Banks will offer the New FIAT Shares to the shareholders of FIAT in accordance with the pre-emptive rights granted by Italian law. To the extent that the FIAT shareholders elect not to exercise their pre-emptive rights, each Participating Bank will be free to hold or dispose of its New FIAT Shares.

- FIAT undertook to dispose of more assets than currently planned in case of a shortfall with respect to the objectives of FIAT's strategic and industrial plan.

- The Participating Banks have offered to acquire, for an aggregate amount yet to be agreed upon, a 51% equity interest in FIDIS S.p.A. ("FIDIS"), the financial services and consumer credit holding company of the FIAT group. This transaction is subject to regulatory approvals and will be consistent with the undertaking between FIAT and General Motors Inc., relating to the latter's equity stake in FIAT. The sale of the 51% equity interest in FIAT will permit FIAT to reduce its gross financial indebtedness by over €8 million.

Sanpaolo IMI expects to take into consideration its share of the FIAT Convertible Facility for the purposes of the Bank of Italy's regulatory limits applicable to equity holdings of banks in industrial companies.

Italenergia

Italenergia S.p.A. ("Italenergia") is the holding company which acquired, in an unsolicited bid in 2001, Montedison S.p.A., the holding company of Edison S.p.A. ("Edison"), Italy's second largest utility group.

In January 2001, NHS sold its 6.2% interest in Montedison S.p.A. for €339 million and acquired a 7.8% interest in Italenergia for €248 million.

As of May 27, 2001, the following were the main shareholders of Italenergia (the "Italenergia Shareholders"):

- FIAT (38.6% equity interest);
- Carlo Tassara S.p.A. ("Tassara") (20% equity interest);
- Electricité de France ("EDF"), (18% equity interest);
- BdR (9.48% equity interest);
- Sanpaolo IMI group, through its subsidiary IMI Investimenti (7.8% equity interest); and
- BCI (5.95% equity interest).

Although, as of May 27, 2001, EDF held an 18% interest in Italenergia, EDF's voting power in Italenergia is limited to 2% of the outstanding Italenergia shares. The limitation is due to Italian Law No. 301 of 2001 ("Law 301").

Although, as of May 27, 2001, FIAT did not control the absolute majority of Italenergia shares, according to the Bank of Italy's interpretations of the applicable large exposure regulations, Italenergia's debt had to be consolidated with FIAT, unless FIAT divested its interest in Italenergia.

On June 14, 2002, the Italenergia Shareholders agreed on the following:

- a reorganization of the Italenergia group (the "Italenergia Reorganization") through the merger of Edison into Italenergia, and the incorporation of Italenergia Bis S.p.A. ("Italenergia Bis") as a new holding company;
- the sale by FIAT to the Participating Banks of a 14% stake in Italenergia Bis (the "FIAT Sale");
- an option to FIAT to put to EDF (the "FIAT Put Option") a 26.6% stake in Italenergia Bis,
- a syndicated loan led by the Citibank group to FIAT for approximately €1,150 million (the "Citibank Loan");
- optional divestitures for the Participating Banks (the "Optional Divestitures"); and
- the financing of Edison by Italenergia Bis (the "Edison Financing").

Details of the above mentioned transactions are, as of the date of this annual report, being negotiated. The above-mentioned transactions are subject to regulatory approval and are described more fully below.

Italenergia Reorganization

The Italenergia Reorganization consists primarily of:

- a capital increase of Italenergia Bis reserved for the Italenergia Shareholders through the contribution of their interests in Italenergia; and
- the merger of Edison into Italenergia.

The boards of directors of Italenergia and of Edison approved on May 22, 2002 and May 23, 2002, respectively, the merger of Edison into Italenergia. The Italenergia and Edison shareholders' meetings to vote on the merger took place at the end of June 2002**.** Both shareholders' meetings have approved the merger of Edison into Italenergia.

The Italenergia Shareholders have agreed to contribute their interests in Italenergia to Italenergia Bis, a new holding company which is currently a subsidiary of Edison. Upon the transfer, the Italenergia Shareholders will receive shares of Italenergia Bis in accordance with their current stakes in Italenergia, thus recreating, in Italenergia Bis, Italenergia's current shareholder structure.

The Italenergia Bis shareholders' meeting has authorized a capital increase of €907 million reserved for the Italenergia Shareholders, to be issued upon the contribution of the stakes that the Italenergia Shareholders hold in Italenergia to Italenergia Bis.

Italenergia Bis has amended its by-laws to allow for a 12 member board of directors; the board of directors is to be elected pursuant to a slate vote. The board of directors of Italenergia is to act pursuant to qualified majorities.

Italenergia Bis will control approximately 83% of the share capital of the post-merger Italenergia-Edison.

The Italenergia Reorganization is subject to the approval of CONSOB, which has to verify, *inter alia*, its compliance with Law 301. Although EDF will hold an 18% interest in Italenergia Bis, EDF's voting power in Italenergia Bis will be limited to 2% of the Italenergia Bis share capital.

The FIAT Sale

Upon the Italenergia Reorganization, FIAT will hold a 38.6% interest in Italenergia Bis. FIAT will enter into a sale agreement with each Participating Bank. Pursuant to the three sale agreements FIAT will, in the aggregate, sell a 14% interest in Italenergia Bis to the Participating Banks. As of the date of this annual report, the percentage of that 14% interest in Italenergia Bis to be purchased by each Participating Bank had not been determined.

The 14% interest in Italenergia Bis to be sold to the Participating Banks has been valued at €576 million. The valuation was based in part on independent advice from an expert that was provided in connection with the merger of Edison into Italenergia. FIAT will receive 40% of the €576 million upon execution of the sale agreements and the remaining 60% by the end of 2003.

The FIAT Put Option

FIAT will have a put option on the 24.6% interest in Italenergia Bis that it will own upon the FIAT Sale.

If FIAT elects to exercise the FIAT Put Option EDF will have to purchase the 24.6% interest in Italenergia Bis for the higher of:

- the fair market value of such interest (less a maximum premium of €127 million to be paid to EDF) or,
- €1,150 million.

FIAT and EDF have agreed that the fair market value of the 24.6% interest in Italenergia Bis will be determined in accordance with the valuations provided by two investment banks. The FIAT Put Option is exercisable in March 2005.

The Citibank Loan

FIAT has negotiated with the Citibank group a three-year syndicated loan for approximately €1,150 million. The Citibank Loan is based on EDF's credit rating, a rating higher than FIAT's current rating, and was negotiated in connection with the FIAT Put Option.

FIAT will pledge its 24.6% interest in Italenergia Bis, the object to the FIAT Put Option, to Citibank and to the other banks of the syndicate as collateral for the Citibank Loan. FIAT will maintain the voting rights pertaining to the 24.6% interest in Italenergia Bis.

The Optional Divestitures

The Participating Banks and EDF have negotiated a put and call option structure (the "Put and Call Option") for the interests in Italenergia Bis that the Participating Banks will receive in exchange for the interests which they currently hold in Italenergia. Pursuant to the Put and Call Option, the Participating Banks will have the right to put their interests in Italenergia to EDF and EDF will have the right to call such interests. The Put and Call Option will be exercisable between January 1, 2005 and February 28, 2005.

The price of the Italenergia Bis shares to be paid by EDF and received by the Participating Banks pursuant to the Put and Call Option will be equal to the higher of:

- €3.5 per share plus a compounded annual interest of 7%; or
- the "net asset value" of the Italenergia Bis shares as of December 31, 2004, calculated in accordance with the market price of Edison plus an 8% increment.

The Optional Divestitures Relating to the FIAT Sale

In connection with the FIAT Sale, and for the 14% interest in Italenergia Bis sold pursuant thereto, while FIAT does not have the right to call the interest; the Participating Banks have the right to request FIAT to exercise the FIAT Put Option. Upon such request, FIAT will be able to elect whether to exercise the FIAT Put Option or to repurchase (at the price agreed for the FIAT Put Option) the 14% interest in Italenergia Bis sold pursuant to the FIAT Sale.

In connection with the FIAT Sale, FIAT and the Participating Banks have negotiated a tag-along/drag-along structure, pursuant to which, if the FIAT Put Option is exercised:

- the Participating Banks will have the right to sell their interest in Italenergia Bis to EDF (tag-along); and
- FIAT will have the right to request that the Participating Banks will sell their interest in Italenergia Bis to EDF (drag-along).

The Edison Financing

Italenergia Bis will extend a subordinated loan to Edison in the amount of approximately €1,150 million. This loan will in turn be financed by a five-year loan from Italenergia Shareholders to Italenergia Bis, the loan will be for approximately €950 million, and will have warrants attached for approximately €100 million.

EDF, through a structured finance transaction will subsequently refinance, for approximately €950 million, the Italenergia Shareholders' loan to Italenergia Bis, thus releasing the Italenergia Shareholders from their loan obligations.

The Edison Financing will be subject to rating agency review; the objective of the review is to maintain Edison's current rating of BBB/Baa2.

Regulatory Approvals

The transactions contemplated by the agreements of the Italenergia Shareholders of June 14, 2002 are subject to regulatory approval for (i) compliance with Law 301, and (ii) compliance with antitrust laws.

Although the Italenergia Shareholders believe that the transactions contemplated by the June 14, 2002 agreements and, more specifically, the Italenergia Bis bylaws, are in compliance with Law 301, the Italenergia Shareholders have requested CONSOB to express a preliminary non-contravention opinion. CONSOB will also analyze the compliance of the transactions contemplated by the June 14, 2002 agreements with applicable Italian corporate law.

Principal Capital Expenditures and Divestitures

The following table shows the Group's principal capital expenditures for 2002 and the years ended December 31, 2001, 2000 and 1999. For purposes of this table "principal capital expenditure" means any capital expenditure in excess of €100 million.

Company	Country	Description	Financing	Amount Invested
				(in millions of €)
Capital Expenditures 1999				
INA	Italy	Increase of equity stake from 3% to 9.2%	Internal	703
BSCH	Spain	Increase of equity stake from 0.46% to 2%	Internal	581
Banca Agricola Mantovana	Italy	Acquisition of 9.6% equity stake	Internal	206
Total 1999				1,490
Capital Expenditures 2000				
Cassa di Risparmio di Firenze	Italy	Acquisition of 15% equity stake	Internal	387
Banco di Napoli	Italy	Acquisition of 97.65% ordinary equity stake	Internal and External	3,006
Wargny Associés	France	Acquisition of 95.02% equity stake	Internal	103
BSCH	Spain	Increase of equity stake from 2% to 3.05%	Internal	708
FIAT	Italy	Acquisition of 2.2% ordinary equity stake	Internal	220
Total 2000				4,424
Capital Expenditures 2001				
Banca Cardine	Italy	Acquisition of 10.9% equity stake	Internal	516
Cassa dei Risparmi di Forlì	Italy	Acquisition of 21% equity stake	Internal	169
ENI	Italy	Acquisition of 0.26% equity stake	Internal	143
CDC IXIS	France	Acquisition of 3.88% equity stake	Internal	323
Italenergia	Italy	Acquisition of 7.82% equity stake	Internal	248
Banka Koper	Slovenia	Acquisition of 15% equity stake	Internal	37
Total 2001				1,436
Capital Expenditures 2002 through June 30, 2002(1)				
Banka Koper	Slovenia	Increase of equity stake from 15% to 62.1%	Internal	115
Banco di Napoli	Italy	Increase of savings shares from 0.85% to 87.26%	Internal	144
Total through June 30, 2002				259

(1) Sanpaolo IMI has agreed to make capital expenditures in FIDIS and in Italenergia Bis for amounts still to be determined. The source of the financing for the investments in FIDIS and in Italenergia Bis is expected to be internal. See "—Recent Developments—FIAT and Italenergia".

The following table shows the Group's principal capital divestitures for the first quarter of 2002 and the years ended December 31, 2001, 2000 and 1999. For purposes of this table "principal capital divestiture" means any capital divestiture in excess of €100 million.Company

	Description	Proceeds
		(in millions of €)
Capital Divestitures 1999		
Crediop	Sale of 20% equity stake	218
Telecom Italia	Acceptance of Olivetti's takeover bid for 0.75% equity stake	448
Total 1999		666

	Description	Proceeds
		(in millions of €)
Capital Divestitures 2000		
Crediop	Sale of 40% equity stake	403
Total 2000		403
Capital Divestitures 2001		
Montedison	Sale of 6.2% equity stake	339
Beni Stabili	Sale of 10.7% equity stake	111
Total 2001		450

Public Takeover Offers

No public takeover offer in respect of Sanpaolo IMI's shares has been made from January 1, 2001 to date.

For a description of the public takeover offers made by Sanpaolo IMI for the shares of Cardine, Banca Koper**,** Banco di Napoli and Cassa dei Risparmi di Forlì, see "**—**Recent Developments" above.

B. Business Overview

At December 31, 2001, the Group was one of the leading banking groups in Italy by total assets (€170.2 billion), loans to customers (€97.1 billion) and customers' financial assets (€305.4 billion), of which 35% was represented by direct customer deposits (€106.8 billion), 41.2% by assets under management (€126 billion) and 23.8% by assets under administration (€72.6 billion). At the same date, the Group had 2,212 branches in Italy, together with 77 branches (of which 59 retail branches in France through its subsidiary Banque Sanpaolo S.A. ("Banque Sanpaolo") and 18 representative offices abroad.

Sanpaolo IMI Group is a full service banking group which provides a broad range of credit and financial products and services to its customers in Italy and abroad. The Group's business consists of banking, asset management and capital markets activities, as well as certain other banking-related services. The Group's principal banking operations are retail banking, corporate banking (including advisory and project finance), investment banking, merchant banking, asset management (including private banking services and insurance), mortgage banking and medium- and long-term lending. In addition, the Group has an active treasury and trading operation. Sanpaolo IMI's capital markets activities including acting as a specialist in the Italian government bond market, as a leading underwriter and trader in the Italian domestic equity market, and as lead manager in Eurobond issues and warrants.

Organization by Sectors

A restructuring of the Group was implemented from September 1, 2001 to enable the sectors to better focus on their respective markets, permitting more effective supervision of the clientele. As of December 31, 2001, the Group's four sectors were structured as follows:

- Retail Banking. This sector services households and small and medium-sized enterprises; at the end of 2001, it included the Sanpaolo Network Business Area, which operates in the Italian market through Sanpaolo IMI's 1,376 branches and its direct distribution channels, namely Internet, phone and mobile banking; Banco di Napoli Business Area, which has 731 branches concentrated in the south of Italy; and the Other Networks Business Area which, include, in Italy, the distribution networks of Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì and, abroad, the French subsidiary Banque Sanpaolo and the Hungarian bank Inter-Europa Bank;

- Wealth Management. This sector, which is also a Business Area, was created in April 2001, to provide asset management products and services both to the Group's own distribution structures (Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest) and to institutional investors and third-party networks;

- Personal Financial Services. This sector includes the distribution of financial services to households with medium-high investment potential, handled by the networks of financial agents of Banca Fideuram Business Area and Banca Sanpaolo Invest Business Area, as well as the on-line trading operations developed by IMIWeb Bank Business Area;

- Wholesale Banking. At the end of 2001, this sector included the Corporate Business Area, Public Works and Infrastructure Business Area, Investment Banking Business Area and Merchant Banking Business Area.

The Group also has Central Functions that include the Holding, Treasury, MOI, property and equity investment management activities.

In view of the Cardine Merger, a new business model was introduced in March 2002 to ensure that the benefits of the integration will be achieved as quickly as possible. See "—Recent Developments—The 2002 Business Model".

The following chart shows the structure of the Sanpaolo IMI Group as of December 31, 2001:

CENTRAL FUNCTIONS

PARENT BANK FUNCTIONS

SHAREHOLDERS
- Santander Central Hispano (2.9%)
- CDC Ixis (3.5%)
- Other Shareholders

TREASURY
- Parent Bank
- Sanpaolo IMI US Financial (USA)
- Sanpaolo IMI Bank International (Madeira, Portugal)

MOI

PROPERTY

RETAIL BANKING

SANPAOLO NETWORK*

Parent Bank

BANCO DI NAPOLI*

OTHER NETWORKS*
- Banque Sanpaolo (France) (100%)
- Cassa di Risparmio di Firenze (18.7%)
- Cassa dei Risparmi di Forlì (21%)
- Inter-Europa Bank (Hungary) (32.5%)

WEALTH MANAGEMENT*

SANPAOLO IMI WEALTH MANAGEMENT
- Sanpaolo IMI Asset Management
- Sanpaolo Vita
- Sanpaolo Life (Ireland)
- Sanpaolo Bank (Luxembourg)
- Sanpaolo Bank (Austria)
- Sanpaolo Fiduciaria
- Sanpaolo Gestion Internationale (Luxembourg)
- Sanpaolo IMI Institutional Asset Management
- Sanpaolo IMI Alternative Investments
- SP Private Banking (Switzerland)

PERSONAL FINANCIAL SERVICES

BANCA FIDEURAM (71.5%)*
- Financière Fideuram (France)
- Banque Privée Fideuram Wargny (France)
- Fideuram Fondi
- Fideuram Vita
- Fideuram Capital
- Fideuram GPM
- Fideuram Bank (Luxembourg)
- Fideuram Assicurazioni
- Fideuram Fiduciaria
- Fideuram Bank Suisse (Switzerland)
- Fideuram Gestions (Luxembourg)

BANCA SANPAOLO INVEST*
- Sanpaolo Invest Ireland (Ireland)

IMIWEB BANK*

BANCA PRIVATE

WHOLESALE BANKING

CORPORATE*
- Parent Bank
- Sanpaolo IMI Bank Ireland (Ireland)

PUBLIC WORKS AND INFRASTRUCTURE*
- Banca OPI

INVESTMENT BANKING*
- Banca IMI
- IMI Bank (Luxembourg)
- IMI Investments (Luxembourg)
- IMI Capital Markets USA (USA)
- Banca IMI Securities (USA)

MERCHANT BANKING*
- NHS (51%)
- LDV Holding (Holand

* Business Areas

Results by Business Area

This section summarizes the financial performance of the Group's Business Areas for the years ended December 31, 2001, and December 31, 2000 Pro Forma.

The figures of the Business Areas are shown based on the structure that the Group used for the first eight months of 2001; in Commercial Banking, this structure included the operations of the Italian Branch Network (now performed by the Sanpaolo Network) and those of the foreign subsidiaries Banque Sanpaolo and Inter-Europa Bank (subsequently allocated to Other Networks).

For completeness, the Business Areas' overall results and profitability ratios for 2001 are also shown, restated on the assumption that the structure existing at the end of 2001 had been in place for the whole of 2001.

It should be noted that, since Sanpaolo IMI presents its financial statements in accordance with Item 17 of Form 20-F, the financial results shown in this section do not form part of the Group's Consolidated Financial Statements and the discussion of the results does not form part of management's Operating and Financial Review and Prospects.

The statement of income of the Business Areas was prepared as follows:

- for Business Areas that have operations carried on at both the Parent Bank and at subsidiaries, the figures for the Parent Bank referring to the Business Area in question have been consolidated with those of the subsidiaries that also form part of the same Business Area. Within the Parent Bank, results are allocated to individual Business Areas on the following basis:
  - net interest income is calculated using appropriate internal transfer rates;
  - in addition to actual commissions, notional commissions are also quantified for the services rendered by one Business Area to another;
  - the direct costs of each Business Area are determined and parameters are used to apportion the cost of central services to the various Business Areas (except for holding company functions).
- for Business Areas that have operations carried on entirely by subsidiaries, the companies' statements of income are shown; their contribution to consolidated net income is also shown, net of minority interests and after the consolidation adjustments that refer to the Business Area; amortization of the goodwill that arose as a result of the investments made directly by the Parent Bank in the Business Areas has been allocated to the Central Functions.

The capital absorbed by each Business Area has been calculated as follows:

- for Business Areas that have operations carried on at both the Parent Bank and at subsidiaries, the average capital of the Parent Bank has been consolidated with that of the subsidiaries. The capital absorbed is measured using a VaR approach, distinguishing among the different types of risk: lending risk, market risk and operational risk;
- for Business Areas that have operations carried on entirely by subsidiaries, the average book net equity was used (excluding net income for the period).

Particularly prudent criteria were adopted for allocating the Parent Bank's capital to the various Business Areas. Specifically:

- the risks of each Business Area were calculated at a 99.95% confidence level, consistent with the Group's rating;
- all the risks of the Business Areas are covered by Tier I capital.

Lastly, the profitability of each Business Area was calculated. Specifically:

- for Business Areas with operations carried on at both the Parent Bank and at subsidiaries, profitability was expressed in terms of RORAC (Return On Risk Adjusted Capital), taking the Area's contribution to Group net income as a proportion of the related capital quantified on a VaR basis;

- for Business Areas that have operations carried on entirely by subsidiaries, profitability was expressed in terms of ROE (Return On Equity), taking the Business Area's contribution to Group net income as a proportion of the related average book net equity (excluding net income for the period), in line with the criteria adopted by the Group.

For the purposes of the discussion of the Business Areas, the figures for 2000 have been estimated on a pro forma basis; they have been prepared on the assumption that the following operations took place on 1 January 2000:

- the acquisition of control of Banco di Napoli and Wargny;

- the change in the types of customers included in the Commercial Banking and Corporate following allocation to Corporate of companies with sales of between €250 million and €500 million, previously handled by the Commercial Banking;

- the creation of the Wealth Management area;

- the spin-off to Banca OPI of activities in the public works and infrastructure sector.

The pro forma figures calculated as described above are unaudited and are referred to herein as the "BA Pro Forma".

The results of the Business Areas, based on the structure that the Group used for the first eight months of 2001, can be summarized as follows:

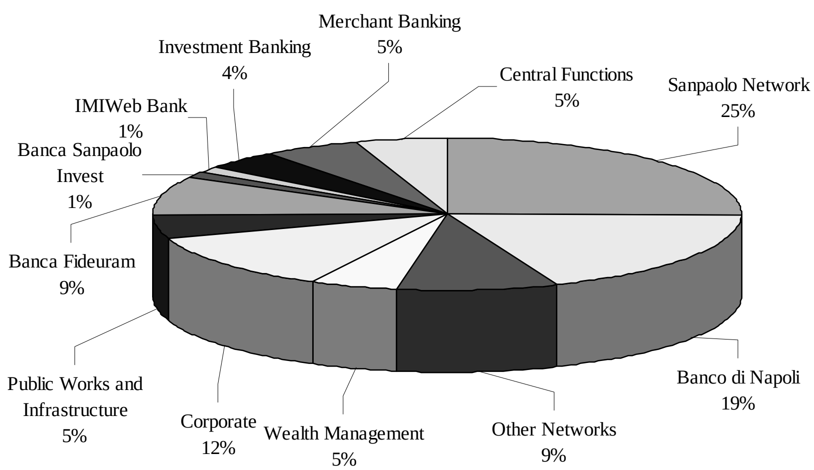
	Contribution to Group Net Income			Average Capital		Profitability	
Business Areas	**2001**	**2000 BA Pro Forma(1)**	**Change 2001/2000 BA Pro Forma**	**2001**	**2000 BA Pro Forma(1)**	**2001**	**2000 BA Pro Forma(1)**
	(in millions of €)		%	(in millions of €)		%	%
Retail banking							
Commercial Banking	412	625	(34.1)	2,254	2,417	18.3	25.9
Banco di Napoli	(10)	84	-	1,358	1,286	-	6.5
Wealth Management(2)	213	106	100.9	348	267	61.2	39.7
Personal Financial Services							
Banca Fideuram	173	175	(1.1)	612	544	28.3	32,2
Banca Sanpaolo Invest	18	16	12.5	93	89	19.4	18.0
IMIWeb Bank	(47)	(28)	67.9	84	41	-	-
Wholesale banking							
Corporate	94	92	2.2	892	804	10.5	11.4
Public Works and Infrastructure	69	98	(29.6)	349	279	19.8	35.1
Investment Banking	34	60	(43.3)	302	356	11.3	16.9
Merchant Banking	33	33	-	391	382	8.4	8.6
Central Functions	214	(30)	-	563	182	-	-
Group Total	1,203	1,231	(2.3)	7,246	6,647	16.6	18.5

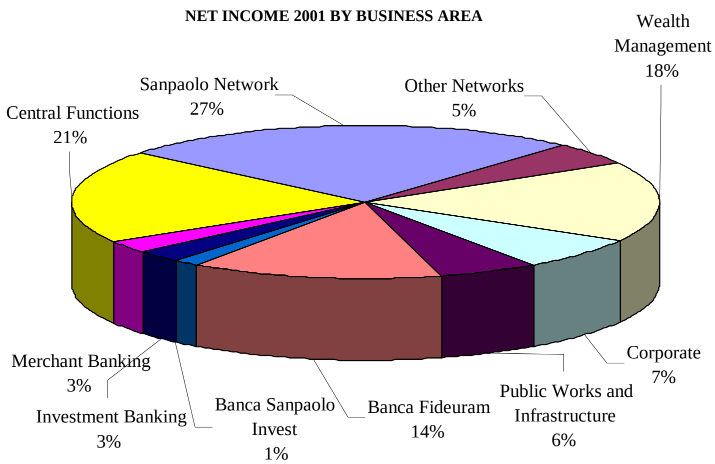
(1) The figures for 2000 are pro forma; they have been prepared on the basis explained above to permit a direct comparison with 2001.
(2) The 2001 figures are pro forma as the Business Area was set up in April 2001. The net result in 2001 benefited from lower current taxes and from booking deferred tax assets for the recovery of carry-forward tax losses.

The 2001 results of the Business Areas, restated on the assumption that the structure existing at the end of 2001 was in place for the whole of the year, can be summarized as follows:

Business Areas	Restated 2001 Contribution to Net Income Group	Average Capital	Profitability
	(in millions of €)		%
Retail banking			
Sanpaolo Network	323	1,824	17.7
Banco di Napoli	(10)	1,358	–
Other Networks	58	638	9.1
Wealth Management	213	348	61.2
Personal Financial Services			
Banca Fideuram	173	612	28.3
Banca Sanpaolo Invest	18	93	19.4
IMIWeb Bank	(47)	84	–
Wholesale banking			
Corporate	90	892	10.1
Public Works and Infrastructure	69	349	19.8
Investment Banking	34	302	11.3
Merchant Banking	33	391	8.4
Central Functions	249	355	–
Group Total	1,203	7,246	16.6

ALLOCATED CAPITAL 2001 BY BUSINESS AREA





Retail Banking

Retail banking comprises Commercial Banking and the Banco di Napoli.

Commercial Banking

Commercial Banking, structured as it was for the first eight months of 2001, operates, in Italy, through the Parent Bank's network of 1,376 branches; abroad, Commercial Banking operates through the Parent Bank's French subsidiary, Banque Sanpaolo, which has 59 branches, and the Hungarian company Inter-Europa Bank.

For the year ended December 31, 2001, net income of Commercial Banking was €412 million, a decrease of 34.1% compared to 2000 BA Pro Forma. The decrease is mainly due to the decline in commission income, which led to an 8.4% decrease in net interest and other banking income. In 2001, the profitability of Commercial Banking, expressed in terms of RORAC, was 18.3%.

The following table shows the results of Commercial Banking for the years ended December 31, 2001 and 2000 BA Pro Forma.

	Commercial Banking			Of which: Italian branches		
	2001	**2000 BA Pro Forma**	**% Change 2001/2000 BA Pro Forma**	**2001**	**2000 BA Pro Forma**	**% Change 2001/2000 BA Pro Forma**
Statement of income (€/mil)						
Net interest and other banking income	3,017	3,294	(8.4)	2,697	2,973	(9.3)
Operating costs	(1,990)	(1,904)	4.5	(1,774)	(1,717)	3.3
Operating income	1,027	1,390	(26.1)	923	1,256	(26.5)
Provisions and net adjustments to loans and financial fixed assets	(236)	(222)	6.3	(202)	(197)	2.5
Income before extraordinary items	791	1,168	(32.3)	721	1,059	(31.9)
Net Extraordinary income	(3)	12	–	(5)	1	–
Income before taxes	788	1,180	(33.2)	716	1,060	(32.5)
Income taxes for the years	(376)	(555)	(32.3)	(344)	(505)	(31.9)
Net income	412	625	(34.1)	372	555	(33.0)
Allocated capital (€/mil)	2,254	2,417	(6.7)	1,824	2,004	(9.0)

	2001	**2000 BA Pro Forma**	**2001**	**2000 BA Pro Forma**
Ratios (%)				
RORAC	18.3	25.9	20.4	27.7
Cost/income ratio	66.0	57.8	65.8	57.8

Operating Data (€/mil)	At 12/31/01	At 12/31/00 BA Pro Forma	% Change 2001/2000 BA Pro Forma	At 12/31/01	At 12/31/00 BA Pro Forma	% Change 2001/2000 BA Pro Forma
Total financial assets	160,879	160,185	0.4	148,166	146,955	0.8
Direct deposits	36,093	33,747	7.0	31,188	28,945	7.7
Asset under management of which:	69,945	71,125	(1.7)	64,583	65,424	(1.3)
- Mutual Fund and Fund-based portfolio management	55,824	59,629	(6.4)	52,310	55,237	(5.3)
- Portfolio management	5,169	4,848	6.6	4,065	4,249	(4.3)
- Life insurance policies	8,952	6,648	34.7	8,208	5,938	38.2
Asset under administration	54,841	55,313	(0.9)	52,395	52,586	(0.4)
Net inflow for asset under management	3,226	7,674		2,916	6,204	
Net loans to customers, excluding NPLs	37,336	38,304	(2.5)	33,375	34,431	(3.1)
Structure						
Employees	17,973	17,750	1.3	16,158	16,046	0.7
Branches	1,435	1,393	3.0	1,376	1,332	3.3

In the new Group structure in place at the end of 2001, Commercial Banking was replaced by the following:

- Sanpaolo Network, which operates in Italy through the Parent Bank's 1,376 branches, as well as through its direct distribution channels, namely Internet, phone and mobile banking; the Sanpaolo Network is made up of two divisions, the first devoted to private markets and small businesses, the second to the corporate market (mid-size companies with sales of up to €250 million);

- Other Networks, which include the French subsidiary Banque Sanpaolo and the Hungarian bank Inter-Europa Bank, previously part of Commercial Banking, as well as the Italian distribution network of Cassa di Risparmio di Firenze, in which the Group has an 18.7% interest, and that of Cassa dei Risparmi di Forlì, in which the Group's interest is 21%.

The actions taken by the Sanpaolo Network in 2001 were primarily as follows:

- a multi-channel distribution model was developed, comprising Internet and mobile phone banking. At December 31, 2001, 180,000 private customers had entered into contracts to have access to both traditional and multi-channel banking services. Internet services were also provided to small businesses and companies;

- the organizational model was updated, the number of territorial areas was increased from 16 to 20, and a higher degree of specialization was introduced in the branches. The heightened specialization allowed each branch to focus on the main segments of the local economy: households and small businesses on the one hand, and small and medium-sized companies on the other. By December 31, 2001, 35 corporate banking centers had been established;

- the branch network was selectively expanded with the opening of 44 new branches in 2001;

- the management technology systems used to support corporate banking were improved. The improvements were geared to ensure the continuous implementation of appropriate risk management in lending activities and to facilitate commercial relations with corporate customers; and

- result-based incentive systems were reinforced with the introduction of individual performance-based compensation for financial agents, as described more fully under "—Personal Financial Services - Banca Fideuram" below.

Operating volumes of the Sanpaolo Network, which coincide with those that used to be part of the domestic network of Sanpaolo IMI, were affected by negative market conditions in 2001. Customers' financial assets increased in the latter part of 2001, reaching €148.2 billion, an increase of €1.2 billion compared to the end of 2000 BA Pro Forma (0.8%). In 2001:

- direct deposits increased by €2.2 billion (7.7%);
- assets under administration decreased by €0.2 billion, as a result of new inflows of €4.5 billion and a decrease in value of existing assets of €4.7 billion;
- assets under management decreased by €0.8 billion due to a decrease in value of assets of €3.7 billion, partially offset by net inflows of €2.9 billion; life insurance technical reserves rose to €8.2 billion, an increase of 38.2% compared to 2000 BA Pro Forma.

For the year ended December 31, 2001, loans by the Sanpaolo Network decreased by 3.1% to €33.4 billion compared to 2000 BA Pro Forma. For the year ended December 31, 2001 disbursements for mortgage loans to households were €1.7 billion an increase of 8% compared to 2000.

The Sanpaolo Network's statement of income, restated on the assumption that the new structure had been adopted from January 1, 2001, shows net income for the year of €323 million and a RORAC of 17.7%.

In Other Networks, in 2001 the central functions and the branch network of Banque Sanpaolo in France were restructured in accordance with the policies of rationalization and cost containment adopted by the Group.

December 31, 2001, Banque Sanpaolo's financial assets were €12.3 billion, a decrease of 5.6% compared to 2000, primarily due to a decrease in assets under administration. For the year ended December 31, 2001, Banque Sanpaolo's net inflow of assets under management was €310 million.

As for the Italian distribution networks:

- the year-end mutual funds managed by CR Firenze Gestion Internationale (80% Carifirenze and 20% Sanpaolo IMI, operative since April 2001) reached a total of €1.8 billion;
- the Cassa dei Risparmi di Forlì network managed to distribute €85 million of Sanpaolo IMI Group products, starting from the end of the first half.

Banco di Napoli

Banco di Napoli became part of the Group in the second half of 2000 and operates in the field of retail banking in southern Italy through a network of 731 branches.

The following table shows the results of Banco di Napoli for the years ended December 31, 2001 and 2000.

	2001	**2000**	**(%) Change 2001/2000**
Statement of income (€/mil)			
Net interest and other banking income	1,109	1,167	(5.0)
Operating costs	(895)	(908)	(1.4)
Operating income	214	259	(17.4)
Provisions and net adjustments to loans and financial fixed assets	(106)	(375)	(71.7)
Income before extraordinary items	108	(116)	–
Extraordinary items	(30)	(398)	(92.5)
Income before income taxes	78	(514)	–
Income taxes for the year	(75)	241	–
Change in reserve for general banking risks	-	367	–
Net income	3	94	(96.8)
Contribution to Group net income (1)	(10)	84	–
Allocated Capital (€/mil)	**1,358**	**1,286**	5.6

	2001	2000
Ratios (%)		
ROE	–	6.5
Cost/ Income ratio	80.7	77.8

	At 12/31/01	At 12/31/00	% Change 2001/2000
Operating Data (€/mil)			
Financial assets	38,034	38,819	(2.0)
- Direct deposits	22,759	24,606	(7.5)
- Asset under management	8,761	6,678	31.2
- Mutual funds and fund-based portfolio management	6,255	4,719	32.5
- Portfolio management	1,421	1,272	11.7
- Life insurance	1,085	687	57.9
- Asset under administration	6,514	7,535	(13.6)
Net asset management flows	2,480	(1,161)	–
Net loans to customers, excluding NPLs and SGA	15,740	15,688	0.3
Structure			
Employees	9,643	10,641	(9.4)
Financial planner	200	225	(11.1)
Branches	731	731	–

(1) After consolidation of items attributable to this area.

In 2001 Sanpaolo IMI increased its investment in Banco di Napoli. In June 2001 a restructuring plan for Banco di Napoli was approved, as a result of which Banco di Napoli pursued certain restructuring transactions. See "—History and Developments of the Company—Recent Developments—Banco di Napoli".

In 2001, Banco di Napoli spun-off its supplementary staff pension fund. See "—History and Developments of the Company—Significant Developments during 2001—Banco di Napoli—Spin-off of Supplementary Staff Pension Fund".

For the year ended December 31, 2001, Banco di Napoli encouraged customers to diversify their savings portfolio from traditional forms into asset management. Banco di Napoli's net inflow from asset management products in 2001 was €2.5 billion. At the end of 2001, Banco di Napoli's assets under management were €8.8 billion, an increase of 31.2% against 2000.

For the year ended December 31, 2001:

- direct deposits were €22.8 billion, a decrease of 7.5% against 2000 partly because of the divestiture of Banco di Napoli's international operations; and
- assets under administration were €6.5 billion, a decrease of 13.6% compared to 2000, primarily due to a decrease in asset value as a result of the negative performance of stock markets in 2001.

During 2001, Banco di Napoli concentrated its loans on the households and small businesses segments. For the year ended December 31, 2001, Banco di Napoli's net loans, excluding non-performing loans and the loans to SGA, remained flat (€15.7 billion in both 2001 and 2000).

Banco di Napoli's profit margins were adversely affected by the provisions made for risks and charges that could arise in connection with pensions and retirement benefits. Such provisions are classified as an extraordinary expense. As a result of the provisions, in 2001 Banco di Napoli's net profit fell to €3 million, a decrease of 96.8% compared to 2000.

Wealth Management

Wealth Management provides asset management products and services to distribution networks within the Group (Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest), as well as to external networks and institutional investors.

Wealth Management was set up in April 2001 when the Bank transferred to Wealth Management Sanpaolo IMI, the holding company of Wealth Management, its equity investments in companies operating in the field of mutual funds and portfolio management (Sanpaolo IMI Asset Management, Sanpaolo IMI Institutional Asset Management, Sanpaolo Gestion Internationale and Sanpaolo Fiduciaria), in private banking (Sanpaolo Bank Lussemburgo, Sanpaolo Bank Austria and SP Private Banking) and in life insurance (Sanpaolo Vita and Sanpaolo Life).

The following table shows the results of Wealth Management for the years ended December 31, 2001 BA Pro Forma and 2000 BA Pro Forma as if it had been a separate Business Area since January 2000.

	2001 BA Pro Forma	2000 BA Pro Forma	Change % 2001 BA Pro Forma/2000 Pro Forma
Statement of income (€/mil)			
Net interest and other banking income	251	261	(3.8)
Operating costs	(85)	(62)	37.1
Operating income	166	199	(16.6)
Adjustments to goodwill and merger and consolidated differences	(7)	–	–
Net provisions and adjustments to loans and financial fixed assets	(14)	(43)	(67.4)
Income from operating activities	145	156	(7.1)
Net extraordinary item	(3)	–	–
Income before income taxes	142	156	(9.0)
Income taxes for the year	59	(26)	–
Change in reserve for general banking risks	(1)	3	
Net income	**200**	**133**	**50.4**
Contribution to Group net income (1)	213	106	100.9
Average economic capital (€/mil)	**348**	**267**	**30.3**

	2001 Pro Forma	2000 Pro Forma
Ratios (%)		
ROE	61.2	39.7
Cost/ Income ratio	33.9	23.8

	12/31/01	12/31//00 Pro Forma	Change % 2001/2000 Pro Forma
Operating data (€/mil)			
Assets under management...	73,238	74,331	(1.5)
Structure			
Employees..	431	343	25.7

(1) After consolidation of items attributable to the Business Area

In 2001, as part of the integration of Banco di Napoli in the Group, the fund management activities of Banco di Napoli were also transferred to Wealth Management Sanpaolo IMI.

In 2001, Wealth Management carried out numerous initiatives to further develop its product range. Such initiatives include:

- in assets under management: Sanpaolo IMI Institutional Asset Management SGR and Sanpaolo IMI Alternative Investments SGR commenced their operations in 2001; Sanpaolo IMI Institutional Asset Management SGR specializes in managing assets on behalf of institutional customers; Sanpaolo IMI Alternative Investments SGR was established to set up and manage hedge funds;

- in mutual funds, a new, equity fund was created and Sanpaolo Liquidità, a mutual fund of the Group, was divided into two categories of units, one for retail customers and one for corporate and private banking customers;

- the range of fund-based portfolio management schemes was enriched by a new multi-manager line, which includes three asset allocation products and two global equity products designed for affluent customers; and

- in insurance, Wealth Management launched new single-premium policies which can pay out an annual amount equal to the previous year's increase in value, and policies with guaranteed results. A new unit-linked policy was introduced; four tranches of index-linked products were placed through the various distribution networks.

At December 31, 2001, Wealth Management had assets under management of €73.2 billion, a decrease of €1.1 billion against 2000 (-1.5%). The decrease was the result of a €4.9 billion loss in value, which was only partially offset by a net inflow generated by the distribution networks of €3.8 billion.

For the year ended December 31, 2001, Wealth Management net interest and other banking income was €251 million, a decrease of 3.8% against 2000. The decrease was largely due to a 19.4% drop in net commission income, which was partially offset by an increase in the contribution made by the insurance companies, Sanpaolo Vita and Sanpaolo Life.

For the year ended December 31, 2001, operating income was €166 million a decrease of 16.6% against 2000. The decrease in operating income was primarily the consequence of an increase of 37.1% in operating costs. The increase in operating costs was primarily due to charges incurred in establishing and restructuring this segment.

Lower income taxes and the booking of deferred tax assets for the recovery of carry-forward tax losses allowed Wealth Management to improve its net revenues by 50.4%. For the year ended December 31, 2001, Wealth Management contributed €213 million to the Group, an increase of 100.9% against 2000.

Personal Financial Services

Banca Fideuram

Banca Fideuram, which has a network of 3,795 financial agents and 82 branches in Italy, operates with the help of its own specialist companies that produce asset management services. As used in this annual report, the expression "financial agents" refers to exclusive agents who advise their customers on financial investments and are typically paid on the basis of subscription and management fees generated by managed savings products bought and held by their clients. A bonus system is also often used as an incentive for the financial agents.

The following table shows the results of Banca Fideuram for the years ended December 31, 2001 and 2000 BA Pro Forma.

	2001	2000 BA Pro Forma (1)	(%) Change 2001/2000 BA Pro Forma
Statement of income (€/mil)			
Net interest and other banking income	578	579	(0.2)
Operating costs	(280)	(273)	2.6
Operating income	298	306	(2.6)
Value adjustment on goodwill merger difference and consolidation differences	(24)	(42)	(42.9)
Provisions and net adjustments to loans and financial fixed assets	(47)	(10)	–
Income before extraordinary items	227	254	(10.6)
Extraordinary items	10	2	–
Income before income taxes	237	256	(7.4)
Income taxes for the year	(11)	(32)	(65.6)
income attributable to minority interests	-	(2)	–
Net income	226	222	1.8
Contribution to Group net income(2)	173	175	(1.1)
Allocated Capital (€/mil)	**612**	**544**	12.5

	2001	2000 BA Pro Forma
Ratios (%)		
ROE	28.3	32.2
Cost/ Income ratio	48.4	47.2

	At 12/31/01	At 12/31/00	% Change 2001/2000
Operating Data (€/mil)			
Financial assets	50,414	51,073	(1.3)
- Direct deposits	3,564	2,725	30.8
- Asset under management	37,477	40,613	(7.7)
- Mutual funds and fund-based portfolio management	31,022	34,923	(11.2)
- Life insurance	6,455	5,690	13.4
- Asset under administration	9,373	7,735	21.2
Net asset management flows	339	6,150	
Structure			
Employees	1,647	1,587	3.8
Financial agents	3,795	3,782	0.3
Branches	82	74	10.8

(1) The pro forma for the year ended December 31, 2000 assumed that Sanpaolo IMI acquired the control of Wargny on January 1, 2000

(2) Related to the stake in Banca Fideuram held by Sanpaolo IMI and after the posting of consolidation attributable to the area.

The following were the most significant initiatives of Banca Fideuram in 2001:

- the development and implementation of a business plan for the French group Wargny. Banque Privée Fideuram Wargny was granted a French banking license and launched asset management operations. The Wargny group was restructured through, among other initiatives, the merger of the two holding companies Wargny Management and Financière Fideuram;
- the increase in the range of products and services offered to customers, with particular emphasis on the insurance sector;
- the launch of private banking services in the Swiss market through Fideuram Bank (Suisse);
- the restructuring of Banca Fideuram's Luxembourg subsidiaries by merging the five product companies into Fideuram Gestions; and
- the incorporation in Ireland of Fideuram Asset Management Ireland, which commenced operations at the beginning of 2002. Fideuram Asset Management Ireland coordinates the asset management side of the Luxembourg funds.

At the end of 2001, Banca Fideuram held €50.4 billion of customers' financial assets, a 1.3% decrease against 2000, primarily attributable to the negative performance of the financial markets in 2001.

For the year ended December 31, 2001, Banca Fideuram's direct deposits were €3.6 billion, a 30.8% increase against 2000; assets under administration were €9.4 billion, a 21.2% increase against 2000, primarily due to a shift in investor sentiment towards direct deposits and assets under administration.

For the year ended December 31, 2001, Banca Fideuram assets under management were €37.5 billion, a decrease of 7.7% against 2000. The decrease was entirely due to the decline in the market value of the assets, as a result of the negative performance of the financial markets. For the year ended December 31, 2001, net inflows of assets under management were €339 million. Within asset management, the most dynamic segment was insurance; technical reserves for life insurance increased to €6.5 billion at the end of 2001, an increase of 13.4% against 2000.

For the year ended December 31, 2001, Banca Fideuram net interest and other banking income was €578 million, compared to €579 million in 2000.

For the year ended December 31, 2001, Banca Fideuram's net commissions increased by 8.2%, partially due to a reduction in the incentive commissions paid to financial agents. However, higher charges related to investments and higher provisions made to cover the risk of non-recovery of commissions advanced to agents, led to a 10.6% decrease in income before extraordinary items.

For the year ended December 31, 2001, Banca Fideuram's net income was €226 million, a 1.8% increase against 2000; ROE was 28.3%, compared to 32.2% in 2000 Pro Forma.

Banca Sanpaolo Invest

Banca Sanpaolo Invest's business model focuses on the distribution of financial products of the Group and of other leading operators through a network of 1,494 financial agents. The financial agents operate with the support of Banca Sanpaolo Invest's own direct sales channels.

The following table shows the results of Banca Sanpaolo Invest for the years ended December 31, 2001 and 2000.

	2001	2000	% Change 2001/2000
Statement of income (€/mil)			
Net interest and other banking income	79	69	14.5
Operating costs	(52)	(49)	6.1
Operating income	27	20	35.0
Provisions and net adjustments to loans and financial fixed assets	(3)	–	–
Income before extraordinary items	24	20	20.0
Extraordinary income	-	6	–
Income before taxes	24	26	(7.7)
Income taxes for the year	(8)	(10)	(20.0)
Change in reserve for general banking risks	2	–	–
Net income	18	16	12.5
Contribution to Group net income (1)	18	16	12.5
Allocated Capital (€/mil)	93	89	4.5

	2001	2000
Ratios (%)		
ROE	19.4	18.0
Cost/ Income ratio	65.8	71.0

	At 12/31/01	At 12/31/00	% Change 2001/2000
Operating Data (€/mil)			
Total financial assets	9,677	10,178	(4.9)
- Direct deposits	363	52	
- Assets under management	8,108	9,180	(11.7)
- Mutual funds and fund-based portfolio management	5,708	7,017	(18.7)
- Portfolio management	524	597	(12.2)
- Life insurance	1,876	1,566	19.8
- Assets under administration	1,206	946	27.5
Net asset management flows	470	1,711	
Structure			
Employees	210	176	19.3
Financial agents	1,494	1,488	0.4

(1) After consolidation of items attributable to the area.

In 2001, Banca Sanpaolo Invest undertook several initiatives directed at further implementing its business model. The following were the most important initiatives undertaken by Banca Sanpaolo Invest in 2001:

- the achievement of full operational autonomy and the completion of transfer of Banca Sanpaolo Invest clients from other companies of the Group to Banca Sanpaolo Invest. The transfer concerned approximately 90,000 customers with total assets of €5.7 billion;

- the expansion of the range of products; the marketing of a new structured bond developed together with Banca IMI; and the launch of a new single-premium policy called Multinvest Alternative with index-linked capital and a fixed duration;

- improvements of the distribution network: 250 new financial agents were recruited while the financial agents with lower potential were released; and

- reinforcement of the activities carried through the phone and the Internet: 76,900 security trades were carried out by phone, 24,200 by Internet.

For the year ended December 31, 2001, Banca Sanpaolo Invest's net inflow of assets under management was €470 million, of which €137 million was for mutual funds and portfolio management and €333 million for life insurance policies.

For the year ended December 31, 2001, Banca Sanpaolo Invest's assets under management were €8.1 billion, a decrease of 11.7% against the end of 2000. The decrease was due to a €1.5 billion loss in market value of the assets.

Direct deposits at the end of 2001 were €363 million, compared with €52 million at the end of 2000.

For the year ended December 31, 2001, Banca Sanpaolo Invest's net interest and other banking income was €79 million, an increase of 14.5% compared to 2000 and operating income was €27 million, an increase of 35% compared to 2000 due to greater commissions from asset management services.

Net income for 2001 was €18 million against €16 million in 2000; ROE rose from 18% to 19.4%.

IMIWeb Bank

IMIWeb was established at the end of 1999 and obtained its banking license at the beginning of 2001. In 2001, IMIWeb started directly to manage the customer accounts initially opened at Banca IMI.

The following table shows the results of IMIWeb for the year ended December 31, 2001 and 2000.

	2001	**2000**	**% Change 2001/2000**
Statement of income (€/mil)			
Net interest and other banking income	9	6	50.0
Operating costs	(42)	(35)	20.0
Loss from operating activities	(33)	(29)	13.8
Extraordinary items, net	(14)	1	–
Net loss	(47)	(28)	67.9

In 2001, to consolidate its position as primary on-line broker on the Italian market, IMIWeb focused its attention on the day-traders segment. In order to focus on day-traders, IMIWeb:

- launched new services, such as stock lending and short selling; and

- launched operations relating to derivatives trading. In order to launch on-line derivatives trading IMIWeb launched an Internet platform which allows customers to operate on Italian and foreign derivative markets and on the main foreign derivatives markets.

IMIWeb's operating volumes grew significantly and the average number of daily trades executed rose to approximately 10,000 at the end of 2001, from approximately 2,000 at the beginning of 2001.

For the year ended December 31, 2001, IMIWeb's revenues were €9 million, an increase against revenues of €6 million in 2000. The costs incurred to reinforce its market position and to withdraw certain foreign investments led to a net loss for the year of €47 million

Wholesale Banking

Corporate

In 2001, Corporate developed its relations with large- and medium-sized companies and groups in the field of lending and the provision of banking services. At the end of 2001, Corporate consisted of two structures: one for Italian customers, the other for foreign companies; the Corporate network in Italy consisted of six territorial head offices, while abroad it had 11 branches and 16 representative offices, as well as the subsidiary Sanpaolo IMI Bank Ireland.

At the beginning of 2001, it extended the range of Italian customers serviced by the Corporate Business Area to include groups with consolidated sales of between €250 and €500 million.

The following table shows the results of the Corporate Business Area for the years ended December 31, 2001, and 2000 BA Pro Forma.

	2001	2000 BA Pro Forma	(%) Change 2001/2000 BA Pro Forma
Statement of income (€/mil)			
Net interest and other banking income	335	298	12.4
Operating costs	(105)	(105)	-
Operating income	230	193	19.2
Net provisions and adjustments to loans and financial fixed assets	(67)	(35)	91.4
Income before extraordinary items	163	158	3.2
Net extraordinary income	2	–	–
Income before income taxes	165	158	4.4
Income taxes for the year	(71)	(66)	7.6
Net income	94	92	2.2
Allocated Capital (€/mil)	892	804	10.9

	2001	2000 Pro Forma
Ratios (%)		
RORAC	10.5	11.4
Cost/income	31.3	35.2

	At 12/31/2001	At 12/31/2000 BA Pro Forma	(%) Change 2001/ 2000 BA Pro Forma
Operating Data (€/mil)			
Net loans to customers, excluding non-performing loans	24,161	24,803	(2.6)
Guarantees	8,578	7,933	8.1
Total loans and guarantees	32,739	32,736	0.0
Structure			
Employees	486	481	1.0
Area offices in Italy	6	6	–
Branches and representative offices abroad	27	23	17.4

In 2001, in an extremely competitive situation, Corporate decided to take a selective approach to customer relations, paying particular attention to return on transactions and risk control. Corporate focused on transactions that guaranteed a good level of commission income, taking part in more syndicated loans in which the Bank often took a leading role.

In 2001, the foreign network, which looks after three areas (America, Europe and Asia), directing and supervising the various operational offices, was strengthened through:

- the acquisition of Banco di Napoli's Hong Kong branch; and
- the opening of representative offices in Mexico City, Prague and Budapest.

For the year ended December 31, 2001, total loans of Corporate were €32.7 billion, approximately consistent with total loans at the end of 2000.

For the year ended December 31, 2001, Corporate earned €335 million of net interest and other banking income, an increase of 12.4% against 2000. The increase was the result of a 5.6% increase in net interest income and, primarily, an increase in commissions, up from €76 to €99 million because of syndicated loan activities.

For the year ended December 31, 2001, operating income was €230 million, a 19.2% increase against 2000. The increase was due to the increase in net interest and other banking income and to the containment of operating costs. For the year ended December 31, 2001, the cost/income ratio decreased to 31.3% from 35.2% in 2000.

The increased revenues partially offset the negative effects of the deterioration in the economy. Due to the deterioration in the economy in 2001, a greater absorption of capital and an increase in loan loss provisions and write-down (including relating to loans to Enron) occurred. Regardless of the greater absorption of capital and of the increase in loan loss provisions and write-down, the level of general risk reserves was kept higher than the amount of the expected loss, as a result, RORAC, for the year ended December 31, 2001, was 10.5%.

Public Works and Infrastructure

Public Works and Infrastructure provides, through Banca OPI, financial services to the public sector, in particular the financing of capital investments and mayor infrastructure projects.

The following table shows the results of the Public Works and Infrastructure for the years ended December 31, 2001 and 2000 BA Pro Forma.

	2001	2000 BA Pro Forma	(%) Change 2001/2000 BA Pro Forma
Statement of income (€/mil)			
Net interest and other banking income	127	130	(2.3)
Operating costs	(18)	(15)	20.0
Operating income	109	115	(5.2)
Provisions and net adjustments to loans and financial fixed assets	(65)	(8)	–
Income before extraordinary items	44	107	(58.9)
Net extraordinary items,	2	2	–
Income before taxes	46	109	(57.8)
Income taxes for the year	(14)	(11)	27.3
Net income	32	98	(67.3)
Contribution to Group net income (1)	69	98	(29.6)
Allocated Capital (€/mil)	349	279	25.1

	2001	2000 BA Pro Forma (unaudited)
Ratios (%)		
ROE	19.8	35.1
Cost/ Income ratio	14.2	11.5

	At 12/31/01	At 12/31/00 BA Pro Forma	(%) Change 2001/2000 BA Pro Forma
		(unaudited)	
Operating Data (€/mil)			
Net loans to customers, excluding non-performing loans	13,284	11,973	10.9
Disbursements during the year	3,018	3,128	(3.5)
Structure			
Employees	114	99	15.2

(1) After consolidation of items attributable to the Business Area.

The following were Banca OPI's main initiatives in 2001:

- granting new loans to the public health care sector, railway infrastructure, and environmental projects to safeguard the Venetian Lagoon;
- participation in the restructuring of the local energy market and of the Italian postal service;
- project finance relating to transportation infrastructures and the environmental sector; and
- assets appraisal on behalf of local government entities and municipal administrations.

In the year ended December 31, 2001, Banca OPI entered into new agreements with an aggregate value of €5.6 billion. Of this amount, €3.7 billion were mortgage loans, €1.6 billion were short-term or revolving loans and €0.3 billion were guarantees.

In the year ended December 31, 2001, Banca OPI's disbursements were €3 billion.

At the end of 2001, Banca OPI's outstanding loans were €13.3 billion, an increase of 10.9% against the end of 2000.

For the year ended December 31, 2001, net income was reduced because of higher provisions, permitted under Italian tax law. Unlike in 2000, 2001 net income did not benefit from deferred tax assets. See note 18 to the Consolidated Financial Statements.

For the year ended December 31, 2001, net income was €32 million compared to €98 million in 2000 BA Pro Forma. Banca OPI's contribution to the Group's net income, after deduction of the provisions made for tax purposes, was €69 million; ROE was 19.8%.

Investment Banking

Investment Banking handles securities brokerage both on own account and on behalf of customers, raising risk and debt capital for companies, and consultancy in matters of corporate finance. The Group's investment banking activities are carried on by the Banca IMI group, excluding IMIWeb Bank, which operates in the field of on-line trading .

The following table shows the results of Investment Banking for the years ended December 31, 2001 and 2000.

	2001	2000	% Change 2001/2000
Statement of income (€/mil)			
Net interest and other banking income	197	250	(21.2)
Operating costs	(160)	(161)	(0.6)
Operating income	37	89	(58.4)
Provisions and net adjustments to loans and financial fixed assets	(7)	1	–
Income before extraordinary itemizing activities	30	90	(66.7)
Net Extraordinary item	(1)	8	–
Income before taxes	29	98	(70.4)
Income taxes for the year	5	(31)	(116.1)
Net income	34	67	(49.3)
Contribution to Group net income (1)	34	60	(43.3)
Allocated capital (€/mil)	302	356	(15.2)

	2001	2000
Ratios (%)		
ROE	11.3	16.9
Cost/ Income ratio	81.2	64.4

	2001	2000	% Change 2001/2000
Operating Data (€/mil)			
Banca IMI SpA trading volumes			
- trading	681,694	474,918	43 .5
- sales	121,814	100,060	21.7
- repurchase agreements	1,440,015	817,939	76.1
- placements	14,506	19,537	(25.7)

	At 12/31/2001	At 12/31/2000	% Change 2001/2000
Structure			
Employees	653	683	(4.4)
Branches	2	2	–

(1) After consolidation of items attributable to the Business Area.

The following were the main activities of Banca IMI in 2001:

In debt capital markets Banca IMI was the lead manager or sole book runner of 40 bond issues for a total exceeding €13 billion. *Financial institutions*: Banca IMI managed offerings for Banca Antonveneta, Cassa di Risparmio di Bolzano, Cassa dei Risparmi di Forlì and Findomestic Banca, the benchmark issues for Banca di Roma and Bear Stearns, as well as three separate issues of subordinated instruments for Banca Popolare di Milano. *Corporate clients*: Banca IMI managed offerings for ENEL, Reno de' Medici and Grandi Navi Veloci. *Securitizations*: Banca IMI managed the securitizations of INPS', the main Italian governmental social security institute, receivables and of public sector real estate, as well as the operation involving Mosaico Finance, the first multi-originator in Italy.

In equity capital markets Banca IMI was the leading global coordinator in Italian offerings in terms of both the number of transactions operations and their value. Banca IMI's market share in the Italian equity capital market was 29% in terms of the number of offerings and 35% in terms of their value. The main equity offerings were: the fifth tranche of ENI, the IPO of Snam Rete Gas and of Juventus and the secondary offerings for Olivetti and Banca Popolare di Milano. In European offerings, Banca IMI was the lead manager for Italy in the IPO of Orange.

In corporate finance Banca IMI completed 14 transactions, mainly relating to advisory services for acquisitions, sales and restructurings, as well as consultancy services.

In the year ended December 31, 2001, Banca IMI had 5.3% market share of the Italian electronic equity market, ranking third in the Italian league tables (source: Assosim). In derivatives trading, Banca IMI had a 7.4% share of the Italian derivatives market, also ranking third in the Italian league tables (source: Assosim).

In the foreign markets, the Banca IMI upgraded the safekeeping and custodian bank services offered by IMI Bank, its Luxembourg subsidiary, and reinforced its operations in electronic trading on U.S. and European equity markets through Banca IMI Securities Corp., its U.S. subsidiary. Banca IMI Securities Corp. consolidated its role in the distribution of European equities and securities issued by U.S. government and securities agencies.

The outlook for Investment Banking improved in the last quarter of 2001, but this improvement was insufficient to offset the impact of adverse market conditions in the first three quarters of 2001.

For the year ended December 31, 2001, the Investment Banking net interest and other banking income was €197 million, a decrease of 21.2% against 2000, primarily attributable to the adverse market conditions.

For the year ended December 31, 2001, the Investment Banking income before extraordinary items was €30 million, a decrease of 66.7% against 2000.

The contribution of Investment Banking to the Group's net income in 2001 was €34 million, against €60 million in 2000. The ROE of the Investment Banking Area in 2001 was 11.3% compared to 16.9% in 2000.

Merchant Banking

Merchant Banking's objective is to increase the value of its minority shareholdings with a view to realizing capital gains. In 2001, this activity was performed by NHS.

The following table shows the results of Merchant Banking for the years ended December 31, 2001 and 2000.

	2001	2000	% Change 2001/2000
Statement of income (€/mil)			
Net interest and other banking income	14	51	(72.5)
Operating costs	(11)	(9)	22.2
Operating income	3	42	–
Value adjustment on, goodwill, merger difference and consolidation differences	(16)	-	–
Provisions and net adjustments to loans and financial fixed assets	(131)	(10)	–
Income before extraordinary items	(144)	32	–
Net extraordinary income	228	93	145.2
Income before taxes	84	125	(32.8)
Income taxes for the year	(30)	(49)	(38.8)
Net income	54	76	(28.9)
Contribution to Group net income (1)	33	33	–
Allocated Capital (€/mil)	391	382	2.4

	2001	2000
Ratios (%)		
ROE	8.4	8.6
Cost/ Income ratio	78.6	17.6

	At 12/31/01	At 12/31/00	Net Flow 2001
Operating Data (€/mil)			
Merchant banking direct investments	430	479	(49)
Other equity investments	672	460	212

	At 12/31/01	At 12/31/00	% Change 2001/2000
Structure			
Employees	52	52	–

(1) Relates to the 51% interest held by Sanpaolo IMI and after consolidation of items attributable to the area.

In 2002, NHS was restructured and renamed IMI Investimenti. See "Item 4. Information on the Company—History and Developments of the Company—Recent Developments—Cardine—Streamlining of Group's equity holding through transactions involving Sanpaolo IMI and Compagnia di San Paolo".

For the year ended December 31, 2001, NHS made investments of €497 million. The most important investments in 2001 were:

- the acquisition of a 0.26% stake in ENI for €143 million as part of a private placement from the Ministry of the Treasury;
- the acquisition of a 7.8% stake in Italenergia for €248 million. Italenergia is the company that acquired control of the Montedison group in 2001 through an unsolicited bid. For recent developments concerning Sanpaolo IMI's relationship with Italenergia, please see "Item 4. Information on the Company—History and Developments of the Company—Recent Developments—FIAT and Italenergia";
- the acquisition of a 6.3% stake in Merloni Termosanitari for €22 million. Merloni Termosanitari is a company specializing in the production of domestic heating appliances;
- the acquisition of a 10% stake in Cartiere Fedrigoni & C., a producer of paper products, for €14 million;
- the acquisition of a 1.5% stake in Campari, a beverages company, for €13.5 million. The investment was made in the initial public offering of Campari; and
- the acquisition of a 1.6% stake in Azimut for €7.2 million. Azimut is the world leader in naval architecture and ocean racing yachts. Before the acquisition of the 1.6% stake the Group already controlled 7.6% of Azimut; with its 2001 investment the Group aggregate investment in Azimut reached €34 million;

At the beginning of 2002, at a cost of €2.8 million, NHS was discharged from its commitment to invest up to €10 million in Idra Partecipazioni, to finance, among others, a takeover bid for Idra Presse.

In 2001, NHS divested itself of €339 million of assets. The most important divestitures in 2001 were:

- the divestiture of a 6.2% stake in Montedison. Of the 6.2% stake in Montedison, 1.8% was sold in the market in the first half of 2001 and 4.4% was sold to Italenergia in July 2001. The divestiture resulted in a pre-tax capital gain of €228 million; and
- a partial divestiture of the investment in Santé Luxembourg, for a pre-tax capital gain of €11 million.

In January 2002, NHS Mezzogiorno SGR was incorporated. NHS Mezzogiorno SGR will manage a fund for the promotion of risk capital in southern Italy; the fund will have €100 million available for investments.

For the year ended December 31, 2001, Merchant Banking total net commission income and other dealing revenues was €14 million, compared to €51 million in 2000, primarily attributable to adverse market conditions.

In 2001, provisions and write-down of financial fixed assets were made to reflect the deterioration in the financial markets. With the provisions and write-down, net income for 2001 was €54 million, a decrease of 28.9% against 2000.

The Merchant Banking Business Area's contribution to Group net income was €33 million, flat compared to 2000 and the ROE was 8.4% compared to 8.6% in 2000.

Distribution Network

During 2001, the Group continued its efforts to strengthen the distribution structure, taking action along the following lines:

- development of innovative channels;
- selective growth in the branch network, accompanied by branch specialization in the sectors of their local clientele;
- consolidation of the network of financial agents.

With respect to innovative channels, the beginning of March was of particular importance as customers of Italian branches in the Sanpaolo Network were given the ability to access their accounts and issue instructions by Internet and mobile phone. At the end of 2001, the number of contracts allowing private customers to operate in an integrated fashion using both traditional and direct channels amounted to 180,000. The Sanpaolo Network also provided Internet services to small businesses and companies.

Group companies operating in the Personal Financial Services sector also developed their business through electronic banking, concentrating the work of the financial planner networks on activities with higher value-added. At the same time, measures were taken to reinforce the commercial capacity of the financial planner networks; this included recruiting new experienced financial agents and releasing those with lower potential. At the end of 2001, the Sanpaolo IMI Group had a total of 5,506 financial agents, of which: 3,795 operating in Banca Fideuram and 1,494 in Banca Sanpaolo Invest.

The strengthening of the distribution structure was also directed towards the development of the Group's Italian branch networks in terms of both quantity and quality; in terms of quantity, the Parent Bank's network increased by 44 branches, bringing the total at the end of 2001 to 1,376. The Group's domestic network consists of 2,212 branches in total, of which: 731 belong to Banco di Napoli, 82 to Fideuram and 23 to Finconsumo Banca. Of these, 45.6% operate in the north-west of Italy, 36.8% in the south and islands, 11.6% central Italy, and the remaining 6% in the north-east.

The following tables show, respectively, the strength of the Group's distribution networks in Italy and abroad, and in Italy, at the dates indicated.

Distribution network (Italy and abroad)	At 12/31/2001	At 12/31/2000	% Change 12/31/01-12/31/00
Banking branches and area offices	2,289	2,213	3.4
Italy	2,212	2,137	3.5
- Sanpaolo IMI	1,376	1,332	3.3
Abroad	77	76	1.3
- Banque Sanpaolo	59	61	(3.3)
Representative offices	18	15	20.0
Financial agents	5,506	5,495	0.2
- Banca Fideuram	3,795	3,782	0.3
- Banca Sanpaolo Invest	1,494	1,488	0.4

Distribution network (Italy at 12/31/01)	Sanpaolo IMI		Banco di Napoli		Other (1)		Total	
North-West (Piedmont, Val d'Aosta, Lombardy, Liguria)	963	70.0%	4	0.5%	42	40.0%	1,009	45.6%
North-East (Veneto, Trentino Alto Adige, Friuli Venezia-Giulia, Emilia Romagna)	108	7.9%	1	0.1%	23	21.9%	132	6.0%
Centre (Tuscany, Marches, Umbria, Lazio, Abruzzo, Molise)	127	9.2%	107	14.7%	23	21.9%	257	11.6%
South & Islands (Campania, Apulia, Basilicata, Calabria, Sicily, Sardinia)	178	12.9%	619	84.7%	17	16.2%	814	36.8%
Banking branches and area offices in Italy	1,376	100.0%	731	100.0%	105	100.0%	2,212	100.0%

(1) Includes the networks of Banca Fideuram (82 branches) and Finconsumo Banca (23 branches)

The Italian Banking System: Supervision and Regulation

Italian Banking Regulations - Overview

Structure of the Italian Banking System

Italy's banking industry was regulated for over 50 years under the Banking Act of 1936, a law that set out the structure of the banking industry and regulated the specialized banking institutions. The application of the Banking Act of 1936 led to fragmentation and shielded the Italian banking system from competition. During the 1990s, the Italian banking system underwent a reorganization and consolidation process which led to growth in the average size of banks and in the number of their branches while reducing the total number of banks.

The reorganization is the consequence of changes in banking regulations as well as the competitive stimulus resulting from the liberalization of European financial markets and the introduction of the euro. The main steps of the regulatory changes were the enactment of the Amato Law, the privatization process, the implementation of EU directives and the Legislative Decree No. 385 of September 1, 1993 (the "Consolidated Banking Law").

The current system allows the banks to decide which banking and related financial activities to engage in and which structures to adopt, subject only to generally applicable rules of prudence and the banks' own by-laws. The current Italian banking regulations now largely mirrors the EU Second Banking Directive. The effect of the regulatory changes and Europe-wide liberalization has been a significant increase in competition and consolidation in the Italian banking industry.

The Privatization Process

The Amato Law, encouraged consolidation and banks controlled by governmental and public law entities to adopt a joint-stock structure and to strengthen their capital bases. Private participation in the newly formed joint-stock companies was permitted and encouraged, but - until the coming into force of Law No. 474 of July 30, 1994 (the "Privatization Law") - governmental and other public entities minority shareholding were permitted only if it appeared to be in the public interest and subject to prior governmental authorization.

The process has accelerated by the implementation of the Privatization Law and the Decree of the Minister of Treasury (the "Dini Directive"), enacted respectively in July and November 1994. It was such statutes that permitted and promoted the sale of majority holdings of banks owned by the Ministry of Treasury and by Italian banking foundations (considered public law entities) to the private sector. Certain fiscal incentives have been provided for Italian banking foundations to reduce their statutes below the 50% level, in a bank that converted into a joint-stock company under the Amato Law. If such requirements were met by the end of 1999, all capital gains arising from the public offerings or sales would be tax-free.

Furthermore, to encourage the reform, new incentives have been introduced pursuant to Ciampi Law, which reorganizes the regulatory framework over the Italian banking foundations. Those incentives were under the scrutiny of the European Commission, pursuant to the procedure applicable to incentives which may affect fair competition.

The European Commission decided on December 11, 2001 that the incentives were contrary to EU competition law. Italy has appealed the decision of the European Commission to the European Court of Justice. The Italian Banking Association ("ABI") and the banks that were supposed to be the beneficiaries of the incentives also appealed the decision of the European Commission to the European Court of first instance.

Pending resolution of the appeals, the incentives for the year 2001 were suspended pursuant to a decree of the Italian government dated April 11, 2002.

Pursuant to the Ciampi Law, the banking foundations that modified their by-laws and progressively divested their stakes in banks and only maintain control interests in entities dealing with social purposes, are considered as private not for profit organizations with social purposes. The Ministry of Treasury is in charge of authorizing the sales of holdings of banks owned by the foundations; the sales must be in compliance with criteria of transparency and non-discrimination.

In accordance with Article 11 of Law No. 448 of 2001 (the "2002 Budget law"), the deadline for the banking foundations to dispose of their control of banking institutions was extended for three years. The Ciampi Law initially set the deadline for the disposals at June 2003. The longer term contemplated by the 2002 Budget Law is conditional upon the banking foundations entrusting their stakes in banking institutions to asset management companies *"società di gestione del risparmio"*, which must be selected pursuant to certain criteria and must manage the stakes in a professional manner, independently of the foundations.

Implementation of the EU Second Banking Directive

Effective January 1, 1993, the distinction between "ordinary credit institutions" and "special credit institutions" was formally eliminated (Legislative Decree No. 481 of December 14, 1992). Banking activities are now performed by a single category of credit institution (*banche*), which can collect and demand savings deposits from the public, issue bonds and grant medium and long-term credit, whether subsidized or not, subject to regulations issued by the Bank of Italy.

Italian banks are now either (a) banks with joint-stock companies (*Società per Azioni*) owned directly or indirectly by the private sector or by banking foundations, (b) cooperative banks (*banche popolari* and *banche di credito cooperativo*), or (c) residual public law entities, governed by special regulations. In addition to the banking business, and subject to their by-laws and to financial services regulation, banks may engage in all the business activities that are subject to mutual recognition under the EU Second Banking Directive, and in certain other financial activities not listed therein.

European credit institutions may conduct banking business in Italy as well as those business activities that are subject to mutual recognition and are authorized to be carried out in their home country, provided that the Bank of Italy is informed by the entity supervising the relevant EU credit institution. Such supervising entity retains control over the relevant EU credit institution (rule of "home-country control").

Consolidated Banking Law

Effective January 1, 1994, the Consolidated Banking Law repealed and replaced, among others, the Banking Act and Legislative Decree No. 481. Among the provisions of the Consolidated Banking Law are those concerning the role of the supervisory authorities; the definition of banking and related activities; the authorization of banking activities; the acquisition of equity participation in banks; banking supervision (on an unconsolidated and consolidated basis); special bankruptcy procedures for banks, and the supervision of financial companies. The resulting regulatory framework of Italian banking system is described below.

Supervisory Authorities

Under the Consolidated Banking Law, the supervision and regulation of Italian banks are exercised by:

- the Interministerial Committee for Credit and Savings (the *Comitato Interministeriale per il Credito e per il Risparmio* or "CICR"). The CICR includes the Minister of Treasury and other economic ministers and acts upon proposals of the Bank of Italy, has wide-ranging policy-making and guidance powers.

Minister of Treasury. The Minister of Treasury has broad powers in relation to banking and other financial activities. Such powers include:

- authorizing the establishment in Italy of the first branch of non-EU banks,
- setting eligibility standards for holders of equity interests of a bank and
- setting the level of professional experience required from directors and executives of banks and other financial intermediaries.

The Minister of Treasury may, in cases of urgency, adopt measures which generally belong to CICR and may also fine banks and their managers with administrative sanctions and rule the compulsory liquidation (*liquidazione coatta amministrativa*) or the extraordinary management (*amministrazione straordinaria*).

Bank of Italy. The Bank of Italy implements the policies set forth by CICR by adopting regulations and instructions concerning the following four main areas:

- capital requirements;
- risk exposure;
- acquisition of equity participations;
- administrative and accounting organization and internal audit.

The Bank of Italy supervises the banking institutions through its own auditing body, granting authorizations and examining the reports that banks are required to file on a regular basis. The main supervisory powers include: the review of financial statements and statistical data; the preliminary review of amendments to by-laws; inspections; and verification of capital ratios, reserve requirements and exposure limits.

The Bank of Italy conducts inspections of all credit institutions through its supervisory staff of auditors. Matters covered by an examination include the accuracy of reported data, compliance with banking regulations, and by-laws. Specific areas of audit include compliance with exposure and other prudential limits.

The Bank of Italy requires all banks to report interim balance sheets on a monthly basis.

The principal objectives of the regulation are the protection of depositors and the stability and efficiency of the financial system.

Participation in the Share Capital of a Bank

Pursuant to Section 19 of the Consolidated Banking Law, the Bank of Italy's prior authorization is required in the event that acquisition of shares (together with the shares already held) triggers the threshold of 5% of the voting rights or leads to a situation of control of the target. Prior authorization by the Bank of Italy is also required when the 10%, 15%, 20%, 33% or 50% threshold of voting rights is triggered.

Following the introduction in October 1999 of certain new regulations, the authorization from the Bank of Italy must also be obtained before any irrevocable commitment to buy a significant stake in a bank.

In the case of purchases (or sales) which could lead to controlling interest in a bank, the request for authorization to the Bank of Italy must also be preceded (by not more than 30 days) by a preliminary notification to the Bank of Italy concerning the main elements of the transaction (timetable, methods and sources of finance).

The Bank of Italy may grant the authorization subject to conditions likely to ensure the sound and prudent management of the bank. Persons who, directly or indirectly engage in significant business activity in economic sectors other than banking and finance may not be authorized to acquire shares of a bank which, when added to those already held, would represent more than 15% of the voting rights or control of the bank.

The Bank of Italy as well as CONSOB (the Italian securities and stock exchange regulator) when the bank is a listed company must be notified of any agreement, however concluded, which involves an Italian bank or could lead to a joint exercise of voting rights in a bank or in the parent company of such bank.

Deposit Insurance

The Interbank Deposit Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi*) (the "Guarantee Fund"), established in 1987 by the principal Italian banks, protects depositors against the risk of insolvency of the bank and the loss of their deposited funds. Sanpaolo has been a member of the Guarantee Fund since 1987.

According to the amended Consolidated Banking Law, enacted in 1996 (pursuant to EU Directive No. 94/19), a bank's membership in the Guarantee Fund is compulsory and must have a minimum coverage of Lit. 200 million (€103,291) per depositor.

Deposits covered by the Guarantee Fund are mainly those of ordinary customers, namely repayable funds in the form of deposits, bank drafts and other similar instruments; Bearer deposits, bonds and deposits placed by other credit institutions for their own account have been excluded. Furthermore, the guarantee scheme does not cover deposits of government and local authorities, financial and insurance companies, and mutual funds.

Capital Adequacy Requirements

Solvency Ratios

The implementation of the Basle Committee's risk-based capital guidelines is based on the EU's "Own Funds Directive" and the "Solvency Ratio Directive". Under these risk-based capital guidelines, implemented since 1992 by the Bank of Italy, a bank's capital adequacy assessment is based on the ratio of its total capital to the risk-adjusted value of its assets and off-balance sheet exposures. It should be noted that the Basle Committee is currently reviewing certain guidelines. A bank's capital is composed of primary capital and supplementary capital. The consolidated total of primary and supplementary capital of a bank may not be less than 8% (or 7% on an unconsolidated basis) of the bank's risk-weighted assets.

Primary capital (Tier I) consists of: paid-in equity capital, retained earnings, funds for general banking risks, and innovative capital instruments such as preferred shares; minus: treasury stock, intangible assets and losses for the preceding and current fiscal years. Innovative capital instruments can be included in Tier I capital only for up to 15% of the capital including such instruments. Any amount in excess of that level can be included in supplementary capital as hybrid capital instruments.

Supplementary Capital (Tier II) capital consists of: asset revaluation reserves, general loan loss reserves, hybrid capital instruments and subordinated loans, minus: net unrealized losses from investments in securities. Starting in March 1998, supplemental assets may include 35% of the net unrealized gains on interests in non-banking and non-financial companies listed on a regulated market. 50% of any net losses must be deducted from supplemental assets, as already provided for net losses on securities. Tier II capital cannot exceed Tier I capital. There are also limitations on the maximum amount of certain items of Tier II capital, such as subordinated debt which may not exceed 50% of Tier I capital.

To assess the capital adequacy of banks under the risk-based capital guidelines, a bank's capital is related to the total of the risk-adjusted values of its assets and off-balance-sheet exposures. The various categories of assets are assigned one of five risk weightings: 0%, 20%, 50%, 100% and 200%.

The capital adequacy ratios are applied to the sum of primary and supplementary capital, less equity investments and certain quasi-equity capital instruments in, and subordinated loans to, affiliated credit and financial institutions.

There is an ongoing negotiation to define, in the guidelines of the Committee of Basle, inter alia, the system balancing the risk of credit, and to introduce a specific requirement for the operational risks. The new Basle agreement may enter into force in 2004.

Market Risk Capital Requirements

In March 1997, based on EU directive 92/6 and in response to the increased activity of Italian banks in securities intermediation, the Bank of Italy requested specific consolidated capital requirements, in order to carry out such activity. The requirements concern the various classes of risk involved and apply to all securities not held to maturity (i.e., trading account securities and available-for-sale investment securities).

The risks covered by the capital requirements are:

- position risk: the risk deriving from fluctuations in the price of the securities due to market trends and status of the issuer;
- settlement risk: the risk that arises in securities settlement transactions when, after the contract has matured, the counterparty has not fulfilled its obligation to deliver the securities or amounts due;
- counterparty risk: the risk that the counterparty will not perform its contractual obligations upon maturity;
- concentration risk: refers to exceeding, as the result of risk positions in the portfolio of marketable securities, the individual credit limit established with regard to the concentration of risks;
- foreign exchange risk: the risk of incurring losses due to adverse changes in foreign exchange rates.

In February 2000, the Bank of Italy, pursuant to EU directive 98/31, introduced the possibility (subject to prior authorization) for banks to use their own internal models to calculate capital requirements to cover market risks. The models may use commodity position risk and total portfolio exchange rate risk. In 2000, certain other modifications to the regulatory framework on market risk concerning the calculation of commodity position risk and new methods of valuing options became effective. See Note 18 to Consolidated Financial Statements.

Lending Limits

The Bank of Italy issued certain instructions in respect of the EU Large Exposure directive in October 1993. From November 1993 until the end of 1998 all loans made by a bank to a single borrower or group of affiliated borrowers (together with all other exposures as defined by the EU Large Exposure directive) could not exceed 40% of the bank's own funds (as defined pursuant to the EU Own Funds directive). Since January 1999 this ceiling has been lowered to 25% of the bank's own funds. However, in accordance with the provisions of the EU Large Exposure directive permitting the grandfathering of excess exposures, the Bank of Italy's instructions provide that weighted exposures in excess of the applicable thresholds would not be required to be reduced immediately upon effectiveness of such directive's limitations in 1994, but would need to be gradually brought within specific limits. Such limits took effect at the beginning of 1997 and declined over time (60% of own funds from 1997 to 1998, 40% from 1998 to 2001, and 25% thereafter).

A specific limit applies to loans to companies which are affiliated with banks (i.e. companies in which a bank holds a stake of 20% or more) and to loans to shareholders holding a stake of 15% or more in a bank. Such specific limit provides that these exposures cannot exceed 20% of the bank's own funds as specified by the Bank of Italy regulations.

In addition, the amount of a bank's large exposures — defined as exposures individually exceeding 10% of the bank's own funds — may not, in the aggregate, exceed eight times the bank's own funds. Under the Bank of Italy's instructions, loans and other exposures are assigned one of four risk weightings (0%, 20%, 50% or 100%), largely depending on the identity of the debtor or guarantor.

These concentration limitations will apply to banking groups on a consolidated basis, although the activities of securities dealing firms (*società di intermediazione mobiliare,* "SIMs"), belonging to a banking group are not to be taken into account in assessing the group's exposures. In addition, banks belonging to a banking group are individually subject to a 40% limitation on weighted exposures to a single borrower or group of affiliated borrowers.

At December 31, 2001, the Group had 4 large exposures. See "Item 3. Key Information—Selected Statistical Information—Loan Portfolio—Loans by Category of Borrower" and Note 21 in the Notes to Consolidated Financial Statements.

Equity Participations by Banks

Banks are permitted to make equity investments in all types of companies, subject to rules enacted by the Bank of Italy. Generally, equity participations by a bank in all types of companies may not in the aggregate exceed, together with real estate investments, the bank's consolidated capital. These rules require prior authorization for equity investments exceeding 10% of the consolidated capital of the acquiring bank or 10% or 20% of the capital stock (or otherwise entailing the taking of control) of the bank, financial or insurance company being acquired and for taking control of ancillary banking service companies. Investments in insurance companies exceeding in the aggregate 40% of the bank's consolidated capital (and 60% of its unconsolidated capital) are not authorized.

Moreover, equity participations in companies other than banks or financial or insurance companies may not exceed (i) 15% of the bank's consolidated capital (or 7.5% for investments in unlisted companies), (ii) 3% of the bank's consolidated capital for investments in a single company or group of companies, or (iii) 15% of the capital stock of the company whose shares are being acquired by the bank. The limit described in (iii) does not apply if the value of the participation and the sum of all the other investments exceeding the 15% owned by the bank, do not exceed 1% of its consolidated capital.

Higher limits are applied by the Bank of Italy upon request by *banche abilitate* (authorized banks), which are banks with at least €1, billion) in capital and which meet the solvency ratios, and for the so-called *banche specializzate* (specialized banks), which are defined as banks that collect mainly medium- and long-term funds, take no demand deposits, have capital in excess of €1 billion) and meet the solvency ratios. The Bank of Italy has named Sanpaolo IMI as a *banca abilitata*. Therefore, Sanpaolo IMI is empowered to purchase over 15% of the capital of a non-financial company, as long as both the value of the participation and the sum of all other investments exceeding the 15% limit do not exceed 2% of its consolidated capital. The aggregate of the participations in non-financial companies cannot, in any event, exceed 50% of Sanpaolo IMI's consolidated capital (or 25% of its consolidated capital for investments in unlisted companies); investments in a single non-financial company or group of companies may not exceed 6% of the bank's consolidated capital.

Medium- and Long-Term Credit and Funding Activity

The regulations permit all banks to provide, without restriction, medium- and long-term credit to borrowers other than companies. The granting of medium- and long-term credit is permitted without limit to those banks whose shareholders' equity exceeds €1 billion as well as to former special credit institutions — regardless of the amount of their shareholders' equity — and to those banks whose liability structure is principally founded on funding raised in the medium- and long-term markets.

Other banks may extend medium- and long-term credit within the limit of 30% of total funding. Furthermore, the regulations include rules concerning control of the change in maturities as well as methods that empower the Bank of Italy to identify the banks most exposed to the risk of losses linked to interest-rate fluctuations.

With reference to the provisions concerning funding activity, the regulations provide the opportunity for all banks to collect savings from the public in any form permitted by law. Banks are also permitted to use various instruments such as bonds, certificates of deposit, and other funding instruments, which can also be issued in the form of subordinated or perpetual debt for funding activities.

Mandatory Reserves

ECB and the Bank of Italy require that banks based in Italy must keep obligatory reserves, directly or indirectly through an intermediary bank and in cash, with the Bank of Italy.

The amount of the reserve is calculated on a monthly basis at a 2% rate on the total of the following assets subject to the reserve requirements: liabilities from deposits and off balance sheet liabilities, excluding liabilities due to other banks, ECB and national central banks. There is no applicable portion for deposits and debt securities issued with a maturity of more than two years or repayable with notice of more than two years and for repurchase agreements.

The reserve can be amended by banks for the whole amount during the particular month as long as the average amount of the daily balances is not less than the required reserve. The Bank of Italy pays interest on the reserve at the average refinancing rates set by ECB for that month. Sums in excess of the reserve required do not receive interest. In the case of contravention of the requirements of the obligatory reserve, ECB may impose proportional fines on the bank (or intermediary bank).

Financial Intermediaries

The Consolidated Banking Law also governs certain financial activities performed by non-banking entities, which, in order to be allowed to deal with the public, must be enrolled in a general register kept by the Ministry of the Treasury. Such regulated financial activities are as follows: acquiring equity investments, granting loans in any form (including leasing activities) and performing payment or brokerage services in foreign currency. Pursuant to Law 130 of April 30, 1999, relating to securitizations, the transferring of assets to special purpose vehicles and the collection of credits and cashier services are to be considered among such regulated financial activities.

Financial intermediaries that deal with the public may engage in the activities listed above and, subject to specific authorization, derivatives trading activities for their own accounts and placement of financial instruments, are required to observe the rules for clarity of contractual conditions set forth in the Consolidated Banking Law. Further provisions set forth requirements for the probity of the participants and for the probity and professional competence of their business representatives.

The financial intermediaries have also to be enrolled in a special register (provided for in Section 107 of Decree N. 385 of 1993, the "Special Register") kept by the Bank of Italy, if they meet certain objective criteria, defined by the Ministry of Treasury, and corresponding to the activities they perform, their size and their debt to equity ratio. These intermediaries are subject to the oversight of the Bank of Italy, which, in August 1996, issued regulations concerning various aspects of capital requirements and risk management. Financial intermediaries must also comply with the rules governing the regular and consolidated annual financial statements of banks.

Securities Market Control and Legislation

The Italian implementing provisions (Law No. 415 of 1996, "Eurosim Law") of the European Directives on investment services (No. 93/22/EEC of May 10, 1993) and market risk capital requirements (No. 93/6/EEC of March 15, 1993), allowed banks to operate directly in regulated securities markets. Restrictions on access by foreign banks and investment firms to the Italian investment services sector have also been removed.

In 1998 the regulations introduced by the Eurosim Law have been reorganized within the framework of the Consolidated Securities Law approved by Legislative Decree No. 58 of February 24, 1998, (the "Consolidated Securities Law").

The Consolidated Securities Law contains rules concerning the prudential supervision applicable to intermediaries that provide investment services (including the requirement to use guarantee systems as protection against crises) and to intermediaries that offer collective investment management services (mutual funds and open-end investments companies). Other sections of the Consolidated Securities Law concern standards for organization and management of financial markets, centralized management of financial instruments, methods for soliciting investments and corporate governance of companies that have listed securities.

Regulated Markets

The organization and management of the regulated markets is reserved to joint stock corporations: Borsa Italiana S.p.A. (“Borsa Italiana”), for instance, runs the Stock Market, (it includes , Electronic Share Market, Star segment, Nuovo Mercato, Mercato Ristretto, Covered Warrants Market and Premi Market),the Italian Derivatives Market (IDEM and MIF), The After Hours Market (TAH) and the Fixed Income Market (MOT and EuroMOT). All the Italian regulated markets are entered into a list kept by CONSOB. This Authority continues to exercise supervisory control over listed companies, intermediaries and the markets, as well as the correctness and intelligibility of the information required of companies issuing listed securities and other forms of solicitation relating to securities. CONSOB is also empowered to verify compliance with the legislation regarding insider trading and to report infringements to the public prosecutors.

Intermediaries

Securities market participants in Italy include (subject to partially different conditions) investment firms such as SIMs, financial intermediaries the persons entered in the Special Register and banks. These intermediaries are under the control of CONSOB and the Bank of Italy, and have to observe prudential regulations governing, among other matters, the professional brokerage of and dealing in securities, underwriting, asset management, retail distribution of securities and advisory services regarding investments in securities.

Mutual Funds

A specific category of authorized intermediaries, SGR (*società di gestione del risparmio*) and SICAV (*società di investimento a capitale variabile*) are in charge of the marketing, promotion, organization and the ownership of mutual funds and management of SICAVs (even if established by others). The rules concerning the investment limits of mutual funds, with respect to single sectors or companies and overall minimum portfolio diversification, have been set by the Ministry of Treasury. The reform introduced by the Consolidated Securities Law allows SGRs, supervised by the Bank of Italy for those aspects concerning financial stability and risk management policies, to operate in the sector of asset management.

Corporate Governance

A section of the Consolidated Securities Law is devoted to the corporate governance of listed companies. This section contains, among others, new provisions concerning both voluntary and mandatory tender offers; in particular, the disclosure of interests held by the shareholders, of interlocking interests and of shareholder agreements has been made more stringent. The board of auditors has been given broader powers to examine the management of the company, and further measures to protect minority shareholders have been added. The Consolidated Securities Law introduces a special system for the voting of proxies at the shareholders’ meetings of listed companies and for the solicitation and collection of such proxies; CONSOB regulations set forth methods and procedures.

In particular, the regulations governing public offers provides for the compulsory launch of a public offer for all ordinary outstanding shares of any Italian company listed on an Italian regulated market when the shareholding exceeds a certain limit (30% of the target company’s share capital). This rule applies to any purchase of shares (with certain exceptions set out in a CONSOB regulation) completed directly or through subsidiaries or acting in concert with third parties.

The compulsory public offer for all shares may be waived when the shareholding threshold is preceded by a partial offer (at least 60% of the ordinary shares) and CONSOB approves the exemption according to certain conditions (including the approval of minority shareholders).

In 1999, a committee, coordinated by the Chairman of Borsa Italiana and composed of representatives of Italian banks, industries, insurance companies and associations of issuers and investors, prepared a code of self-regulation (the "Code"), a model of corporate governance that emphasizes the role and the responsibilities of the Board of Directors and ensures a balanced division of power among the executive and non-executive members of the Board, an adequate level of the auditing functions and a correct relation with all the shareholders.

The importance of the Code, whose rules are not compulsory, was immediately appreciated by the market and, the Board of Directors of Sanpaolo IMI adopted the Code in 2000. Borsa Italiana currently requires all companies applying for listing on Telematico to submit a statement comparing their corporate governance model to the model of the Code.

C. Organizational Structure

The significant subsidiaries of the Group at December 31, 2001 are as follows:

Name	Registered offices	Ownership held by	%	Voting rights at shareholders' meeting %
Banco di Napoli	Italy	Sanpaolo IMI	93.63	100.00
Banca Fideuram	Italy	Sanpaolo IMI	61.29	61.29
		Invesp	10.21	10.21
Banca IMI	Italy	Sanpaolo IMI	100.00	100.00
Fonditalia Management company SA	Italy	Banca Fideuram	99.96	99.96
		Fideuram Vita	0.04	0.04

D. Property, Plants and Equipment

Sanpaolo IMI owns the headquarters buildings of Sanpaolo IMI Group, located in Turin, and a secondary office located in Rome. In addition, Sanpaolo IMI owns or leases other properties in Italy and abroad which are used for Group operations or leased to third parties.

In October 1999, Sanpaolo IMI span off a portfolio of certain excess real estate assets to Beni Stabili in order to concentrate on its core banking and financial services activities. Following the transaction, Sanpaolo IMI held 17.23% of the company and subsequently reduced its holding to 14.2% at December 31, 2000.

In June 2001, a 10.7% interest in Beni Stabili was sold for €110 million. The sale generated a capital gain of €50 million. Following the disposition of the 10.7% stake in Beni Stabili, Sanpaolo IMI's stake in Beni Stabili is 3.5%.

In 2001, Sanpaolo Leasint, the main leasing company of the Group, became the owner of two ships for the transportation of hazardous materials and has a stake, as part of a syndicated lease, in a third ship for the transportation of hazardous materials. All such ships are leased to operators. Sanpaolo Leasint has entered into insurance policies designed to protect itself against the risk of environmental damages caused by such ships.

Sanpaolo IMI is not aware of any environmental issues that may affect its use of its assets and management believes that Sanpaolo IMI is fully compliant with applicable Italian environmental protection laws.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion is based on and should be read in conjunction with the Consolidated Financial Statements which have been prepared in accordance with Italian GAAP. Italian GAAP differs in certain significant respects from U.S. GAAP. For a summary of the significant differences between Italian GAAP and U.S. GAAP, see Note 32 to the Consolidated Financial Statements. The Consolidated Financial Statements included in this report have not been reclassified in order to comply with the format required for the consolidated statements of income and balance sheets of bank holding companies pursuant to Regulation S-X, but have been presented in the same format as that used in the consolidated financial statements included in the annual and interim reports to shareholders, including the 2000 annual report on Form 20-F filed with the SEC.

Introduction – Presentation of Results

The review that follows is divided into three parts.

First, we discuss line by line the statement of income for the year ended December 31, 2001 and compare the results for each line with those for the year ended December 31, 2000. We also compare the results for each line for the year ended December 31, 2000 with those for the year ended December 31, 1999. For purposes of this discussion, it is important to bear in mind the following:

- the figures in the column labeled "2001" are from the audited consolidated statement of income for the year ended December 31, 2001;
- the figures in the column labeled "2000" are from the audited consolidated statement of income for the year ended December 31, 2000, and reflect full consolidation of the results of Banco di Napoli from July 1, 2000 and Wargny from November 30, 2000;
- the figures in the column labeled "2000 Pro Forma" are from the unaudited, Pro Forma statement of income for the year ended December 31, 2000, and includes the results of Banco di Napoli and Wargny as if Banco di Napoli and Wargny had been fully consolidated from January 1, 2000. For purposes of greater consistency in comparing the results for the year ended December 31, 2001 with those for the year ended December 31, 2000, management's discussion of that comparison uses the "2000 Pro Forma" figures;
- the figures in the column labeled "2000 Restated" are from the unaudited, restated consolidated statement of income for the year ended December 31, 2000, and reflect consolidation of Banco di Napoli at equity. In these figures, the Banco di Napoli results are reflected solely in the line item "Profits from companies carried at equity and dividends from shareholdings". For purposes of greater consistency in comparing the results for the year ended December 31, 2000 with those for the year ended December 31, 1999, management's discussion of that comparison uses the "2000 Restated" figures; and
- the figures in the column labeled "1999 Restated" are from the unaudited, restated consolidated statement of income for the year ended December 31, 1999, and reflect (i) the reclassification of net interest income earned by the Banca IMI Group from the line Item "net interest income" to the line Item "profits (losses) on financial transactions and dividends on shares", because that income is more closely related to dealing in securities than earning interest; and (ii) the reclassification of certain adjustments from the line Item "adjustments to intangible and tangible fixed assets" to "adjustments to goodwill merger and consolidation differences" to show the impact of the amortization of goodwill arising from acquisitions and equity investments made in 2000. These reclassifications were made in the interest of greater transparency of results, but they do not materially change the results for the year ended December 31, 1999, since they do not change, for example, the figures for the line Items "income before extraordinary items", "interest before taxes and minority interest" or "net income." For purposes of greater consistency in comparing the results for the year ended December 31, 2000 with those for the year ended December 31, 1999, management's discussion of that comparison uses the "1999 Restated" figures.

Second, we discuss the acquisition of the Banco di Napoli and, solely for illustrative purposes, present a comparison among "2000", "2000 Restated" and "1999" figures. This comparison in particular allows a more detailed quantification of the impact of the acquisition of Banco di Napoli. We discuss the impact of the acquisition of Banco di Napoli acquisition – 2000 Restated compared with 1999.

Third, we discuss certain other data relating to Sanpaolo IMI's operations for the year ended December 31, 2001, namely: assets managed on behalf of customers; loans to customers, including doubtful loans; the Group's capital markets activities; and equity investments.

Introduction – The Italian Economy and the Italian Banking Sector

The Euro Zone and the Italian Economy

In 2001, economic growth in the euro zone (consisting of the twelve member states of the EU which have adopted the euro) decreased to 1.5%, compared to a growth rate of 3.4% in 2000. In 2001, the inflation rate in the euro zone averaged 2.6%, but started decreasing in the second half of the year as a result of the decrease in oil prices. The recovery of price stability and the inflation expectations of the market operators encouraged the ECB to adopt a more expansive monetary policy. The ECB intervened on four occasions during the year, reducing policy rates by 150 basis points, from 4.75% to 3.25%. The differences in growth rates among euro zone economies narrowed. Domestic demand was the main contributing factor to GDP growth for Spain, Italy and France. In Germany net exports were the main drivers of economic growth.

Italy's GDP grew by 1.8% in 2001. The inflation rate, measured by household consumer price index ("HCPI"), averaged 2.7% for the year, reaching 2.3% in December. In 2001 Italian unemployment fell from 10.6% to 9.5%; the reduction was in line with the trend of other European countries. In southern Italy, where the level of unemployment is higher than in the rest of the country, unemployment was 19.3%, its lowest level since 1996.

The positive trend in Italy's public finances continued in 2001, with the deficit falling to 1.4% of GDP (from 1.7% in 2000), while government debt fell to 109.4% of GDP (from 110.6% in 2000).

The Italian Banking Sector

Historically, the Italian banking sector has been fragmented and largely shielded from foreign competition. That situation has been changing markedly in the last several years. The process of consolidation in the Italian banking industry continued in 2001, although at a slower pace compared to 2000.

Bank loans increased by 7.7% in 2001, the second highest growth rate in the euro zone. Loans benefited from the strong growth in consumer credit to households. On the other hand, loans to companies were affected by the slower trend in investments and in extraordinary financing transactions—especially in the internet and telecom sectors.

The Italian Equity Market

In 2001, the Italian equity market capitalization fell from €818 billion (70.2% of GDP) to €592 billion (48.5% of GDP), a decrease of €226 billion at the end of 2001.

In 2001, the main stock indices, MIBTEL and MIB30, lost, respectively, 24.6% and 26.2% of their value. The indices, however, recovered from the lows hit in September 2001. The finance and banking sectors underperformed the market. Average daily trading volumes on equities decreased by 24% in 2001, compared to 2000.

Asset Management

In 2001 the asset management business – mutual funds, portfolio management and life insurance – suffered from the instability of the stock market and the increase in financial markets' volatility. Funds managed by Italian intermediaries decreased 6.2% to €514.3 billion. In particular, the poor performances of the major stock markets in the first and third quarters of the year adversely affected the final results of equity and balanced funds.

Results of Operations

The numbers to the left of the line items in the tables contained in the following sections refer to the statutory classification for the Consolidated Statement of Income under Italian GAAP except for items 10.a), 70.a), 70.b), 110.a), 110.b) and 170.a), which reflect management's reclassification of the results of operations of the Group. Certain numbers in the tables reflect rounding used in the reclassification of the Consolidated Financial Statements of Income, and may differ slightly from the corresponding numbers in the Consolidated Statement of Income.

In 2001, the results of the Sanpaolo IMI Group were adversely affected by the negative market conditions, discussed above under "—Introduction-The Italian Economy and the Italian Banking Sector—The Italian Equity Market", which led to an across-the-board reduction in profit margins compared with the Pro Forma statement of income for 2000.

For the year ended December 31, 2001, ROE (representing net income after minority interests as a percentage of monthly average shareholders' equity excluding current-year profit) decreased from 18.5% in 2000 Pro Forma to 16.6%. The decrease was due to lower net income and higher shareholders' equity compared to 2000 Pro Forma.

The negative trend was partly mitigated by the measures taken at the end of the first half of 2001 to hold down operating costs and to make full use of tax planning opportunities. See "—Income taxes – 2001 compared with 2000 Pro Forma". In 2001, for the reasons discussed below, net income was €1,203 million, a decrease of 2.3% compared to 2000 Pro Forma (€1,231 million).

Net interest income – 2001 compared with 2000 Pro Forma

The net interest income earned by the Group in 2001 amounted to €2,788 million, a 3% decrease against 2000 Pro Forma.

The following table compares net interest income in 2001, 2000 Pro Forma and 2000.

		2001	2000 Pro Forma	2000
			(unaudited)	
			(in millions of €)	
10	Interest income and similar revenues	8,016	8,441	7,622
10.a)	Dividends from equity investments under 20% of stake, treated as interest	4	4	4
10.b)	Interest margin of Banca IMI (1)	94	69	69
20	Interest expense and similar charges	(5,326)	(5,640)	(5,123)
	Net interest income	2,788	2,874	2,572

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

The decrease in net interest income earned by the Group in 2001 was also affected by the following non-recurring factors:

- decrease in interest income on mortgage loans (€22 million), as a result of the application of Legislative Decree 394/2000, converted into Law no. 24 of 2001. Other than for the year ended December 31, 2001, interest income is not expected to be subject to future decreases as a result of the application of Legislative Decree 394/2000, converted into Law no. 24 of 2001. See Note 18 to the Consolidated Financial Statements;

- the increase in interest expense of (€23 million), paid by Banco di Napoli on the liquid assets of the supplementary staff pension fund spun off in July. See: "Item 4. Information on the Company—History and Developments of the Company—Significant Developments during 2001—Banco di Napoli". Such higher interest expenses were totally compensated by a reduction in personnel cost.

Excluding the above mentioned factors, the decrease in Group net interest income would have been 1.4% instead of 3%. This decrease was primarily attributable to the progressive contraction in market interest rates and spreads which began towards the end of 2000 and continued throughout 2001. The 3-month Euribor rate decreased by 1.54%, from 4.88% at the end of 2000 to 3.34% at the end of 2001. The average 3-month Euribor rate for the whole of 2001 was 4.27%, 11 basis points lower than in 2000. In 2001, on average, the 10-year *Buoni del Tesoro Poliennali* ("BTP"), an Italian government bond, fell by 40 basis points.

In 2001, the yield on the Group's interest-bearing assets was 5.88%, 23 basis points lower than in 2000; the cost of interest-bearing liabilities decreased by 19 basis points, from 4.07% to 3.88%. The average spread on customer deposits and loans, excluding repurchase agreements, was 2.81% in 2001, compared with 2.94% in 2000.

The average balances of the Group's interest-bearing assets in 2001 decreased by 1.8% compared with 2000 Pro Forma; the average volume of customer loans, excluding repurchase agreements, increased by 3.4% in 2001. On the liabilities side in 2001, there was a 1.5% decrease in the average volume of customer deposits, excluding repurchase agreements, which resulted in a 4.7% reduction in debt securities issued by the Group.

The following table compares average interest rates in 2001, 2000 Pro Forma and 2000 Restated.

	2001			2000 Pro Forma (unaudited)			2000 Restated (unaudited)		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(in millions of €)		%	(in millions of €)		%	(in millions of €)		%
Interest-earning assets	126,462	7,440	5.88	128,801	7,874	6.11	103,817	6,230	6.00
Loans to customers	89,839	5,721	6.37	86,886	5,738	6.60	72,314	4,719	6.53
- in €	79,444	5,214	6.56	77,012	5,140	6.67	64,527	4,257	6.60
- in foreign currency	10,395	507	4.88	9,874	598	6.06	7,787	462	5.93
Due from banks	15,388	654	4.25	16,967	817	4.82	18,733	841	4.49
- in €	13,417	564	4.20	12,459	575	4.62	14,410	632	4.39
- in foreign currency	1,971	90	4.57	4,508	242	5.37	4,323	209	4.83
Securities	14,563	743	5.10	15,794	879	5.57	8,735	487	5.58
- in €	10,253	507	4.94	10,669	557	5.22	6,756	371	5.49
- in foreign currency	4,310	236	5.48	5,125	322	6.28	1,979	116	5.86
Repurchase agreements	2,798	126	4.50	4,600	213	4.63	4,036	183	4.53
- in €	2,201	98	4.45	4,015	174	4.33	3,451	144	4.17
- in foreign currency	597	28	4.69	585	39	6.67	585	39	6.67
-Other interest earning assets from Banco di Napoli	3,874	196	5.06	4,554	227	4.98	–	–	–
Non-interest earning assets(1)	45,047			44,784			35,770		
Total assets	171,509	7,440		173,585	7,874		139,587	6,230	
Interest-bearing liabilities	119,744	4,652	3.88	122,855	5,000	4.07	99,284	4,062	4.09
Due to customers	52,586	1,319	2.51	52,162	1,252	2.40	39,825	1,009	2.53
- in €	45,291	1,032	2.28	44,278	811	1.83	34,314	701	2.04
- in foreign currency	7,295	287	3.93	7,884	441	5.59	5,511	308	5.59
Securities issued	36,738	1,857	5.05	38,554	2,066	5.36	31,340	1,715	5.47
- in €	34,944	1,761	5.04	35,862	1,877	5.23	28,913	1,541	5.33
- in foreign currency	1,794	96	5.35	2,692	189	7.02	2,427	174	7.17
Due to banks	18,014	847	4.70	22,150	1,190	5.37	21,007	1,017	4.84
- in €	10,725	514	4.79	13,195	710	5.38	13,794	603	4.37
- in foreign currency	7,289	333	4.57	8,955	480	5.36	7,213	414	5.74
Repurchase agreements	7,109	313	4.40	6,168	240	3.89	4,394	172	3.91
- in €	7,109	313	4.40	6,126	238	3.89	4,352	170	3.91
- in foreign currency	–	–	n.a	42	2	4.76	42	2	4.76
Subordinated liabilities	5,297	316	5.97	3,821	252	6.60	2,718	149	5.48
- in €	4,281	256	5.98	2,739	190	6.94	2,207	116	5.26
- in foreign currency	1,016	60	5.91	1,082	62	5.73	511	33	6.46

	2001			2000 Pro Forma (unaudited)			2000 Restated (unaudited)		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(in millions of €)		%	(in millions of €)		%	(in millions of €)		%
Non interest-bearing liabilities(1)	44,519			44,083			33,146		
Shareholder's equity(2)	7,246			6,647			7,157		
Total liabilities and shareholder's equity	171,509	4,652		173,585	5,000		139,587	4,062	
Net interest income		2,788			2,874			2,168	

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

(2) Average shareholders' equity of the year excluding net income.

For purposes of the table above average balances have been determined based on daily figures for interest-earning assets and interest-bearing liabilities of Sanpaolo IMI and Banco di Napoli and on month-end figures for Banca Fideuram, Sanpaolo IMI International, Banca IMI and IMI Bank (Lux) S.A.; and at June 30 and December 31 of each of the indicated years for all other assets and liabilities of the Group; management believes that the average figures below present substantially the same trend as would be presented by daily averages.

Net interest income – 2000 Restated compared with 1999 Restated

In 2000 there was a growth in total revenues which was made possible in part by the positive trend in net interest income, which from early 2000 showed clear signs of recovery, reversing the downward trend which had characterized the previous year. This positive trend continued throughout the year, which closed with net interest income of €2,168 million, up 7.2% compared with 1999.

Contributions to this growth came from the growth in volumes handled on behalf of customers and, to a lesser extent, the wider spread between interest income and expense.

		2000	2000 Restated (unaudited)	1999 Restated (unaudited)
			(in millions of €)	
10	Interest income and similar revenues	7,622	6,679	5,966
10.a)	Dividends from equity investments under 20% of stake, treated as interest	4	4	15
10.b)	Interest margin of Banca IMI (1)	69	69	(25)
20	Interest expense and similar charges	(5,123)	(4,584)	(3,934)
	Net interest income	2,572	2,168	2,022

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

In operating volumes, the Group recorded growth of 1.3% in interest-earning assets, calculated in terms of average deposits, in 2000; in particular, loans to customers, excluding non-performing loans and repurchase agreements, increased by 4.7%. The growth in average interest-bearing liabilities was 2.3%; in particular, customer deposits, made up of amounts due to customers and securities issued, net of repurchase agreements, rose by 1.2%. This increase resulted from a 9.4% increase in the short-term component and a 7.5% reduction in certificates of deposits and bonds. The higher growth in loans compared to customer deposits was financed by sales of securities from the Group's portfolio and by greater recourse to the interbank market.

As regards interest rates, 2000 featured a significant rise in both short-term and medium-term rates: on a yearly average basis, 3-month Euribor increased from 3% in 1999 to 4.4% in 2000, while the 10-year BTP increased from 4.7% in 1999 to 5.6% in 2000.

The following table compares 2000 Restated average interest rates with 1999 Restated average interest rates.

	2000 Restated (unaudited)			1999 Restated (unaudited)		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(in millions of €)		%	(in millions of €)		%
Interest-earning assets	103,817	6,230	6.00	102,441	5,608	5.47
Loans to customers	72,314	4,719	6.53	69,098	4,202	6.08
- in €	64,527	4,257	6.60	62,599	3,881	6.20
- in foreign currency	7,787	462	5.93	6,499	321	4.94
Due from banks	18,733	841	4.49	16,479	614	3.73
- in €	14,410	632	4.39	12,528	456	3.64
- in foreign currency	4,323	209	4.83	3,951	158	4.00
Securities	8,735	487	5.58	12,541	641	5.11
- in €	6,756	371	5.49	10,761	538	5.00
- in foreign currency	1,979	116	5.86	1,780	103	5.79
Repurchase agreements	4,036	183	4.53	4,323	151	3.49
- in €	3,451	144	4.17	3,844	140	3.64
- in foreign currency	585	39	6.67	479	11	2.30
- Non-interest earning assets (1)	35,770			32,663		
Total assets	139,587	6,230		135,104	5,608	
Interest-bearing liabilities	99,284	4,062	4.09	97,024	3,586	3.70
Due to customers	39,825	1,009	2.53	36,392	597	1.64
- in €	34,314	701	2.04	35,326	556	1.57
- in foreign currency	5,511	308	5.59	1,066	41	3.85
Securities issued	31,340	1,715	5.47	33,897	1,802	5.32
- in €	28,913	1,541	5.33	28,763	1,552	5.40
- in foreign currency	2,427	174	7.17	5,134	250	4.87
Due to banks	21,007	1,017	4.84	18,007	834	4.63
- in €	13,794	603	4.37	12,805	597	4.66
- in foreign currency	7,213	414	5.74	5,202	237	4.56
Repurchase agreements	4,394	172	3.91	6,114	195	3.19
- in €	4,352	170	3.91	5,816	181	3.11
- in foreign currency	42	2	4.76	298	14	4.70
Subordinated liabilities	2,718	149	5.48	2,614	158	6.04
- in €	2,207	116	5.26	1,697	100	5.89
- in foreign currency	511	33	6.46	917	58	6.32
Non interest-bearing liabilities (1)	33,146			30,574		
Shareholder's equity(2)	7,157			7,506		
Total liabilities and shareholder's equity	139,587	4,062		135,104	3,586	
Net interest income		2,168			2,022	

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

(2) Average shareholders' equity of the year excluding net income.

The average annual yield on the Group's interest-earning assets increased by 0.5% in 2000 to 6%. In particular, loans to customers yielded more than 6.5%, compared with 6.1% in 1999, while the yield on the Group's securities portfolio rose from 5.1% in 1999 to 5.6% in 2000. The increase in the average cost of interest-bearing liabilities was lower than that on interest-earning assets, growing from 3.7% in 1999 to 4.1% in 2000.

The total spread of 1.9% showed an increase of more than one 0.1%. In particular, the spread relating to the volumes of transactions with customers rose slightly compared with the previous year to 2.7%. The reopening of the interest rate differential was sustained by the increase in the margin contributed by customer deposits, while aggressive lending policies on the part of the competition were reflected in the fact that interest rates on loans rose by less than market rates.

Net interest and other banking income – 2001 compared with 2000 Pro Forma

The Group's net interest and other banking income in 2001 was €5,877 million, a decrease of 4.7% compared with 2000 Pro Forma.

The decrease in net interest is explained above under "Net interest income – 2001 compared with 2000 Pro Forma".

The decreases in net commissions and other dealing revenues and in profit/(losses) on financial transactions are explained below under "—Net commissions – 2001 compared with 2000 Pro Forma" and "—Profits on financial transactions and dividends on shares – 2001 compared with 2000 Pro Forma", respectively.

The increase in profits of companies carried at equity and dividends on equity investments is explained below under "—Profits of companies carried at equity and dividends on equity investments – 2001 compared with 2000 Pro Forma".

The following table sets forth the principal components of the Group's net interest and other banking income for 2001, 2000 Pro Forma and 2000.

	2001	2000 Pro Forma	2000
		(unaudited)	
		(in millions of €)	
Net interest income	2,788	2,874	2,572
Net commissions and other dealing revenues	2,608	2,852	2,641
Profits/(losses) on financial transactions and dividends on shares	274	296	263
Profits of companies carried at equity and dividends on equity investments	207	147	146
Net interest and other banking income	5,877	6,169	5,622

Net interest and other banking income – 2000 Restated compared with 1999 Restated

Group net interest and other banking income in 2000 Restated amounted to €5,051 million, a 10.5% increase compared to 1999. The main contribution to this growth came from a considerable increase in commissions on services and other net dealing revenues, which rose by 19.5% compared to the previous year.

The following table sets forth the principal components of the Group's net interest and other banking income for 2000, 2000 Restated and 1999 Restated.

	2000	2000 Restated	1999 Restated
		(unaudited)	(unaudited)
		(in millions of €)	
Net interest income	2,572	2,168	2,022
Net commissions and other dealing revenues	2,641	2,469	2,066
Profits/(losses) on financial transactions and dividends on shares	263	255	276
Profits of companies carried at equity and dividends on equity investments	146	159	205
Net interest and other banking income	5,622	5,051	4,569

Net commissions – 2001 compared with 2000 Pro Forma

The following table sets forth the principal components of the Group's net commission and other dealing revenues for 2001, and 2000 Pro Forma and 2000.

		2001	2000 Pro Forma	2000
			(unaudited)	
			(in millions of €)	
40	Commission income	3,312	3,683	3,452
50	Commission expense	(714)	(837)	(817)
70.a)	Income from sale of merchant banking activities, other income from leasing activities (1)	17	13	13
110.a)	Loss from merchant banking activities, other charges on the leasing activities (2)	(7)	(7)	(7)
	Net commissions and other dealing revenues	2,608	2,852	2,641

(1) For the years 2001, 2000 Pro Forma and 2000 this item is made up of the following components of Item 70. "Other operating income": income from sale of merchant banking activities, other income from leasing activities.

(2) For the years 2001, 2000 Pro Forma and 2000, this item is made up of the sum of the following components of Item 110. "Other operating expenses": income (loss) from sale of merchant banking activities and other income (loss) from leasing activities, for the part, within those components, that expressly refers to commissions expenses.

Net commissions, and other dealing revenues in 2001 amounted to €2,608 million, a decline of 8.6% compared to 2000 Pro Forma. The decrease is attributable to the asset management and securities brokerage areas, primarily due to lower asset management fees resulting from the decrease in market value of assets and lower brokerage fees resulting from lower trading volumes. In 2001, commission income in the asset management and securities brokerage areas decreased by 15.4% while commissions deriving from the placement of insurance products increased by 26.7% (from €86 million in 2000 Pro Forma to €109 million in 2001).

The decrease in net commissions and other dealing revenues was mitigated by the increase in commissions from loans and guarantees which increased from €200 million in 2001 to €233 million in 2000 Pro Forma. The increase in commissions from loans and guarantees is mainly attributable to the participation of the Bank in syndicated loans.

The ratio of net commissions to administrative costs was 72.4% for the year ended December 31, 2001, a decline from 79.8% in 2000 Pro Forma. The ratio of net commissions to payroll costs also fell, from 126.4% in 2000 Pro Forma to 117.4% for the year ended December 31, 2001, but net commissions remained more than sufficient to cover payroll costs.

Net commissions – 2000 Restated compared with 1999 Restated

The following table sets forth the principal components of the Group's net commission and other dealing revenues for 2000, 2000 Restated and 1999 Restated:

		2000	2000 Restated	1999 Restated
			(unaudited)	(unaudited)
			(in millions of €)	
40	Commission income	3,452	3,270	2,587
50	Commission expense	(817)	(808)	(530)
70.a)	Income from sale of merchant banking activities, other income from leasing activities (1)	13	13	46
110.a)	Loss from merchant banking activities, other charges on the leasing activities (2)	(7)	(6)	(37)
	Net commissions & other dealing revenues	2,641	2,469	2,066

(1) For the years 2000, 2000 Restated, this item is made up of the following components of Item 70. "Other operating income": income from sale of merchant banking activities, and other income from leasing activities. For the year 1999 Restated this item is made up of the following components of Item 70. "Other operating income": income from sale of merchant banking activities, other income from leasing activities, and other income.

(2) For the years 2000 and 2000 Restated, this item is made up of the sum of the following components of Item 110. "Other operating expenses": income (loss) from sale of merchant banking activities and other income (loss) from leasing activities, for the part, within those components, that expressly refers to commissions expenses. For the year 1999 Restated, this item

is made up of the sum of the following components of Item 110. "Other operating expenses": losses from sale of merchant banking activities, other charges from leasing activities, and other expenses.

Net commissions and other dealing revenues in 2000 amounted to €2,469 million, an increase of 19.5% compared to 1999. Within this line item, the proportion represented by commissions earned from asset management, dealing and advisory services grew from 73.7% to 77.6%, representing an annual growth rate in such commissions of 25.8%. This resulted from the positive trend in asset management volumes, as well as a higher propensity on the part of customers to invest in equity funds, balanced funds, and unit and index linked policies.

Commissions from collection and payment services, and commissions from deposit and current accounts, grew by 18.9% and 18.3%, respectively, in 2000. Other commissions and net dealing income, on the other hand, fell from €73 to €42 million as a result of lower merchant banking profits but this was more than offset by higher gains realized in that area from the disposal of equity investments.

In total, in 2000, Group commissions accounted for 93.1% of administrative costs, a substantial increase from the 1999 figure of 83.8%. In particular, commissions were more than sufficient to cover personnel costs, the ratio of commissions to such costs increasing to 152% from 135% in 1999.

Profits on financial transactions and dividends on shares – 2001 compared with 2000 Pro Forma

The following table sets forth the principal components of the Group's profits on financial transactions and dividends on shares for 2001, 2000 Pro Forma and 2000.

		2001	**2000 Pro Forma**	**2000**
			(unaudited)	
			(in millions of €)	
30.a)	Dividends and other revenues from shares and other equities	263	169	169
60	Profits (losses) on financial transactions (1)	11	127	94
	Profits (losses) on financial transactions & dividends on shares	274	296	263

(1) This item is made up of the sum of the Item 60 "Profit (losses) from financial transactions" and Item 10.b) "Interest margin of Banca IMI group".

Profits on financial transactions and dividends on shares in 2001 were €274 million, a 7.4% decrease compared to 2000 Pro Forma. The results were adversely affected by the difficult market conditions in general, which had a particularly negative impact on the Group's investment banking activity.

The main components of the increase in dividends are discussed below under "—Profits of companies carried at equity and dividends on equity investments—2001 compared with 2000 Pro Forma."

Profits on financial transactions and dividends on shares – 2000 Restated compared with 1999 Restated

The following table sets forth the principal components of the Group's profits on financial transactions and dividends on shares for 2000, 2000 Restated and 1999 Restated:

		2000	**2000 Restated**	**1999 Restated**
			(unaudited)	**(unaudited)**
			(in millions of €)	
30.a)	Dividends and other revenues from shares and other equities	169	168	148
60	Profits (losses) on financial transactions (1)	94	87	128
	Profits (losses) on financial transactions & dividends on shares	263	255	276

(1) This item is made up of the sum of the Item 60 "Profit (losses) from financial transactions" and Item 10.b) "Interest margin of Banca IMI".

Profits on financial transactions and dividends on shares in 2000 were €255 million, down 7.6% from 1999. This trend was affected by the Group's policy of reducing its risk profile at a time of increased market volatility.

Profits of companies carried at equity and dividends on equity investments – 2001 compared with 2000 Pro Forma

The following table sets forth the principal components of the Group's profits of companies carried at equity and dividends on equity investments for 2001, 2000 Pro Forma and 2000.

		2001	2000 Pro Forma	2000
			(unaudited)	
			(in millions of €)	
	Dividends and other revenues on equity investments (1)	128	58	59
170.a)	Income (losses) from investments carried at equity, less losses from restructuring debt companies	79	89	87
	Profits (losses) of companies carried at equity and dividends on equity investments	207	147	146

(1) This item is made up of the sum of the Item 30.b) "Dividends and other revenues from equity investments" less Item 10.a) "Dividends from equity investments under 20% of stake, treated as interest" and less the dividends (€2 million) received on investment in Cardine which were refunded to the Bank according to the agreements. See "Item 4. Information on the Company—History and Development of the Company—Recent Developments—Cardine—Streamlining of Group's equity holding through transactions involving Sanpaolo IMI and Compagnia di San Paolo."

Profits from companies carried at equity and dividends on minority shareholdings were €207 million for the year ended December 31, 2001, an increase of 40.8% compared to 2000 Pro Forma. This item consisted of the following:

- in 2001, the dividends paid by companies outside of the scope of consolidation of the Group were €128 million, an increase of 120.7% compared to 2000 Pro Forma. These dividends include €38 million distributed by Banco Santander Central Hispano, €27 million from the Group's 10.8% interest in Cardine and €25 million from the investments held by NHS; and
- income from companies valued at equity which were €79 million in 2001, a decrease of 11.2% compared to 2000 Pro Forma. The trend was partially offset by the significant growth achieved by Wealth Management insurance companies, Sanpaolo Vita and Sanpaolo Life, which, in 2001, contributed €55 million, compared with €27 million in 2000 Pro Forma.

Profits of companies carried at equity and dividends on equity investments – 2000 Restated compared with 1999 Restated

The following table sets forth the principal components of the Group's profits of companies carried at equity and dividends on equity investments for 2000, 2000 Restated and 1999 Restated.

		2000	2000 Restated	1999 Restated
			(unaudited)	(unaudited)
			(in millions of €)	
	Dividends and other revenues on equity investments (1)	59	55	87
170.a)	Income (losses) from investments carried at equity	87	104	118
	Profits (losses) of companies carried at equity and dividends on equity investments	146	159	205

(1) This item is made up of the sum of the Item 30.b) "Dividends and other revenues from equity investments" less Item 10.a) "Dividends from equity investments under 20% of stake, treated as interest".

Profits of companies carried at equity and dividends on non-consolidated equity investments amounted to €159 million in 2000, a decrease of 22.4% compared to 1999, owing to the fact that the 1999 figures included extraordinary dividends received from INA and the contribution from the valuation at equity of the Group's 40% equity stake in Crediop, which was sold to the Dexia group in April 2000.

Of the companies valued at equity, the contribution of €72 million made by the Group's life insurance companies should be noted. In the 2000 Restated figures, this line item also includes the effect of valuing Banco di Napoli at equity, the Group's share of which amounted to €17 million.

Dividends from shareholdings, gross of tax credits, amounted to €55 million; they include the dividends paid by BSCH (€24 million) and Beni Stabili (€11 million).

Operating expenses – 2001 compared with 2000 Pro Forma

The following table sets forth the principal components of the Group's operating expenses for 2001, 2000 Pro Forma and 2000.

		2001	2000 Pro Forma	2000
			(unaudited)	
			(in millions of €)	
80.	Administrative costs			
80.	a) payroll	(2,221)	(2,256)	(1,929)
80.	b) other	(1,379)	(1,316)	(1,147)
	other administrative costs	(1,180)	(1,109)	(958)
	other indirect taxes	(199)	(207)	(189)
	Total administrative costs	(3,600)	(3,572)	(3,076)
70.	b) operating income (1)	263	278	237
110.	b) operating expenses (2)	(29)	(31)	(24)
90.	Adjustments to intangible and tangible fixed assets (3)	(393)	(330)	(299)
	Operating expenses	(3,759)	(3,655)	(3,162)

(1) This item is made up of the sum of Item 70. "Other operating income" less Item 70.a) "income from sale of merchant banking activities, other income from leasing activities".

(2) This item is made up of the sum of Item 110. "Other operating expenses" less Item 110.a) "Loss from merchant banking activities, other charges from leasing activities".

(3) This item is made up of the sum of Item 90. "Adjustments to intangible and tangible fixed assets" less Item 90.b) "Adjustments to goodwill, merger and consolidation differences".

Payroll costs for the year ended December 31, 2001, declined by 1.6% to €2,221 million compared to 2000 Pro Forma. This resulted from the savings achieved by Banco di Napoli following staff reductions and the effects of spinning off the supplementary staff pension fund, as well as from a more flexible approach to remuneration which made it possible to restrict the variable part of the payroll, in line with the decline in the Group's revenues.

Other administrative costs, however, increased by 6.4% compared to 2000 Pro Forma, totaling €1,180 million for the year ended December 31, 2001. This increase is primarily attributable to certain non-recurring charges incurred by the Group in the latter part of the year in connection with the development of information technology systems, the Cardine Merger and the completion of preparations for the physical introduction of the euro notes and coins. The non-recurring charges incurred in connection with the Cardine Merger consist primarily of items such as legal and consulting fees.

Depreciation and amortization of tangible and intangible fixed assets in 2001 amounted to €393 million, an increase compared to 2000 Pro Forma of 19.1%, this increase was mainly the result of the higher capital investments made to strengthen the Group's distribution channels in the second half of 2000.

Operating expenses – 2000 Restated compared with 1999 Restated

The following table sets forth the principal components of the Group's operating expenses for 2000, 2000 Restated and 1999 Restated.

		2000	2000 Restated	1999 Restated
			(unaudited)	**(unaudited)**
			(in millions of €)	
80.	Administrative costs			
80.	a) payroll	(1,929)	(1,620)	(1,534)
80.	b) other	(1,147)	(1,032)	(932)
	other administrative costs	(958)	(859)	(763)
	other indirect taxes	(189)	(173)	(169)
	Total administrative costs	(3,076)	(2,652)	(2,466)
70.	b) operating income (1)	237	206	178
110.	b) operating expenses (2)	(24)	(19)	(3)
90.	Adjustments to intangible and tangible fixed assets (3)	(299)	(237)	(209)
	Operating expenses	(3,162)	(2,702)	(2,500)

(1) This item is made up of the sum of Item 70. "Other operating income" less Item 70.a) "income from sale of merchant banking activities, other income from leasing activities".

(2) This item is made up of the sum of Item 110. "Other operating expenses" less Item 110.a) "Loss from merchant banking activities, other charges on the leasing activities".

(3) This item is made up of the sum of Item 90. "Adjustments to intangible and tangible fixed assets" less Item 90.b) "Adjustments to goodwill, merger and consolidation differences".

Operating expenses in 2000 amounted to €2,702 million, an increase of 8.1% compared to 1999. The growth in investments related to projects was accompanied by continuing efforts to contain current costs. Those of the Parent Bank, where the bulk of rationalization was concentrated, showed an increase of 2.6%, almost entirely attributable to projects to strengthen its distribution channels.

Despite the increase in operating expenses, the process of reducing the cost to income ratio continued. In 2000 the cost to income ratio improved to 53.5% from 54.7% in 1999.

Net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries and adjustments to goodwill, merger and consolidation differences – 2001 compared with 2000 Pro Forma

The following table sets forth the principal components of the Group's net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries for 2001, 2000 Pro Forma and 2000.

		2001	2000 Pro Forma	2000
			(unaudited)	
			(in millions of €)	
100	Provisions for risks and charges	(136)	(346)	(323)
120	Adjustments to loans and provisions for guarantees and commitments	(636)	(693)	(647)
130	Writebacks of adjustment to loans and provisions for guarantees and commitments	278	429	417
140	Provisions to the reserve for possible loan losses	(11)	(8)	(8)
	Adjustments to loans and provisions for guarantees and commitments, net	(368)	(272)	(238)
150	Adjustment to financial fixed assets	(235)	(36)	(35)
160	Writebacks of adjustment to financial fixed assets	2	15	15
	Adjustment to financial fixed assets, net	(233)	(21)	(20)
	Net value adjustment and provision for loan losses and equity in earnings of unconsolidated subsidiaries	(737)	(639)	(581)

		2001	2000 Pro Forma	2000
			(unaudited)	
			(in millions of €)	
90.b)	Adjustments to goodwill, merger and consolidation differences (1)	(150)	(176)	(90)

(1) This item refers to certain components of Item 90. "Adjustments to intangible and tangible fixed assets": amortization of goodwill arising on application of equity method, amortization of merger differences, amortization of goodwill and amortization of goodwill arising on consolidation.

Provisions for risks and charges and net adjustments to loans and financial fixed assets for the year ended December 31, 2001 amounted to €737 million, a 15.3% increase compared to €639 million in 2000 Pro Forma.

The adjustments made in 2001 reflect the higher general provisions for lending risks that were made for prudential reasons. These provisions increased to €368 million from €272 million in 2000 Pro Forma, as a result of the deterioration in general economic conditions, and were designed to:

- cover the write-down to market value of specific positions with borrowers such as Enron (€52 million) which raised the coverage of the unsecured portion of the non-performing loan portfolio to 70%; and

- increase by 24.9% the net provisions for the inherent risk associated with performing loans. At December 31, 2001, the general adjustments to cover the risk inherent in performing loans amounted to approximately €700 million, providing coverage of the performing loan portfolio of 0.75%.

Adjustments to financial fixed assets in 2001 were €235 million, an increase of 553% compared to €36 million in 2000 Pro Forma. These adjustments reflected primarily the write-down of the Group's equity investments; the largest adjustments related to holdings in Santander Central Hispano (€80 million), FIAT (€72 million), Olivetti S.p.A. (€19 million) and Hutchinson 3G Italy S.p.A. (€19 million).

Amortization of goodwill and positive differences arising on consolidation and on application of the equity method amounted to €150 million, a decrease of 14.8% compared to 2000 Pro Forma.

Net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries and adjustments to goodwill, merger and consolidation differences – 2000 Restated compared with 1999 Restated

Group income before extraordinary items amounted to €1,806 million in 2000, an increase of 20.1% from 1999. The positive trend in this item of the statement of income was affected by the considerable improvement in asset quality achieved by the Group. This made it possible to reduce further the net provisions and adjustments to loans and financial fixed assets to €454 million, a 5.6% decrease compared to 1999.

The following table sets forth the principal components of the Group's net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries for 2000, 2000 Restated and 1999 Restated:

		2000	2000 Restated	1999 Restated
			(unaudited)	(unaudited)
			(in millions of €)	
100	Provisions for risks and charges	(323)	(249)	(81)
120	Adjustments to loans and provisions for guarantees and commitments	(647)	(580)	(664)
130	Writebacks of adjustment to loans and provisions for guarantees and commitments	417	403	361
140	Provisions for the reserve for possible loan losses	(8)	(8)	(10)
	Adjustments to loans and provisions for guarantees and commitments, net	(238)	(185)	(313)
150	Adjustment to financial fixed assets	(35)	(35)	(89)
160	Writebacks of adjustment to financial fixed assets	15	15	2
	Adjustment to financial fixed assets, net	(20)	(20)	(87)

		2000	2000 Restated	1999 Restated
			(unaudited)	(unaudited)
			(in millions of €)	
	Net value adjustment and provision for loan losses and equity in earnings of unconsolidated subsidiaries	(581)	(454)	(481)
90.b)	Adjustments to goodwill, merger and consolidation differences (1)	(90)	(89)	(84)

(1) This item refers to certain components of Item 90. "Adjustments to intangible and tangible fixed assets": amortization of goodwill arising on application of equity method, amortization of merger differences, amortization of goodwill and amortization of goodwill arising on consolidation.

The reduction of net provisions and adjustments to loans and financial fixed assets is particularly encouraging in light of the provisions and adjustments that were made during 2000, for a total of €287 million, to raise the general writedowns made against performing loans, as well as to cover possible costs that may arise from renegotiating mortgage loans. See "Item 3. Key Information—Selected Statistical Information—Loan Portfolio." The Group also booked net recoveries of principal and interest of €293 million in 2000, of which €92 million was attributable to the sale without recourse of non-performing loans.

Extraordinary income – 2001 compared with 2000 Pro Forma

The following table sets forth the principal components of the Group's extraordinary income for 2001, 2000 Pro Forma and 2000:

		2001	2000 Pro Forma	2000
			(unaudited)	
			(in millions of €)	
190.	Extraordinary income	660	470	451
200.	Extraordinary expenses	(269)	(68)	(55)
	Net extraordinary income	391	402	396

Net extraordinary income for the year ended December 31, 2001 was €391 million, a 2.7% decline compared to €402 million in 2000 Pro Forma. Extraordinary income for 2001 included:

- €228 million in capital gains realized by NHS from the sale of its 6.2% stake in Montedison;
- €50 million in capital gains realized on the sale of a 10.7% stake in Beni Stabili; and
- €30 million in capital gains realized by Sanpaolo IMI on the sale of its own shares to Fondazione Carivenezia as part of the acquisition of a 10.8% stake in Banca Cardine.

Extraordinary expenses included €114 million in provisions made by Banco di Napoli for risks and charges that could arise in connection with its supplementary staff pensions and €31 million of severance bonus incentives for voluntary redundancies. For further details concerning the €114 million Banco di Napoli provision, please see Note 30 to the Consolidated Financial Statements.

Extraordinary income – 2000 Restated compared with 1999 Restated

The following table sets forth the principal components of the Group's extraordinary income for 2000, 2000 Restated and 1999 Restated.

		2000	2000 Restated	1999 Restated
			(unaudited)	(unaudited)
			(in millions of €)	
190.	Extraordinary income	451	413	367
200.	Extraordinary expenses	(55)	(44)	(73)
	Net extraordinary income	396	369	294

Net extraordinary income for 2000 amounted to €369 million which was broken down as follows:

- €134 million in connection with the sale of the residual 40% stake in Crediop to Dexia. The capital gain, initially quantified at €150 million, was subsequently recalculated in accordance with the terms of the sale contract, to take account of the legislative changes that had taken place in the meantime to the tax rules governing disposals of significant equity investments;
- €83 million from the sale of Sanpaolo IMI shares by the Parent Bank;
- €77 million from the disposal of minority interests by NHS;
- €15 million from the sale of a 4% equity stake in Beni Stabili;
- €12 million from reducing Sanpaolo IMI's equity stake in The Royal Bank of Scotland from 0.29% to 0.20%.

Minority interest in income of consolidated subsidiaries – 2001 compared with 2000 Pro Forma

The following table sets forth the minority interest in income of consolidated subsidiaries for 2001, 2000 Pro Forma and 2000:

	2001	**2000 Pro Forma**	**2000**
		(unaudited)	
		(in millions of €)	
250. Minority interests	(101)	(102)	(94)

Minority interests in income of consolidated subsidiaries were €101 million in 2001 compared to €102 million in 2000 Pro Forma, primarily due to the stability of net income attributable to minority shareholders of NHS and Banca Fideuram.

Minority interest in income of consolidated subsidiaries – 2000 Restated compared with 1999 Restated

The following table sets forth the minority interest in income of consolidated subsidiaries for 2000, 2000 Restated and 1999 Restated:

	2000	**2000 Restated**	**1999 Restated**
		(unaudited)	**(unaudited)**
		(in millions of €)	
250. Minority interests	(94)	(90)	(62)

Minority interest in income of consolidated subsidiaries increased by 45.2% in 2000 compared to 1999 Restated. The change is mainly due to the increase in the net income attributable to minority shareholders of NHS and Banca Fideuram.

Income taxes – 2001 compared with 2000 Pro Forma

The following table sets forth the principal components of the Group's income taxes for 2001, 2000 Pro Forma and 2000:

	2001	**2000 Pro Forma**	**2000**
		(unaudited)	
		(in millions of €)	
240. Income taxes	(318)	(770)	(785)

Income taxes have been calculated in accordance with Italian tax legislation. See Note 18 to the Consolidated Financial Statements.

The Group's effective tax rate for the year ended December 31, 2001 was 19.6%, a significant decrease compared to the effective rate of 36.6% Pro Forma in 2000. This was largely due to:

- the recovery of carry-forward tax losses of subsidiaries for which the related deferred tax assets had not previously been booked because of the absence of a stable recovery in profit capacity; and
- non-recurring tax savings related to the rationalization of the structure of the Group in Italy and abroad. See Note 31 to the Consolidated Financial Statements.

In line with past practice, the calculation of the taxes for the year ended December 31, 2001, disregarded the tax benefits granted by the Ciampi Law for the merger of San Paolo and IMI and for the acquisition of Banco di Napoli. Such benefits were disregarded because of the EU ruling that considered Ciampi Law, as state aid in violation of applicable EU regulations. See Note 18 to the Consolidated Financial Statements.

Income taxes – 2000 Restated compared with 1999 Restated

The following table sets forth the principal components of the Group's income taxes for 2000, 2000 Restated and 1999 Restated:

	2000	2000 Restated	1999 Restated
		(unaudited)	(unaudited)
		(in millions of €)	
240. Income taxes	(785)	(795)	(685)

Income taxes have been calculated in accordance with Italian tax legislation, as explained in the note to the Consolidated Financial Statements.

Impact of Banco di Napoli Acquisition – 2000 Restated compared with 1999

The following table presents in summary a comparison of figures derived from the audited, consolidated statement of income for the year ended December 31, 2000, reflecting full consolidation of the results of Banco di Napoli from July 1, 2000 (in the column labeled "2000" and "A"); from the unaudited, restated consolidated statement of income for the year ended December 31, 2000, reflecting consolidation of Banco di Napoli at equity (in the column labeled "2000 Restated" and "B"); and from the audited, consolidated statement of income for the year ended December 31, 1999 (in the column labeled "1999" and "C").

This table, which is presented for illustrative purposes only, presents a comparison between the "2000" figures and the "1999" figures (in the column labeled "A-C"), which shows the full impact of the Banco di Napoli acquisition and all other results in 2000 compared with 1999, including the immaterial impact of (i) the reclassification of certain income earned by Banca IMI Group from net interest income to profits on financial transactions, and (ii) the reclassification of certain adjustments from adjustments to intangible and tangible fixed assets to adjustments to goodwill merger and consolidation differences.

The table also presents a comparison between the "2000" figures and the "2000 Restated" figures (in the column labeled "A-B"), which shows the impact of full consolidation of Banco di Napoli from July 1, 2000 compared with consolidation of Banco di Napoli at equity.

Reclassified consolidated statement of income (€/mil)	Year ended December 31, 2000	2000 Restated (Unaudited)	1999		
	(A)	(B)	(C)	(A)-(C)	(A)-(B)
Interest income and similar revenues	7,695	6,752	5,981	1,714	943
Interest expense and similar charges	(5,123)	(4,584)	(3,934)	(1,189)	(539)
Net interest income	2,572	2,168	2,047	525	404
Net commission & other dealing revenues	2,641	2,469	2,066	575	172
Profits/(losses) on financial transactions & investments of income	263	255	251	12	8
Profits/(losses) of companies carried at equity and dividends on equity investments	146	159	205	(59)	(13)
Net interest and other income	5,622	5,051	4,569	1,053	571
- payroll	(1,929)	(1,620)	(1,534)	(395)	(309)
- other administrative costs	(958)	(859)	(763)	(195)	(99)
- indirect taxes and similar dues	(189)	(173)	(169)	(20)	(16)
Administrative costs	(3,076)	(2,652)	(2,466)	(610)	(424)
Other operating income, net	213	187	175	38	26
Adjustments to intangible and tangible fixed assets	(299)	(237)	(293)	(6)	(62)
Operating income	2,460	2,349	1,985	475	111
Adjustments to goodwill merger and consolidation differences	(90)	(89)	—	(90)	(1)
Provisions for risks and charges	(323)	(249)	(81)	(242)	(74)
Adjustments to loans and provisions for guarantees and commitments, net	(238)	(185)	(313)	75	(53)
Adjustments to financial fixed assets, net	(20)	(20)	(87)	67	—
Income before extraordinary items	1,789	1,806	1,504	285	(17)
Net extraordinary income	396	369	294	102	27
Income before taxes and minority interest	2,185	2,175	1,798	387	10
Income taxes	(785)	(795)	(685)	(100)	10
Change in reserve for general banking risks	2	2	(1)	3	—
Net income attributable to minority interests	(94)	(90)	(62)	(32)	(4)
Reversal of second half income Banco di Napoli Group	(16)	—	—	(16)	(16)
Net income	1,292	1,292	1,050	242	—

At December 31, 2000, the parent company of the Banco di Napoli group had total assets of €34.6 billion, customer financial assets of €38.8 billion and loans to customers (excluding a €2.7 billion exposure to Società per la Gestione de Attività S.p.A. ("SGA"), the company established to recover doubtful loans) of €15.9 billion. In profitability, operating income for the year amounted to €251 million, up 26.4% from 1999. Net income dropped 29.8% to €91.7 million, largely as a result of substantial provisions taken to cover restructuring costs associated with relaunching Banco di Napoli and bringing accounting principles in line with those of Sanpaolo IMI.

For Sanpaolo IMI, the Banco di Napoli acquisition is a step towards the achievement of size and market presence appropriate to the developing competitive environment in the banking and financial services sector. The aggregation of the two banking groups, both of which have solid roots in their traditional regions provides excellent coverage of a significant part of Italy and the development of a complete range of financial services to a client base of millions of families, companies and smaller entrepreneurs.

The business model envisages the maintenance of two separate retail banks, with an exploitation of the role of Banco di Napoli where there exists the greatest potential to create value and achieve levels of excellence.

Assets Managed on Behalf of Customers

Financial assets belonging to customers of Sanpaolo IMI at December 31, 2001 amounted to €305.4 billion, an increase of €1.3 billion (0.4%) compared to year-end 2000. This result was attributable to the inflows of new funding generated by the Group's distribution networks, largely offset by the loss in market value of assets under management and administration due to negative market conditions.

Assets under management (which compares mutual funds, portfolio management and life insurance) are regarded as the priority within this segment, at December 31, 2001, assets under management represented 41.2% of total customers, financial assets, compared with 35% for direct deposits and 23.8% for assets under administration.

	At December 31,				
Customers' Financial assets	**2001**		**2000**		**Change 2001/2000**
	(€/mil)	**%**	**(€/mil)**	**%**	**%**
Assets under management	125,977	41.2	128,913	42.4	(2.3)
Assets under administration	72,643	23.8	71,084	23.4	2.2
Direct deposits	106,784	35.0	104,144	34.2	2.5
Total	305,404	100.0	304,141	100.0	0.4

Asset management and administration

Assets under management totaled €126 billion at December 31, 2001, a decrease of €2.9 billion (2.3%) compared to December 31, 2000, caused by a €9.7 billion loss in the market value of the existing portfolio partly offset by net inflows of €6.8 billion.

Of the loss in asset value, mutual funds and fund-based portfolio management schemes were particularly hard hit by the slump in share prices and fell by €6.3 billion, a 6% decrease compared to December 31, 2000. A significant feature of the year was the shift by existing investors into bond funds, which rose as a proportion of the total from 42.2% to 52.8%, compared with a decline in the proportion of equity funds (down from 38.8% to 32%) and balanced funds (from 19% to 15.2%). Net inflows of funding in mutual funds and fund-based portfolio managed schemes during 2001 totaled €2.1 billion.

In 2001, net inflows in Italy, including investments in funds-based portfolio management schemes and life insurance polices, amounted to €1 billion for Sanpaolo IMI. This compared favorably to the performance in this segment of the Italian market as a whole, which showed net inflows of €556 million. At December 31, 2001, Sanpaolo IMI's share of the Italian mutual fund market was 18.9% in Italy, ranking in first place among its competitors (source: Assogestioni, Italian asset management association).

Within asset management, the insurance sector continued to show a positive performance; life insurance technical reserves continued to grow rapidly during the course of the year, reflecting customer preference at a time when financial markets were highly volatile. Overall, the Group's distribution networks generated net funding of €4.4 billion in 2001, raising the year-end 2001 balance to €18.8 billion, a 27.3% increase compared to year-end 2000.

Asset administration volumes also increased during the year to reach €72.6 billion at December 31, 2001, a 2.2% increase compared with €71.1 billion at December 31, 2000.

The following table shows the amounts of assets under management, broken down by main category, held by the Group at the dates indicated.

Assets under Management	At December 31, 2001 (€/mil)	2001 %	2000 (€/mil)	2000 %	Change 2001/2000 %
Mutual funds and fund-based portfolio management	99,636	79.1	105,980	82.2	(6.0)
Portfolio management	7,511	6.0	8,139	6.3	(7.7)
Life insurance technical reserves	18,830	14.9	14,794	11.5	27.3
Total	125,977	100.0	128,913	100.0	(2.3)

The following table shows the change in asset under management in 2001 and 2000 Pro Forma.

	2001	2000 Pro Forma
	(in millions of €)	
Net asset management inflows	6,752	15,113
- Mutual funds and fund-based portfolio management	2,053	11,928
- Portfolio management	336	127
- Life insurance technical reserves	4,363	3,058
Performance effect	(9,688)	(5,698)
Change in asset under management for the period	(2,936)	9,415

The following table shows Group mutual funds by type at the dates indicated.

Mutual Funds by Type	At December 31, 2001	2000
	(percentages)	
Equity	32.0	38.8
Balanced	15.2	19.0
Bond	52.8	42.2
Total Group mutual funds	100.0	100.0

Direct Deposits

Direct customer deposits at December 31, 2001 totaled €106.8 billion, an increase of €2.6 billion (2.5%) compared to December 31, 2000, helped by a particularly positive trend in the latter part of the year. Given the uncertain state of the market, customers tended to prefer certain types of short-term investment: repurchase agreements at December 31, 2001 rose during the year by €1.2 billion (a 15% increase compared to year-end 2000), commercial paper increased by approximately €1 billion (a 33.2% increase compared to year-end 2000), and current accounts and deposits by €0.3 billion (a 0.6% increase compared to year-end 2000).

Within medium- and long- term funding, the decline in certificates of deposit continued, falling to €8.3 billion at December 31, 2001 (a 6.1% decrease compared to year-end 2000), while there were signs of recovery in bonds which showed a 4.2% increase to €27.7 billion compared to year-end 2000. In line with the funding policies adopted by the Bank, two Tier II subordinated bond offerings were completed for a total of €0.5 billion; subordinated liabilities, not included in customer deposits increased by 8.7% to €5.6 billion at year-end 2001.

The Group's share of the Italian market for direct customer deposits was 8.4% at December 31, 2001, a 0.2% decline compared to year-end 2000.

The following table shows the amount of direct customer deposits held by the Group at the dates indicated.

Direct customer deposits	At December 31, 2001 (€/mil)	2001 %	2000 (€/mil)	2000 %	Change 2001/2000 %
Current accounts and deposits	53,724	50.3	53,396	51.3	0.6
Certificates of deposits	8,346	7.8	8,888	8.5	(6.1)
Bonds	27,695	25.9	26,589	25.5	4.2
Commercial paper	4,137	3.9	3,107	3.0	33.2
Repurchase agreements and securities lending	9,133	8.6	7,944	7.6	15.0
Other deposits	3,749	3.5	4,220	4.1	(11.2)
Direct customer deposits	106,784	100.0	104,144	100.0	2.5

Customer Loans

At December 31, 2001 loans to customers, excluding net non performing loans and loans to SGA, the company established to recover Banco di Napoli's doubtful loans (see "—Impact of Banco di Napoli Acquisition–2000 Restated compared with 1999") amounted to €94.1 billion, a decrease of €94.9 million (0.9%) compared to year end 2001 Pro Forma.

In the year ended December 31, 2001, medium- and long-term loans increased by 3.6% from €53,515 million in 2000 to €55,433 million in 2001.

Loans to customers	At December 31, 2001 (€/mil)	2001 %	2000 (€/mil)	2000 %	Change 2001/2000 %
Short-term loans	38,652	39.8	41,438	42.0	(6.7)
Medium and long-term loans	55,433	57.1	53,515	54.2	3.6
Loans to customers, excluding non-performing loans and loans to SGA	94,085	96.9	94,953	96.2	(0.9)
Non-performing loans	930	1.0	1,015	1.0	(8.4)
Loans to SGA	2,041	2.1	2,738	2.8	(25.5)
Customer Loans	97,056	100.0	98,706	100.0	(1.7)

The following table shows the Group's loans to customers, broken down by types of borrower, at the dates indicated.

Loans to customers by counterparty	At December 31, 2001 (€/mil)	2001 %	2000 (€/mil)	2000 %	Change 2001/2000 %
Loans to households	15,489	16.0	14,736	14.9	5.1
Loans to family businesses and non-financial companies	54,977	56.6	55,895	56.6	(1.6)
Loans to financial companies	13,669	14.1	14,765	15.0	(7.4)
Loans to governments and public bodies (1)	12,535	12.9	12,756	12.9	(1.7)
Other	386	0.4	554	0.6	(30.3)
Customer loans	97,056	100.0	98,706	100.0	(1.7)

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

The following table shows the Group's loans to customers, broken down by types of loan and category of customer, at the dates indicated.

Loans to customers by category	At December 31, 2001		2000		Change 2001/2000
	(€/mil)	%	(€/mil)	%	%
Households	15,489	16.0	14,736	14.9	5.1
- Domestic network	14,299	14.8	13,534	13.7	5.7
- overdrafts	1,148	1.2	1,178	1.2	(2.5)
- personal loans	934	1.0	900	0.9	3.8
- mortgages	11,571	11.9	10,898	11.0	6.2
- other	646	0.7	558	0.6	15.8
- Foreign network	1,190	1.2	1,202	1.2	(1.0)
Family businesses, companies, governments, public bodies and other	81,567	84.0	83,970	85.1	(2.9)
- Domestic network	69,035	71.1	70,434	71.4	(2.0)
- overdrafts	9,028	9.3	9,981	10.1	(9.5)
- repurchase agreements	2,567	2.6	2,193	2.2	17.1
- import/export financing	2,183	2.2	2,234	2.3	(2.3)
- leasing	2,082	2.1	1,753	1.8	18.8
- mortgage loans	32,985	34.1	33,209	33.7	(0.7)
- other	20,190	20.8	21,064	21.3	(4.1)
- Foreign network	12,532	12.9	13,536	13.7	(7.4)
Total	97,056	100.0	98,706	100.0	(1.7)

In 2001, medium- and long-term loans increased 3.6% compared to 2000. In 2001, mortgage disbursement by the Sanpaolo Network to households were €1.7 billion, an increase of 8% compared to 2000.

In 2001, short-term loans, which saw a period of rapid expansion in 2000, largely in connection with extraordinary corporate finance transactions on the part of large Italian groups, decreased by 6.7% at year-end 2001 compared to year-end 2000. This decline took place mainly towards the end of 2001, following the repayment of certain very large loans.

As regards customers' business sectors, loans to consumers showed the most dynamic growth in 2001, increasing by 5.1% compared to December 31, 2000. The current economic and political crisis (particularly in the wake of the events of September 11, 2001) affected certain sectors more than others, above all air transport, tourism and hotels, entertainment and insurance. Total Group exposure to these sectors at December 31, 2001 represented 3% of the total loan book, with almost half the loans being with counterparties in the insurance sector which have maintained a high level of lending quality. The telecommunications sector, which has attracted particular attention from the market in 2000 and 2001, represented 4.2% of the Group's total exposure in terms of cash loans and guarantees at December 31, 2001, its weighting having been reduced substantially during the course of the year.

At year-end 2001, the reserves set aside to cover the risk inherent in performing loans represented 0.75% of the amount of total cash loans.

The trend in loans for Group banks in Italy was substantially uniform in the various geographical areas in which they operated, with the trend in loans to customers resident in central Italy being slightly above average, mainly due to loans granted to the public sector.

The Group's share of the Italian market for customer loans at year-end 2001 was 8.4%, a decrease from the 9.2% market share at year-end 2000.

Loans granted by the Group's overseas network at December 31, 2001 fell by 6.9% compared to year-end 2000

Doubtful Loans

The Group's net doubtful loans at December 31, 2001 amounted to €1,948 million, a decrease of €209 million (9.7%) compared to year-end 2000.

The following table shows the Group's doubtful loans at the dates indicated.

	At December 31,				
Analysis of loans portfolio	**2001**		**2000**		**Change 2001/2000**
	(€/mil)	**%**	**(€/mil)**	**%**	**%**
Non-performing loans	930	1.0	1,015	1.0	(8.4)
Problem, restructured, in the course of being restructured	928	1.0	982	1.0	(5.5)
Loans to countries at risk – customers	32	0.0	106	0.1	(69.8)
Performing loans	95,166	98.0	96,603	97.9	(1.5)
Customer loans	97,056	100.0	98,706	100.0	(1.7)
Non-performing and under-performing loans to banks	1		1		-
Loans to countries at risk – banks	57		53		7.5

This positive trend was achieved by Sanpaolo IMI through maintaining rigorous loan authorization criteria, intensive efforts devoted to debt recovery and recourse to extraordinary transactions. The latter included:

- the completion in May 2001 of a non-recourse sale of non-performing loans with a book value of €110 million, and
- in July 2001, the sale of 100% of Sanpaolo Immobiliare, the company that handled the non-performing mortgage loans sold without recourse by the Bank in 1994, which led to a reduction in net non-performing loans of €45 million.

Within customer loans, net non-performing loans fell to €930 million at December 31, 2001, a decrease of €85 million compared to year-end 2000; the ratio of net non-performing loans to net loans to customers remained at 1%.

At December 31, 2001, 75% of the Group's non-performing loans were covered by provisions, after taking tax write-offs into account.

Problem loans, restructured loans and loans being restructured totaled €928 million at December 31, 2001, a decrease of €54 million compared to year-end 2000. At December 31, 2001, 28.1% of the Group's problem loans, restructured loans and loans being restructured were covered by provisions, after taking tax write-offs into account compared to 37.3% at December 31, 2000.

The Group's reduction in unsecured loans to customers resident in countries at risk was significant, falling from €106 million at December 31, 2001 to €32 million at year-end 2000. This was due above all to the recovery of positions owed by residents in Argentina which were not extended after they had been paid, which at December 31, 2001 were close to zero.

Total net doubtful loans to customers and to banks were €1,948 million in 2001 at December 31, 2001 against €2,103 million at December 31, 2000.

Capital Markets Activities

Dealing and treasury activities

The Group's securities portfolio at December 31, 2001 amounted to €22.1 billion, a decrease of €2.9 billion (11.5%) compared to year-end 2000. The investment book fell to €3.3 billion, representing 15% of the total, compared to 26.7% at year-end 2000. This decrease is principally attributable to the downsizing of Banco di Napoli's overseas network. See: "Item 4.—Information on the Company—Organization by Business Area—Banco di Napoli."

The dealing portfolio held by Banca IMI at December 31, 2001 fell to €7.4 billion, a decrease of 23.4% compared to year-end 2000. At December 31, 2001, the total balance consisted 50% of government bonds, 35% of corporate bonds and 25% of equity. Banca IMI reinforced its role as primary dealer in the principal government bond markets in Europe and consolidated its presence in Eurobonds issued by highly-rated entities.

The Parent Bank's securities portfolio used for treasury purposes at December 31, 2001 amounted to €5.7 billion, an increase of 24.2% against December 31, 2000. The portfolio was managed with a view to generating a certain level of income and satisfying the Group's secondary liquidity needs in connection with refinancing transactions with the European Central Bank. The portfolio mix has continued to have a prevalence of government bonds: at December 31, 2001, *Certificati di Credito del Tesoro* ("CCTs"), and *Buoni Ordinari del Tesoro* ("BOTs"), Italian government bonds, represented 60% of the total, while another 10% was accounted for by other Italian and other government securities. The overall volume of securities traded by the Parent Bank amounted to €24 billion: transactions in repurchase agreements, used to satisfy the needs of retail and corporate customers, totaled €147 billion, of which €82 billion were traded on the electronic market.

Transactions in the interbank market were carried out by the Parent Bank; the Parent Bank's subsidiaries that specialize in raising funds in foreign markets. Approximately two thirds of the volumes traded in the interbank market as part of the Parent Bank's treasury activities involved funding in Euro. €228 billion was executed through e-Mid, an online electronic market in which the Bank maintained a market share of approximately 3.6% in 2001.

As regards medium/long-term funding, the Group's activity involved certain significant transactions which confirmed Sanpaolo IMI's ranking as one of the leading issuers in the international market in terms of volumes and investor appreciation. Total funding of this type in 2001 amounted to €5.2 billion in line with 2000. The funding consisted of €4.7 billion of senior notes issued and €0.5 billion of Lower Tier II subordinated debt issues. Approximately €3.5 billion was placed in foreign markets, while €1.2 billion was placed with customers of the Sanpaolo Network in Italy. In the ambit of the senior loans, the Parent Bank**,** through its affiliate, Sanpaolo IMI Bank International of Madeira, issued a total of €2 billion of senior notes in four offerings.

The following table shows the Group's securities interbank and derivatives positions at the dates indicated.

	At December 31,				
Securities, interbank positions and derivatives	**2001**		**2000**		**Change 2001/2000**
	(€/mil)	**%**	**(€/mil)**	**%**	**%**
Investment securities	3,308	15.0	6,671	26.7	(50.4)
Dealing securities (1)	18,819	85.0	18,329	73.3	2.7
Securities portfolio	**22,127**	**100.0**	**25,000**	**100.0**	**(11.5)**
Loans to banks	21,571		19,119		12.8
Funding from institutional banking organizations	4,621		4,542		1.7
Funding from other banks	23,301		25,054		(7.0)
Derivatives and forward transactions in foreign currencies (at nominal value)	410,950		311,625		31.9

(1) This item includes €10 million (at 12/31/2001) and €42 million (at 12/31/2000) of Sanpaolo IMI shares purchased by subsidiaries as part of their securities dealing activities.

Placement and advisory business

For a discussion of Banca IMI's role in debt and equity offerings in 2001, please see "Item 4. Information on the Company—Business Overview—Results by Business Area—Investment Banking."

Equity investments

The Group's investments in companies that are not consolidated on a line-by-line basis amounted to €4.7 billion at December 31, 2001, a net increase of €1.1 billion compared to year-end 2000. For a discussion of the principal transactions, see "Item 4. Information on the Company—History and Development of the Company—Recent Developments".

Disposals during the period amounted to €0.5 million, generating pre-tax gains of €437 million. For a discussion of the principal transactions, see "Item 4. Information on the Company—History and Developments of the Company—Principal Capital Expenditures and Divestitures."

Non-consolidated equity investments	2001		2000		Change 2001/2000
	(€/mil)	%	(€/mil)	%	%
Investments	**4,697**	**100.0**	**3,573**	**100.0**	**31.5**
carried at equity	982	20.9	811	22.7	21.1
carried at cost	3,715	79.1	2,762	77.3	34.5
- in listed companies	1,977	42.1	2,234	62.5	(11.5)
- in other companies	1,738	37.0	528	14.8	–

B. Liquidity and Capital Resources

Liquidity

See table in "Item 3. Key Information—Selected Statistical Information—Funding Sources".

In 2001, to ensure the maintenance of capital adequacy ratios above the minimum levels required for supervisory purposes, Sanpaolo IMI issued approximately €0.5 billion in subordinated debt securities, making use of the Group's access to the debt capital markets.

Sanpaolo IMI has access to a wide range of funding at various maturities and in different forms, including current and deposit accounts, repurchase agreements and debt securities. Such funding originates from Sanpaolo IMI's domestic customer base, the domestic and international interbank markets and the issuance of commercial paper and debt securities in the United States (through Sanpaolo IMI U.S. Financial Co.) and in the Euromarkets (through Sanpaolo IMI Bank (International) S.A.). Sanpaolo IMI U.S. Financial Co.'s commercial paper program has a limit of $5 billion while Sanpaolo IMI Bank (International) S.A.'s commercial paper program allows issuance of commercial paper and certificates of deposit up to €1.5 billion and its euro medium-term notes program is for €17.5 billion.

Approximately 63% of total funding is derived from Italy; other EU countries include principally France, where the subsidiary Banque Sanpaolo IMI operates, and the London branch of the Parent Bank and Sanpaolo IMI International; other countries include branches in New York, Singapore and Tokyo. The following table sets forth the principal sources of funding for the Group by geographical distribution.

	12/31/01				12/31/00			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Principal sources of funding								
1.1 due to banks	6,774	12,645	8,503	27,922	7,406	10,451	11,739	29,596
1.2 due to customers	53,312	8,886	3,647	65,845	49,967	9,312	5,439	64,718
1.3 securities issued	25,151	10,529	5,159	40,839	27,808	7,392	4,138	39,338
1.4 other accounts	3,699	1,008	1,000	5,707	3,222	1,023	1,000	5,245
Total	88,936	33,068	18,309	140,313	88,403	28,178	22,316	138,897
2. Guarantees and commitments	21,201	8,078	11,576	40,855	19,345	8,802	14,041	42,188

For Sanpaolo IMI, as a financial institution, sources of funding and certain off-balance-sheet transactions are the principal components of its obligations and future commitments to make future payments under contracts.

The majority of the funding is short-term: demand deposits make up approximately 19%, demand and short-term funding (up to three months' maturity) together make up approximately 50%, while the balance is composed of fixed- and floating-rate funding including subordinated debt. The following table, which sets forth, as of December 31, 2001, the principal components of Sanpaolo IMI's sources of funding and off-balance-sheet transactions by residual maturity, provides information of when those obligations and future commitments will fall due.

	Specified duration (as of December 31, 2001)								
	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	Unspecified	Total
1. Sources of funding									
1.1 due to banks	3,237	14,798	4,257	887	2,315	407	2,021	-	27,922
1.2 due to customers	48,400	14,485	1,485	351	196	660	268	-	65,845
1.3 securities issued:									
- bonds	463	902	4,215	7,809	8,633	3,456	2,217	-	27,695
- certificates of deposit	402	5,660	1,795	435	37	17	-	-	8,346
- other securities	661	4,008	129	-	-	-	-	-	4,798
1.4 subordinates liabilities	-	87	494	157	1,058	2,146	1,665	-	5,607
Total funding	53,163	39,940	12,375	9,639	12,239	6,686	6,171	-	140,313
2 Off-balance sheet transactions	30,093	115,783	77,886	43,074	3,364	28,369	500	-	299,069
Total	83,256	155,723	90,261	52,713	15,603	35,055	6,671	-	439,282

In the course of 2001, Sanpaolo IMI made substantial investments to develop its business. To ensure the maintenance of solvency ratios appropriate to the business, Sanpaolo IMI issued subordinated debt for a total of €501 million.

The following table analyzes the subordinated debt issued by Sanpaolo IMI by currency and maturity.

Loans	Book value as of 12/31/01 (in millions of €)	Original currency (millions)	Interest rate	Issue date	Maturity date	Book value as of 12/31/00 (in millions of €)
Preferred Securities in Euro	1,000	1,000	8.126%(a)	11/10/00	(b)	1,000
Total innovative capital instruments (Tier 1)	1,000					1,000
Notes in Luxembourg francs (c)	-	1,000	7.63%	07/09/93	07/09/01	25
Notes in U.S. dollars (c)	188	165	floating	07/12/93	07/30/03	178
Notes in U.S. dollars (c)	101	89	floating	09/24/93	09/24/03	86
Notes in U.S. dollars (c)	107	94	floating	11/30/93	11/30/05	101
Notes in Canadian dollars (c)	107	151	floating	11/10/93	11/10/03	108
Notes in Euro (c)	356	362	floating	06/30/94	06/30/04	356
Notes in Italian lire	17	35,725	floating	06/15/93	06/15/03	29
Notes in Italian lire	25	48,820	floating	10/15/93	10/15/03	36
Notes in Euro	146	150	5.75%	09/15/99	09/15/09	150
Notes in Euro (c)	27	27	floating	12/30/96	01/20/02	27
Subordinated loan in U.S. dollars	113	100	floating	09/15/93	09/15/03	108
Subordinated loan in U.S. dollars	-	10	floating	03/25/91	03/25/01	11
Subordinated loan in Italian lire	26	50,000	5.10%	06/01/98	06/01/03	39
Subordinated loan in Italian lire	62	120,000	5.30%	01/01/98	01/01/03	93
Subordinated loan in Italian lire	57	112,000	floating	02/01/98	02/01/03	87
Subordinated loan in Euro	500	500	6.38%	04/06/00	04/06/10	500
Subordinated loan in Euro	350	350	floating	04/06/00	04/06/10	350
Subordinated loan in Euro	1,000	1,000	floating	09/27/00	09/27/10	1,000
Subordinated loan in Euro	300	300	5.55%	07/31/01	07/31/08	-
Subordinated loan in Euro	200	200	5.16%	10/02/01	10/02/08	-
Subordinated loan in Euro	200	200	floating	10/01/99	10/01/09	200
Subordinated loan in Euro	106	150	floating	10/12/99	10/12/09	65
Subordinated loan in Euro	8	8	floating	12/22/00	12/22/10	8
Subordinated loan in Euro	1	1	3.75%	09/20/01	09/20/06	-

Loans	Book value as of 12/31/01 (in millions of €)	Original currency (millions)	Interest rate	Issue date	Maturity date	Book value as of 12/31/00 (in millions of €)
Total subordinated liabilites (Tier 2)	3,997					3,557
Subordinated loan in Euro	460	466	5.63%	10/03/00	04/03/03	456
Subordinated loan in Euro	150	150	floating	11/06/00	05/06/03	145
Total subordinated liabilites (Tier 3)	610					601
Total	5,607					5,158

(a) The remuneration of the preferred securities is fixed at 8.126% up to November 10, 2010. After that date, a floating coupon will be paid at 12 months Euribor increased by 350 basis points.

(b) The securities cannot be redeemed. Only Sanpaolo IMI has the right to redeem the Notes, totally or partially, and this right can be exercised after November 10, 2010.

(c) These are issues made on a fiduciary basis against deposits of the Parent Bank's Nassau branch

The working capital requirements of the Group are fully met through its funding strategies and Sanpaolo IMI believes that its credit standing will continue to give it access to both traditional and innovative funding.

There are no legal or economic restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends, loan or advances and the impact such restrictions have on the ability of the company to meet its cash obligations.

Other off-balance-sheet arrangements

The Group is not significantly involved with off-balance sheet arrangements, particularly those involving special purposes entitities, or SPEs. As of December 31, 2001, the Group had only been involved in three securitizations, through two of its subsidiaries. The securitizations involved:

- Sanpaolo Leasint S.p.A. which in 1997 made a non-recourse assignment of performing loans with a total book value of €503.5 million; and

- Finconsumo Banca S.p.A. which in 2000 and 2001 made two non-recourse assignments of performing Italian residential consumer loans, totalling €502.9 million.

There are two key accounting issues relating to securitizations. As financial assets are transferred to the SPE, a decision must be made as to whether that transfer would be considered a sale or a secured borrowing transaction under Italian GAAP. The appropriate accounting for securitizations is based on consistent application of methodology focused on control. Under that approach the reporting entity derecognizes financial assets when control has been surrendered.

The second accounting issue relates to whether the SPE should be consolidated within the parent's financial statements.

Please refer to note 11 of the Consolidated Financial Statements "Securitization Operations" for additional information with respect to our off-balance sheet securitization arrangements.

Capital and Reserves

Shareholders' equity

Group shareholders' equity as of December 31, 2001 amounted to €8,182 million, net of own shares held by the Parent Bank. Movements during the year were as follows:

	Movements in shareholders' equity
	(in millions of €)
Shareholders' equity as of January 1, 2001	7,353
Decreases	(787)
- Dividends	(787)
Increases	1,616
- Capital	1
- Share premium reserve	4
- Provisions to the reserve for general banking risks	1
- Exchange differences and other adustments	4
- Decrease in own shares held by the Parent Bank	403
- Net income for the year	1,203
Shareholders' equity as of December 31, 2001	8,182

The increase in capital of €1 million and in share premium reserve of €4 million is the result of Group executives' subscription to 422,916 shares at a price of €12.396 each, as part of a stock option plan described in the next section.

Own shares

As of December 31, 2001 17,895,967 Sanpaolo IMI shares were held by the Group. This is 1.27% of the share capital shown at a value of €304 million.

Transactions in Sanpaolo IMI shares during the year were as follows:

- At December 31, 2000, the Parent Bank held 39,345,982 Shares (for a total value of €110 million at par), carried at a cost of €697 million. During 2001, the Parent Bank bought 5,238,150 shares (€15 million at par) at a total cost of €83 million, and sold 27,503,729 Shares (€77 million at par) for total proceeds of €516 million; the Shares were sold to Fondazione Cassa di Risparmio di Venezia as part of the acquisition of a 10.8% stake in Cardine Banca. At December 31, 2001 the Parent Bank held 17,080,403 Shares (€48 million at par), carried at a cost of €294 million (€17.2 per Share);

- At December 31, 2000 Banca IMI, a subsidiary, held 2,437,400 Shares as part of its normal dealing activity (€7 million at par) carried at a market value of €42 million. During 2001, Banca IMI bought 39,473,663 Shares (€111 million at par) at a total cost of €523 million, and sold 41,095,499 Shares (€115 million at par) for total proceeds of €540 million. As of December 31, 2001 Banca IMI held 815,564 Shares (€2 million at par) carried at a market value of €10 million.

On March 15, 2002, the Group held 35,435,076 Sanpaolo IMI shares, or 2.5% of the share capital, with a book value of €510 million. The increase since the start of the year reflects the Group's implementation of a plan to buy its own shares on the market to service the exchange of shares as part of the merger with Cardine Banca; it also reflects the policy of active capital management adopted by the Group.

Regulatory capital and capital adequacy

As of December 31, 2001, the ratio of regulatory capital to total risk-weighted assets, essentially for credit and market risks, shows a total solvency ratio of 9.5%; in particular, the market risks attributable to the Parent Bank and to other Group companies, namely €8 billion at the end of December 2001, are almost entirely covered by Tier III subordinated liabilities totaling €610 million.

The ratio between the Group's Tier I capital and total risk-weighted assets at the end of December 2001 came to 7.2%.

It should be emphasized that the Bank of Italy's preference, in line with international best practice (considering Sanpaolo's status as a Financial Holding Company under U.S. banking law), is to require banks to maintain capital at levels higher than the regulatory minimums, above all in the case of large financial intermediaries; this is due to the systemic implications that might arise if they found themselves in difficulty, not to mention the concentration of assets that is being caused by the processes of consolidation and privatization of the production system. As regards the Sanpaolo IMI Group, the changes in the capital structure that are intended to take place following the merger with Cardine and the related measures of capital management that have been taken are sufficient to ensure full alignment in the future with the new capital adequacy requirements.

The following table sets forth the Tier I and the Tier II capital levels and the relative ratios of the Sanpaolo IMI group at December 31, 2000 and 2001. According to the Bank of Italy regulations, the ratios set forth with respect to the capital of Sanpaolo IMI have been calculated net of any dividend distributions. The ratios reflect the Bank of Italy clarifications made in its technical note of August 3, 2001.

	At December 31,	
Customers' Financial assets	**2001**	**2000**
	(in millions of €, except ratios)	
Tier I capital		
Share capital	3,932	3,931
Additional paid-in capital	-	-
Reserves	4,448	4,024
Preferred Securities in €	1,000	1,000
Less: intangible assets	(1,724)	(2,087)
Tier 1 capital	7,656	6,868
Tier II capital		
Revaluation reserves	12	12
Subordinated debt	3,565	3,297
Other positive items	47	78
Other negative items	(72)	(130)
Tier II capital	3,552	3,257
Less: financial investments	(1,740)	(1,259)
Total Tier I and Tier II capital ("Own Funds")	9,468	8,866
Tier III capital subordinated loans	610	601
Total Tier I, Tier II and Tier III capital	10,078	9,467
Weighted assets (€/mil)		
Lending risk	97,137	95,050
Market risk	8,025	8,087
Other requirements	538	513
Total assets	105,700	103,650
Capital adequacy ratios (%)	7.2%	6.6%
Tier I capital/Total risk-weighted assets	9.5%	9.1%
Total capital/Total risk-weighted assets		

Material Commitments for Capital Expenditures

See "Item 4. Information on the Company—History and Developments of the Company—Recent Developments—FIAT and Italenergia" above for information concerning Sanpaolo IMI's material commitments for capital expenditures.

C. Trend Information

The Board of Directors approved on May 14, 2002 the Group's results for the first quarter of 2002.

In a difficult market scenario, characterized by generalized economic weakness and high volatility in the financial markets, the Group achieved quarterly net income of €211 million against €327 million in the first quarter of 2001. Net income decreased by €90 million compared to the quarterly average of 2001. Comparison with the first quarter of 2001 shows a decrease in income of 35.5%. See "Item 4. Information on the Company—History and Developments of the Company—Recent Developments—Unaudited results of the first quarter of 2002".

The situation of the global financial markets is uncertain and generally negative. Such situation, evident in the first half of 2001, was exacerbated by the events of September 11, 2001 and the ensuing international tensions. The uncertain situation has continued into 2002.

Sanpaolo IMI generates the majority of its business turnover and revenues from Italy and from other countries of the Eurozone and of the European Union. Nevertheless, Sanpaolo IMI is not insulated from the general uncertain situation which has an impact on the Group's business abroad and on the Italian economy at both corporate and retail level.

At the moment the scenario still holds considerable uncertainty. Nevertheless, one positive signal relates to the so-called "tax shield" law introduced by the Italian government to encourage the return to Italy of capital held abroad, which has contributed towards a growth in financial assets in Italy.

In order to cope with the delicate transition from recession to the hoped-for recovery of the Italian economy, Sanpaolo IMI has decided on certain steps to bolster profitability, in particular offering a more effective asset allocation service for customers, developing products that respond better to the need for security that has emerged recently, and proactively focusing on the middle corporate and small business segments. Strong efforts are being devoted to cost reductions.

At the same time, various initiatives have been launched to ensure a rapid integration with Cardine in order to accelerate potential synergies between the two groups.

D. Critical Accounting Policies

Our financial statements are based on the selection and application of significant accounting policies in line with Italian standards and international best practice, which require management to make significant estimates and assumptions. The following are the most material critical judgment areas in the application of our accounting policies, assumptions and estimates which affect the reporting of our financial conditions and results of operations as presented in the Consolidated Financial Statements included in this report.

Detailed information regarding accounting policies is provided in Note 10 to the Consolidated Financial Statements.

Recovery and recoverability of loans, securities, investments and other assets

A substantial amount of our business is represented by core lending activities, whether secured or unsecured. In addition, we purchase and trade in debt and equity securities issued by Italian and foreign governments, agencies and other borrowers. In all cases, there is a risk that we shall not receive full repayment for the amounts we advance. We therefore make provisions against non-payment (loan losses and falls in market value) as described elsewhere in this report.

Allowance for Loan Losses

Loans are stated at their estimated realizable value. The assessment performed takes into consideration any guarantees received, market prices (where applicable) and general economic conditions experienced by different categories of borrower.

Estimated realizable value is determined following a detailed review of loans. This review is conducted on a timely basis (as appropriate for the type of loan) and is consolidated for all loans outstanding at period-end. The review considers the degree of risk associated with the various forms of lending and also the risk of default inherent in performing loans as a result of general economic circumstances.

General adjustments to performing loans are calculated on a statistical basis, which provides a historical valuation of portfolio risk. General adjustment is integrated, at the Parent Bank level, by a portfolio model based on risk management methodologies used for monitoring and controlling credit risks.

The estimated realizable value of doubtful loans takes into consideration not only the likelihood of eventual recovery, but also the possibility of any total or partial failure in the future to generate income or any basis to expect delayed repayments.

Determining the allowance for loan losses requires specific judgments and estimates based upon the above factors.

If actual events demonstrate that the estimates and assumptions we used in determining the allowance for loan losses were inaccurate, we may need to make additional provisions for loan losses. Conversely, we believe that our conservative loan and provisioning policies may entail the writing back of certain provisions.

Market Value and Fair Value Estimates

Quoted market prices in active and liquid markets are the most reliable measure of fair value because they accurately represent the prices paid for and received for securities. However, quoted market prices for certain financial instruments including certain corporate loans as well as the majority of personal loans), and financial activities, such as non-exchange traded (over the counter or "OTC") contracts, are not available. In these cases, the determination of fair value requires us to make estimates and certain assumptions. These may not produce a fair value determination that reflects net realizable value at any single point in time.

Impairment of assets other than loans

Certain assets, including, direct investments, securities held to maturity, and tangible assets are subject to an impairment review. We record asset impairment charges when we believe that an asset has experienced an other than temporary decline in value, or that its cost may not be recoverable. Future impairment charges may be required if triggering events occur, including adverse market conditions, suggesting deterioration in an asset's recoverability of fair value. Assessment of the timing of when such deteriorations become other than temporary and the amount of such impairment is a matter of significant judgment.

Goodwill

The Group capitalizes acquired goodwill and amortizes it over its useful economic life. Under Italian GAAP, there is a rebuttable presumption that the useful economic life of purchased goodwill is limited and does not exceed 20 years from the date of acquisition. Furthermore, the amortization of acquired goodwill is the object of recent developments in U.S. GAAP. See "—Recent Developments in U.S. GAAP".

Deferred Tax Asset Valuation Allowance

We recognize deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the book value of assets and liabilities and their value for tax purposes, net operating loss carry forwards and tax credits. The recognition of deferred tax assets is subject to management's judgment based on available evidence that they are likely to be recovered. In the event that we determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to our deferred tax assets would be charged to income tax expense in the period that the determination was made.

Provisions for risks and charges

Provisions are made for risks, charges and likely liabilities whose timing and extent cannot be determined at period-end or at the time the financial statements are prepared.

The use of different estimates or assumption could produce different provisions for risk and charges.

An analysis regarding accounting policies concerning provisions for risks and charges is provided in Note 10 to the Consolidated Financial Statements.

E. Recent Accounting Developments

SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets"

In July 2001 the Financial Accounting Standard Board ("FASB") issued SFAS 141 'Business Combinations' and SFAS 142 'Goodwill and Other Intangible Assets'. SFAS 141 is effective for business combinations initiated after June 30, 2001. SFAS 141 requires that all business combinations completed after its adoption be accounted for using the purchase method of accounting and establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS 142 will be effective for the Group from January 1,2002 and primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. From January 1, 2002, goodwill will no longer be amortized and will be tested for impairment at least annually at the reporting unit level. The Group is currently assessing the impact of the new standard and as of the date of this annual report had not yet determined whether it would have a material impact upon net income and stockholders' equity as determined under U.S. GAAP if it was currently in force.

SFAS 143 "Accounting for Asset Retirement Obligations"

SFAS 143 requires a provision to be raised for the legal obligation in relation to the other-than-temporary removal of a tangible fixed asset, at fair value, when incurred. As required, the Group will adopt SFAS 143 on January 1, 2003. Adoption is not expected to have a material impact upon net income and stockholders' equity as determined under U.S. GAAP if it was currently in force.

SFAS 144 "Impairment or Disposal of Long-Lived Assets"

SFAS 144 is effective for the Group from January 1, 2002 and addresses the financial accounting and reporting for the impairment of long-lived assets held and to be disposed of and for segments of a business to be disposed of. It supersedes, but retains the fundamental provisions of, SFAS 121 'Accounting for the impairment of long-lived assets and for long-lived assets to be disposed of'. It also supersedes the provisions of Accounting Principals Board Opinion 30, 'Reporting the results of operations', no longer permitting business segments to be disposed of to be measured at a value adjusted for future operating losses. Adoption is not expected to have a material impact upon net income and stockholders' equity as determined under U.S. GAAP if it was currently in force.

SFAS 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections"

SFAS 145 was issued in April 2002. The Statement rescinds certain pronouncements, and makes various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Group will adopt SFAS145 on January 1, 2003. Adoption is not expected to have a material impact upon net income and stockholders' equity as determined under U.S. GAAP if it was currently in force. Sanpaolo IMI continues to monitor the additional effect, if any, that the adoption of the above standards will have on the net income and stockholders' equity as determined under U.S. GAAP.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Board of Directors

The following table sets forth, as of June 18, 2002, the names of the members of the Board of Directors (the "Board") of Sanpaolo IMI, their current position, and the year of appointment as Director. The current Board's mandate will expire as of the date of the Shareholder's general meeting called to approve the financial statements for the year ending December 31, 2003.

Name	Age	Position	Appointed
Rainer Stefano Masera	58	Chairman	1997(1)
Isabelle Bouillot	52	Director	2002
Pio Bussolotto	66	Managing Director	2002
Alberto Carmi	78	Director	2000
Gíuseppe Fontana	48	Director	1998
Gabriele Galateri di Genola e Suniglia	55	Director	1997
Richard Gardner	74	Director	2001
Alfonso Iozzo	59	Managing Director	2001
Mario Manuli	62	Director	2001
Luigi Maranzana	61	Managing Director	1997
Virgilio Marrone	55	Director	1998
Abel Matutes	60	Director	2001
Iti Mihalich	70	Director	1997
Emilio Ottolenghi	70	Director	1995
Orazio Rossi	70	Deputy Chairman	2002(2)
Gianguido Sacchi Morsiani	67	Director	2002
Enrico Salza	65	Deputy Chairman	1998(3)
Rémi François Vermeiren	62	Director	1998

(1) Became Chairman in 2001.

(2) Became Deputy Chairman in 2002.

(3) Became Deputy Chairman in 2001.

For a discussion of the election of the Board of Directors see "Item 7. Major Shareholders and Related Party Transactions—The Major Shareholders—Agreement Among Certain Shareholders."

Senior Management

The following table sets forth the members of the senior management (the "Senior Managers") of Sanpaolo IMI as of June 18, 2002, their age, positions with Sanpaolo IMI and year of appointment.

Name	Age	Position	Appointed
Alfonso Iozzo	59	Managing Director	2001
Luigi Maranzana	61	Managing Director	1997
Pio Bussolotto	66	Managing Director	2002
Aldo Gallo	53	Head of Audit Department	1999
Maurizio Montagnese	46	Head of Human Resources Department	1999
Bruno Picca	52	Head of Sanpaolo Network	2001
Piero Luongo	47	Head of General Secretariat	2001
Pier Luigi Curcuruto	52	Head of MOI Department	2000
Massimo Mattera	57	Head of Credit Management Group	2000
Stefano Del Punta	42	Head of Group Finance Department	2002

Biographical Data

The following is selected biographical data of the Directors and of the Managing Directors:

Rainer Stefano Masera has been Chairman of Sanpaolo IMI since April 30, 2001. Previously he was General Manager of IMI (1988-1998) and Managing Director of Sanpaolo IMI (1998-2001). He has also served in government as technical minister of budget and economic planning (1995-1996). He has been a Director of the

European Investment Bank since 1996 and was deputy chairman of the Associazione Bancaria Italiana until June 2000 in which latter he remains a member of the Executive Committee.

Isabelle Bouillot became a Director in March 2002. She is Président du Directoir of the French Group CDC Finance – CDC Ixis and she has various responsibilities within the Group's companies. She has wide experience in the public and private sectors including Deputy Director of the Economic and Finance Minister's Cabinet (1983), President of the Union de Banques à Paris (1985), economic adviser to the President of the French Republic (1989) and Budget Director to the Economic and Finance Minister (1991).

Pio Bussolotto joined the Board of Directors as Managing Director in March 2002, having held the same position in Cardine. In 2001, he became a member of the Board of Directors of the Interbank Deposit Guarantee Fund. He was previously a Director of the Padua Chamber of Commerce and of Mediovenezie Banca. He was Secretary General of the Fondazione Cassa di Risparmio di Padova e Rovigo until 1996.

Alberto Carmi is currently Chairman of Travertino Toscana, one of Italy's leading producers and finishers of marble, and also manages his family's agricultural estates. He has been Chairman of the Ente Cassa di Risparmio di Firenze since January 1993.

Giuseppe Fontana is a Director of the Fontana Group. He was a Director of IMI from 1995 until 1998 and became a Director of Sanpaolo IMI following the merger in that year. He has also served as a Director of various Sanpaolo IMI Group companies.

Gabriele Galateri di Genola e Suniglia has been a Director of Sanpaolo since 1997. His work experience includes domestic and international responsibilities at Banco di Roma, St Gobain, FIAT and IFI/IFIL. IFI/IFIL is a significant shareholder of Sanpaolo IMI. See "Item 7. The Major Shareholders and Related Party Transactions—The Major Shareholders".

Richard Gardner is Professor of Law and International Organization at Columbia Law School and Counsel to Morgan Lewis. He became a Director of Sanpaolo IMI in April 2001. His career spans the diplomatic and political worlds. In particular, he served as U.S. Ambassador to the Republic of Italy from 1977 to 1981 and to Spain from 1993 to 1997. He is also a member of the International Capital Markets Advisory Committee of the New York Stock Exchange.

Alfonso Iozzo is Managing Director of Sanpaolo IMI. He joined Sanpaolo in 1961 and became a Director of Sanpaolo in 1995 and of Sanpaolo IMI in 2001. He was Deputy Chairman of the Associazione Bancaria Italiana from 1995 to 1997

Mario Manuli became a Director of Sanpaolo IMI in April 2001. He has been an executive of companies within the Manuli Group since 1980 and was also a Director of the Banca Regionale Europea between March 2000 and October 2001.

Luigi Maranzana has been Managing Director of Sanpaolo IMI since 1998, having been Managing Director of Sanpaolo from 1997 and General Manager since 1995. He played a major role in building up Sanpaolo's network outside Italy: branches in Frankfurt and Zurich, First Los Angeles Bank, manager of the London branch and then of Banque Sanpaolo in France.

Virgilio Marrone has spent his business career at IFI, where he was responsible for research and development before becoming Joint General Manager in 1993.

Abel Matutes became a Director of Sanpaolo IMI in April 2001. His political and diplomatic career includes appointment not only in Spain and within the EU but also relations with Latin America and the rest of the world.

Iti Mihalich is a Director of several insurance companies in Italy, France and Spain as well as of Sanpaolo IMI. He is currently Chairman of Immobiliare Errecidi (Milan) and REM VIE (Paris) as well as Deputy Chairman of Ala Service Assicurazioni (Milan).

Emilio Ottolenghi has been a Director of La Petrolifera Italo Rumena since 1957. In 1982, he became a Director of Euromobiliare and, in 1988, Deputy Chairman of Credito Romagnolo, taking the chairmanship in 1993. In the same year, he became a Director of Cassa di Risparmio in Bologna. He became a Director of IMI in 1994 and of Sanpaolo in the following year as Deputy Chairman. He is also a Director of certain Group companies.

Orazio Rossi was formerly Chairman of Cardine Banca until 2000. He joined the Board of Directors of Sanpaolo IMI and was appointed Deputy Chairman in March 2002. He is currently a member of the Board of Directors of the Associazione fra le Casse di Risparmio Italiane and the Associazione Bancaria Italiana in which latter he is also a member of the Executive Committee. He was previously a member of the Board of Directors of the Rovigo Chamber of Commerce and of Federalcasse Banca.

Gianguido Sacchi Morsiani was formerly Deputy Chairman of Cardine and became a Director of Sanpaolo IMI in March 2002. He was a professor of law until 1997 with a special interest in EU integration of legislation. He has also been a member of the Italian Finance Minister's Technical Committee and a Director of ICCRI, the Italian savings banks' central institute.

Enrico Salza is a businessman with a wide experience in industry, both in Italy and abroad. He has served on many industry and academic bodies and was formerly Deputy Chairman of Il Sole-24 Ore, the Italian financial newspaper. He was Deputy Chairman of Sanpaolo from 1984 until 1995 and became Deputy Chairman of Sanpaolo IMI in 2001.

Rémi François Vermeiren is President of KBC Bank and President of the Executive Committtee of KBC Bank and Insurance Holding. He became a Director of Sanpaolo IMI in 1998 following KBC's entry as a shareholder in Sanpaolo. He is also a member of the Executive Committee of Crédit Comercial de France and of the Supervisory Board of Euronext as well as deputy chairman of Vlaams Economisch Verbond.

Board of Statutory Auditors

At least two of the members of the Board of Statutory Auditors must be elected by minority shareholders. In case any of the statutory auditors ceases for any reason to serve in such capacity, the alternate auditor automatically replaces him until the next shareholders' meeting, at which a replacement will be appointed by the shareholders.

The statutory auditors are called to serve for a three-year term and may be reappointed. Statutory auditors are required to attend the general meeting of shareholders, Board of Directors meetings and Executive Committee meetings.

The board of Statutory Auditors is responsible for reviewing the management of a company and controlling the compliance with applicable laws and regulations with its by-laws. In addition, the Board of Statutory Auditors assesses and monitors the adequacy of the company's structure, its internal review mechanisms, and its book-keeping systems. The statutory auditors are also responsible for reviewing the exchange of information system between the parent company and its subsidiaries, to ensure compliance with legal reporting requirements.

The following table sets forth, as of June 18, 2002, the names of the members of the Board of Statutory Auditors of Sanpaolo IMI, who were appointed by the general meeting of shareholders on April 30, 2002, for the three years 2002-2004.

Name	Age	Position
Mario Paolillo	71	Chairman of Board of Auditors
Aureliano Benedetti	66	Auditor
Paolo Mazzi	55	Auditor
Maurizio Dallocchio	44	Auditor
Enrico Vitali	41	Auditor
Antonio Ottavi	82	Alternate Auditor
Stefania Bortoletti	35	Alternate Auditor

Independent Auditors

The financial statements of Sanpaolo IMI are required to be audited by an independent auditing firm whose assignment has to be approved by the general meeting of shareholders that approves the annual financial statements. The general meeting of shareholders' resolution authorizing such appointment must be furnished to CONSOB together with the Board of Statutory Auditors' opinion on the appointment. According to Italian law, such appointment is for three years and the general meeting of shareholders may not appoint the same external auditors for more than three consecutive three-year terms. The report issued at the end of the audit is defined as an opinion with or without qualification and not a "certification". Arthur Andersen has audited, as required by Italian law, the financial statements of Sanpaolo IMI, and its predecessor since the fiscal year ending December 31, 1992 and terminated its assignment with the opinion for the fiscal year 2000. PricewaterhouseCoopers was appointed by the general meeting of shareholders of April 28, 2000 for the three year term 2001-2003.

B. Compensation

The following tables set forth the compensation paid to or accrued by Directors and Statutory Auditors of Sanpaolo IMI for the year ended December 31, 2001:

Surname and Name	Description of office	Time in office	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives (1)	Other compensation (2)
				(in thousands of €)		
ARCUTI Luigi	Chairman(3)(5)	01.01.2001/04.30.2001	125		2,744 (6)	13
MASERA Rainer Stefano	Chairman(3)	05.01.2001/2003	437	6	441	(a)
	Managing Director	01.01.2001/04.30.2001	79			
	General Manager	01.01.2001/04.30.2001	159	7		
SALZA Enrico	Deputy Chairman(3)	05.01.2001/2003	95		162	25
IOZZO Alfonso	Managing Director(3)	05.01.2001/2003	436		441	(b)
MARANZANA Luigi	Managing Director(3)	01.01.2001/2003	513		441	(c)
	General Manager	01.01.2001/04.30.2001	257	1		
CARMI Alberto	Director	01.01.2001/2003	47		22	
FONTANA Giuseppe	Director	01.01.2001/2003	59		152	53
GALATERI DI GENOLA Gabriele	Director(3)	01.01.2001/2003	95		130	25
GARDNER Richard	Director	05.01.2001/2003	34			
MANULI Mario	Director	05.01.2001/2003	34			
MARRONE Virgilio	Director	01.01.2001/2003	(d)		(d)	
MATUTES Abel	Director	05.01.2001/2003	34			
MIHALICH Iti	Director(3)	01.01.2001/2003	101		152	25
OTTOLENGHI Emilio	Director	01.01.2001/2003	54		152	93
VERMEIREN Remi François	Director	01.01.2001/2003	45			
ALBANI CASTELBARCO VISCONTI Carlo	Director	01.01.2001/04.30.2001	19		152	
BOTIN Emilio	Director	01.01.2001/04.30.2001	13		33	
INCIARTE Juan Rodriguez	Director(3)	01.01.2001/04.30.2001	23		130	12
MASINI Mario	Director(3)	01.01.2001/04.30.2001	28		162	12
PREDA Stefano	Director	(4)			98	
SCLAVI Antonio	Director(3)	05.25.1999/04.30.2001	21		141	12
VERCELLI Alessandro	Director	05.25.1999/04.30.2001	13		141	
PAOLILLO Mario	Chairman of Statutory	1999/2001	92			133
BENEDETTI Aureliano	Statutory Auditor	1999/2001	63			109
DALLOCCHIO Maurizio	Statutory Auditor	1999/2001	64			
MIGLIETTA Angelo	Statutory Auditor	1999/2001	61			49
RAGAZZONI Ruggera	Statutory Auditor	1999/2001	64			52

(1) This column includes the bonus due to Directors for 2000 (€1.94 million) which is divided proportionally according to the attendance of the Directors in the meeting held during the course of the year, on the basis of a resolution taken by the Board of Directors following the approval of the financial statements for 2000. For 2001, the members of the Board of Directors will receive a total bonus of €1.2 million, calculated with respect to Group results. The breakdown of this bonus pool for the Individual Directors will be made following the approval of the financial statements for 2001 and, as last year, the bonus will thus be reported in the table attached to the financial statements for 2002

(2) Includes subsidiary companies.

(3) Members of the Executive Committee.

(4) Member of the Board of Directors left office in 2000 and only the bonus for 2000 is shown.

(5) The Board of Directors has approved the appointment a three year consulting assignment for Dr. Arcuti. The compensation for 2001 for this assignment was €172,152.

(6) The amounts includes a special remuneration approved by the Board of Directors equal to €2,582,284, in recognition of the extraordinary contribution of Dr. Arcuti to the Group.

(a) €39,466 paid to Sanpaolo IMI.

(b) €21,563 paid to Sanpaolo IMI.

(c) €70,773 paid to Sanpaolo IMI.

(d) €71,680, in emoluments, and €151,596, in other bonuses paid to IFI S.p.A.

The aggregate compensation for the year ended December 31, 2001 for the Senior Managers was approximately €5.8 million including the compensation received by certain Senior Managers for positions they no longer cover within Sanpaolo IMI. The above-mentioned compensation includes bonuses and other retirement benefits of approximately €975 thousand.

Stock option plan for the year ended December 31, 2001

The shareholders' meeting held on 31 July 1998 authorized the Board of Directors to introduce incentive plans in favor of Group managers by means of rights issues for amounts agreed subsequently of up to €40 million (14,285,714 shares).

- In accordance with this mandate, which was explained in detail in the 2000 Annual Report: at the meeting held on 9 February 1999 the Board of Directors launched a first plan, assigning to the Managing Directors - as they are also General Managers - and 56 other executives a total of 6,772,000 rights, a third of which could be exercised from 2000, a third from 2001 and the other third from 2002 and not beyond 31 March 2003, at a subscription price of €12.396 per share; at the meeting held on June 27, 2000, the Board of Directors launched a second plan, assigning to the Managing Directors – as they are also General Managers – and 122 other executives a total of 3,378,270 rights, which could be exercised from 2003 and not beyond 31 March 2005, at a subscription price of 16.45573 € per share

On 18 December 2001 the Board of Directors approved a third stock option plan, which is structured as follows:

- *Beneficiaries*: 171 Group executives, around 40 of whom are employed by subsidiaries, depending on the position that they fill;
- *Rights Assigned*: 4,030,000 residual rights not yet assigned from the 14,285,714 rights included in the mandate granted by the shareholders to the Board of Directors;
- *Exercising Rights*: after payment of the dividend for 2003 and not beyond 31 March 2006; it is possible to exercise these rights in four periods during the year, each of 25 days, following approval of the Group's quarterly results;
- *Subscription Price*: €12.7229, which is the Sanpaolo IMI stock's average price for the month prior to the resolution approving the plan;
- *Restrictions*: exercising rights may be subject to restrictions and cancellations, which are detailed in the stock option plan regulations; such restrictions relate to the transferability of the rights and the role of the beneficiaries in the organization.

The rights exercised during the course of 2001 entailed an increase in capital of €1 million and the booking of additional paid-in capital of €4 million, as a result of the subscription of 422,916 shares at a price of €12.396 each. The rights exercised up to 31 December 2000 had entailed an increase in capital of €5 million and the booking of additional paid-in capital (due to the issue premium) of €18 million. If the rights assigned and not yet exercised were to be exercised, this would entail further increases in capital of €33 million and the booking of additional paid-in capital of €127 million.

In accordance with CONSOB Resolution 11971 of 14 May 1999, we can report that with reference to the 1999-2001 stock option plan, Rainer Stefano Masera exercised 123,416 rights for the Bank's shares during the year at a price of €12.396.

On March 5, 2002 the Board of Directors decided to repeat this initiative regarding management incentive plans by gradually including up to 250-300 executives of the new Group that will be born out of the merger between Sanpaolo IMI and Cardine Banca, thus maintaining the structure of the Group's "total management compensation" in line with current best practice in the banking industry. This stock option plan will involve rights issues, like the previous plans. Precise details will be established by the Board from time to time, though the assignment price will always reflect the "normal value" of the shares as defined for tax purposes. A specific point will be included to this end in the agenda for the extraordinary shareholders' meeting.

From May 1, 2001, the Bank's organizational structure no longer envisages the role of the General Managers. In accordance with a resolution passed by the Board of Directors on 30 April 2001 in connection with the pre-existing stock option plans, Dr. Masera's move from Managing Director and General Manager to Chairman, and Mr. Maranzana's promotion from Managing Director and General Manager to Managing Director have not had any effect on the rights assigned to them.

Finally, the Board of Directors has:

- decided in accordance with art. 15.9 of the Articles of Association that the remuneration of the Chairman, Dr. Rainer Masera, and of the Managing Directors, Mr. Alfonso Iozzo and Mr. Luigi Maranzana, should be supplemented by means of a stock option plan assigning to each of them 450,000 fixed rights for the three years of their term of office (2001-2003), plus another 150,000 rights on condition that the Sanpaolo IMI stock reach a price of €20 by the end of the three-year period;
- decided, also in accordance with art. 15.9 of the Articles of Association, on the appointment of Mr. Pio Bussolotto as Managing Director, that his remuneration should be supplemented by means of a stock option plan assigning him 300,000 fixed rights for the two years of his term of office (2002-2003), plus another 100,000 rights on condition that the Sanpaolo IMI stock reach a price of €20 by the end of the two-year period;
- approved a voluntary bonus issue of shares to employees of the Bank for an amount varying according to the individual's level of remuneration, linked to the productivity bonus. The shares will be assigned during 2002, at the time that the 2001 productivity bonus is paid.

To implement this stock option plan, a proposal was made to the shareholders' meeting called to approve the 2001 Annual Report, to authorize the purchase of own shares. The grant price will be the "normal value" of the shares according to current tax regulations.

	Number of shares	Average exercise price	Market price
Development of stock option plans in 2001			
Rights at 1/1/2001	8,227,020	14.06305	17,269(a)
New rights assigned in 2001	4,030,000	12.72290	11,860(b)
Rights exercised in 2001	(422,916)	12.39600	15,675(c)
Rights expired in 2001(d)	(180,000)	-	-
Right at 12/31/2001	11,654,104	13.66497	12,041(e)
Of which: exercisable at 12/31/2001(f)	-	-	-

(a) Market price at 12/29/2000.

(b) Market price at the time of the resolution of the Board of Directors (12/19/2001).

(c) Average of market prices weighted for quantities exercised on market days within the "exercise period 2001".

(d) Rights no longer exercisable following termination of employment.

(e) Official market price at 12/28/2001.

(f) At 12/31/2001 no rights were exercisable in that the date is not included in the infra-annual period for the exercise of rights. It should be noted that, at 12/31/2001, there were 2,048,501 residual rights exercisable in 2001, at the price of €12.396; these rights will again be exercisable from 2002.

As of June 18, 2001, under the 1999 – 2001 stock option plan, senior managers other than the Managing Directors had exercised 175,000 options. Rainer Stefano Masera had exercised 246,666 options. As of such date an additional 1,834,500 options had been exercised by other managers. Following the most recent exercises of stock options, Sanpaolo IMI share capital will be increased to €3,932,435,119.2, represented by 1,404,441,114 ordinary shares.

	Options Assigned as of December 31, 2001			Options Exercisable as of December 31, 2001	
	Minimum Residual Expiration Period				
Exercise Prices (€ per Share)	**February 2002-March 2003**	**May 2003-May 2004**	**May 2004-March 2006**	**Total**	**Average Residual Expiration Period**
12.396	4,305,834			4,305,834	-
16.45573		3,318,270		3,318,270	-
12.7229			4,030,000	4,030,000	-
Total	**4,305,834**	**3,318,270**	**4,030,000**	**11,654,104**	-

C. Board Practices

Directors' Benefit Arrangements on Termination

As of June 13, 2002, two Directors are entitled to compensation if not re-elected for the 2004-2006 term. The amount of compensation to which each such Director would be entitled is an amount equivalent to one year's remuneration during the 2001-2003 term. In effect, these arrangements preserve and defer a termination benefit to which the two Directors would have been entitled had they remained senior management employees. The compensations were granted to the Directors by a resolution of the Board of Directors and not by contractual arrangements. Except as discussed herein, there are no service contracts between any Director and Sanpaolo IMI providing for benefits upon termination of service.

Audit Committee

The Bank of Italy's new orientation on supervisory activities in recent years concentrates on verifying that banks have an adequate level of efficiency and autocontrol. This has led the Central Bank to revise its Regulatory Instructions on matters of Internal Control.

The new approach, which reflects international developments in this area, features a limited number of prescriptive measures, preferring to establish a set of principles for banks to follow; the idea is also to stimulate top management to develop highly effective systems of internal control.

The very terminology used by the Bank of Italy, "System of Internal Control", introduces a strong concept of innovation: no longer controls involving purely formal checks, but integrated by a series of control subsystems to monitor all kinds of risks by operating in an integrated manner at all levels of the organization.

The internal auditing function is also called upon as part of this new approach to direct its efforts towards checking the adequacy of the organization as a whole, evaluating the company's ability to achieve its objectives with efficiency and effectiveness.

In Sanpaolo IMI this task is entrusted to a separate Internal Auditing Department which has the necessary independence from the operating structures as it reports directly to the three Managing Directors. In carrying out its duties, the Internal Audit Department is not subject to any limits in its access to company information, archives and assets, as foreseen in the Internal Audit Regulations approved by the Board of Directors in December '99, which extend to the whole Group a system of internal controls that allows the Parent Bank to exercise effective control over the Group's overall risk exposure.

The Department has to evaluate the adequacy of the Group's overall system of internal controls, check that operations are carried out properly and that the risk trend is kept under control; it also has to bring to the attention of the Board of Directors and of Top Management any improvements that could be made to the Group's risk management policies, measurement tools and procedures.

The Department reports on its activities on a quarterly basis to the Board of Directors, as well as to the Audit Committee set up by the Board of Directors back in June 1998 and made up of the following non-executive directors:

Virgilio Marrone (Chairman)
Giuseppe Fontana
Gian Guido Sacchi Morsiani
Enrico Salza

Meetings of the Audit Committee are also attended by the Managing Directors and the Chairman of the Board of Statutory Auditors, and by the Heads of the Accounting and Internal Audit Departments to present their reports.

The Audit Committee normally meets once a month and has the task of analyzing problems and situations of a certain importance, with the right to ask for specific analyses to be carried out on matters that they consider worthy of further investigation, bearing in mind the adequacy of the internal control system. The Committee also considers what corrective measures should be taken to eliminate the weaknesses and anomalies found by both the internal and external (or independent) auditors.

This means that the Committee:

- evaluates the adequacy of the internal control system at the Parent Bank and at Group Companies;
- evaluates the work plans prepared by those in charge of internal control and receives period reports from them;
- evaluates the proposals made by the independent auditors to obtain the engagement, as well as their audit plan and the results expressed in their auditors' report and management letter;
- maintains close contact with the Board of Statutory Auditors, as its Chairman takes part in Audit Committee meetings, to ensure a timely exchange of information on matters pertaining to the internal control system;
- reports to the Board of Directors on its activities and on the adequacy of the Group's internal control system; it does this at least every six months, when the annual and half-year reports are approved;
- carries out any other tasks assigned by the Board of Directors, particularly as regards relations with the independent auditors.

D. Employees

The total number of employees of the Sanpaolo IMI Group at the end of 2001 was 35,028. Excluding Banco di Napoli personnel, Group personnel at the end of 2001 comprised 25,385 employees, 297 more than at the end of 2000.

The increase in personnel (excluding Banco di Napoli) was attributable to Sanpaolo IMI (a net increase of 9, with 658 new employees and 649 departures); the acquisition of the Wargny Group (an addition of 7 employees); and other companies in the Group (a net increase of 281 employees). The slight increase was largely due to the development plans launched during 2000 in the sectors and Business Areas with higher potential for value creation: Retail Banking, Wealth Management and Personal Financial Services.

This trend comes after one year of rationalization, during which the number of Sanpaolo IMI Group personnel was reduced by approximately 700 employees. It also results from a generational change, as younger people and those with specialist professional skills are hired. Given this policy, the incentive plan to encourage voluntary severance continued and was accepted by a total of 294 employees of Sanpaolo IMI.

The following table shows the Group's total headcount at the dates indicated:

	At 12/31/2001		At 12/31/2000					
			w/Banco di Napoli		w/o Banco di Napoli		Change 12/31/01-12/31/00 w/Banco di Napoli	
		%		%		%		%
Year-end headcount	35,028	100.0	35,729	100.0	25,088	100.0	(701)	(2.0)
Executives	649	1.9	542	1.5	370	1.5	—	—
Managers	11,946	34.1	11,480	32.1	9,244	36.8	—	—
Other employees	22,433	64.0	23,707	66.4	15,474	61.7	(1,274)	(5.4)

Employees by main category of activity and by geographic location

	12/31/2001
Retail	**27,616**
Commercial banking	17,973
Italy	16,716
France	1,257
Banco di Napoli	9,643
Wealth Management	**431**
Italy	260
Luxembourg	133
Austria	12
Switzerland	26
Personal Financial Services	**1,993**
Italy	1,619
France	221
Luxembourg	109
United Kingdom	24
Switzerland	20
Wholesale Banking	**1,305**
Corporate	486
Italy	478
Ireland	8
Public Works and Infrastructures	114
Italy	114
Investment Banking	653
Italy	536
United States	50
Luxembourg	67
Merchant Banking	52
Italy	52

The number of Parent Bank temporary employees on an average during the most recent financial year was 50 people.

Employment Agreements

National collective contracts in Italy are generally negotiated between the national association of banks and the national unions. The relations of the individual banks with their employees must be based on and comply with the guidelines set out by the national collective contracts. The national collective contract for non-management staff (which covers almost all Sanpaolo IMI employees), signed on July 11, 1999, expired on December 31, 2001.

Agreement on the economic terms of the national collective contract was reached April 4, 2002, with provision for an increase in salaries equal to 5.4 % over two years (2.9 % for the year 2002). The new terms also include significant cuts in seniority pay, bonuses and the starting salary for newly-hired employees; moreover, hirings are made more flexible as a result of the adoption of temporary or part-time contracts As for the other provisions of the expired collective bargaining agreement, pending execution of the new collective bargaining agreements, the terms of the expired agreement generally remain applicable.

At a company level in May 2001, Sanpaolo IMI signed the renewal of the second-level collective agreement, which introduced several important innovations, such as the definition of the new professional skills and a stock-purchasing plan for all employees. In 2001, Sanpaolo IMI also increased its staff performance-related bonus schemes. The incentive scheme, extended to all areas of the Bank during the year 2001, covers almost 100% of personnel. It is directly related to the achievement of set targets and provides for cash bonus payments, calculated and communicated in advance, both for the branch managers and for the staff.

Benefits

Sanpaolo IMI provides certain retirement benefits to its employees. From December 31, 1990, Sanpaolo and its employees began to make certain contributions to the *Istituto Nazionale per la Previdenza Sociale* ("INPS"), the state-run pension scheme, which provides a flow of income to employees upon retirement.

Until December 31, 1990, employees of Sanpaolo were entitled to retirement benefits from the *Cassa di Previdenza*, a private pension scheme funded by Sanpaolo and by Sanpaolo's employees. In accordance with the Amato Law, Sanpaolo was no longer due to make payments to the *Cassa di Previdenza* after December 31, 1990. After December 31, 1990 those employees who were employed by Sanpaolo as of that date became entitled to receive from the *Cassa di Previdenza* supplemental benefits which, when added to the payments from INPS, provide such employees with equivalent retirement coverage as was previously extended to them under the *Cassa di Previdenza* plan before December 31, 1990. Approximately 10,000 employees of Sanpaolo IMI will benefit from this retirement plan. As of December 31, 2001 Sanpaolo IMI had set aside a total of €111.6 million during the previous years with respect to this specific retirement coverage.

Sanpaolo IMI has also created the *Fondo Pensioni del Gruppo Sanpaolo IMI*, a private pension fund to which employees can make tax deductible contributions. Sanpaolo IMI itself pays tax deductible contributions to the same fund on behalf of such employees.

Furthermore, pursuant to Italian legislation, Sanpaolo IMI annually sets aside for every employee a certain amount (equal to the employee's annual salary divided by 13.5), and upon retirement, pays the employee the sum of such amounts adjusted for inflation. Sanpaolo IMI accrues this fund on its balance sheet.

Labor Relations

Overall, Sanpaolo IMI considers satisfactory the relations with its employees. Approximately three-quarters of the employees belong to one of the ten national unions, representing both employees and middle-management. This is in accordance with data from the Italian banking sector.

E. Share Ownership

Investments in the Bank and in the companies it controls held by the directors, statutory auditors and managing directors of the Bank and by other persons as per Article 79 of CONSOB Resolution no. 11971 of 5/14/99 are as follows:

Name	Company	How held	Shares held on 12/31/00	Shares acquired during 2001	Shares sold during 2001	Shares held on 12/31/01
Arcuti Luigi	Sanpaolo IMI	Direct	46,857	3,000	-	49,857
		Spouse	3,657			3,657
Carmi Alberto	Sanpaolo IMI	Spouse	10,000	-	-	10,000
Iozzo Alfonso	Sanpaolo IMI	Direct	7,087	-	-	7,087
Masera Rainer	Sanpaolo IMI	Direct	30,000	150,916	16	180,900
		Spouse	-	27,500	-	27,500
Matutes Abel	Sanpaolo IMI	Affiliate	761,517	-	-	761,517
Mihalich Iti	Sanpaolo IMI	Direct	-	8,000	2,000	6,000
Ottolenghi Emilio	Sanpaolo IMI	Direct	310,000	10,000		320,000
		Affiliate	4,110,000		-	4,110,000
		Spouse	4,000			4,000
Pasteris Carlo	Sanpaolo IMI	Direct	1,500	500	1,250	750
Rayneri Alessandro	Sanpaolo IMI	Affiliate	11,000	4,000		15,000
Salza Enrico	Sanpaolo IMI	Direct	500			500
		Spouse		1,250		1,250
Sclavi Antonio	Sanpaolo IMI	Direct	750			750

Any senior manager or director, as of December 31, 2001, owned less than one percent of the shares of the Company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. The Major Shareholders

Agreement Among Certain Shareholders

On April 24, 2001, the Compagnia di San Paolo entered into agreements (collectively the “Agreement”), to consult and coordinate the voting on the occasion of the shareholders’ meeting of the Bank called for April 2001 with IFI/IFIL and Societá Reale Mutua di Assicurazioni (Compagnia di San Paolo, IFI/IFIL and Societá Reale Mutua di Assicurazioni, collectively, the “Parties”). The Agreement was extended on February 25, 2002 to include CDC Ixis Italia Holding S.A. (“CDC Ixis”) a company belonging to the Caisse des Dépots et Consignations group.

Parties to the agreement and number of shares

The Agreement concerns 352,647,310 Shares representing 16.21% of the ordinary capital and 19.20% of the total capital of Sanpaolo IMI, taking into consideration the Preferred Shares held by the Compagnia di San Paolo.

- Compagnia di San Paolo with 226,525,988 Shares representing 12.33% of the capital, of which 108,662,399 are ordinary shares of Sanpaolo IMI (7.5% of the ordinary capital) and 117,863,589 Preferred Shares. In addition, Compagnia di San Paolo holds 39,477,463 Preferred Shares which are not part of the Agreement.

- Giovanni Agnelli e C. (IFI/IFIL) with 69,952,000 ordinary shares of Sanpaolo IMI (4.83% of the ordinary capital and 3.81% of the total capital).

- Società Reale Mutua di Assicurazioni with 28,080,500 ordinary shares of Sanpaolo IMI (1.94% of the ordinary capital and 1.53% of the total capital) of which 2,184,000 were held through the subsidiary Compagnia Italiana di Previdenza, Assicurazioni e Riassucrazioni (0.15% of the ordinary capital and 0.12% of the total capital).

- CDC Ixis with 28,088,822 ordinary shares of Sanpaolo IMI (1.94% of the ordinary capital and 1.53% of the total capital). CDC Ixis, together with its parent company Caisse des Dépots et Consignations hold 31,294,572 ordinary shares (2.16% of the ordinary capital and 1.70% of the total capital.)

Following the Fondaco Contribution, Fondaco SGR will solely be entitled to enter into agreements relating to the Foundation Interests in Sanpaolo IMI. See “Item 4. Information on the Company―Recent Developments―Cardine―New ownership structure of Sanpaolo IMI upon completion of the Cardine Merger”.

Consultation

The Parties will consult from time to time to exchange opinions concerning the status of their interests as shareholders of the Bank.

Obligation not to trade shares of the Bank and related rights

Each Party has agreed not to modify in any way, for the entire duration of the Agreement, as described below, except with the prior written consent of the other Party, its shareholding in the capital of the Bank. The Parties, directly or indirectly, or through any intervening personnel or entity:

- will not acquire additional shares of the Bank;
- will not trade in any way rights of any sort related to the shares of bank and, in particular, will not take on any obligations or make agreements of any sort with any third party concerning the exercise of rights or possible rights deriving from possession of the shares of the Bank;
- will not transfer in any way shares of the Bank held by them, nor subject them to any agreement, lien, encumbrance, guarantee or charge which may in any way limit their full and unconditional availability.
- these restrictions do not include:
- purchases and sales of shares in the Bank, within the limit of 2.5% of the Bank capital, made temporarily in the context of trading, treasury management, purchase of guarantees or investments of reserves by insurance companies forming part of the group;
- transfers made within the same group, as understood pursuant to Article 2359 of the Civil Code, on condition that the transferring party remains responsible for the transfer and the recipient agrees unconditionally to the agreement.

Notwithstanding the foregoing, the Compagnia di San Paolo has the right to reduce its shareholding in the capital of the Bank.

Duration and early dissolution

The Agreement will terminate automatically and will no longer have effect the 15th day preceding the date of the shareholders’ meeting of the bank called to approve the financial statements for the year ending December 31, 2003.

In addition, the Agreement terminates automatically upon the occurrence of either:

- the resignation of all the Directors with the consequent removal of the whole Board pursuant to Article 2386 of the Civil Code; or
- the launching of a public offer or an exchange offer, by third parties, on shares of the Bank such as to allow, if such offer is successful, the acquisition of a controlling interest in the Bank or in any case the possession by the offeror of a quantity of shares superior to that held by the Compagnia.

Other Consultative Agreements

The Compagnia di Sanpaolo reserves the right to make similar consultative agreements with other shareholders of the Bank. In such case, the Compagnia di Sanpaolo will give notice to the other parties to the Agreement, and such parties may withdraw, without any penalty, from their Agreement within 15 days following the notice.

Table of Major Shareholders

The following table sets forth, as of June 14, 2002, the Sanpaolo IMI shareholders holding 1% or more of the outstanding Sanpaolo IMI Shares, with their corresponding interests in Sanpaolo IMI.

Shareholders (direct and/or indirect)	Ordinary Shares	Preferred Shares	Total Shares	% of total capital (1,837,166,000 Shares)(1)	% of ordinary capital (1,448,831,980 shares)(2)
Compagnia di San Paolo	108,662,399	157,341,052	266,003,451	14.479%	7.500%
Fondazione CRPR	63,487,817	134,968,267	198,456,084	10.802%	4.382%
Fondazione CRB	45,174,581	96,024,699	141,199,280	7.686%	3.118%
Santander Central Hispano (SCH)	76,829,737	—	76,829,737	4.182%	5.303%
Giovanni Agnelli E.C. Sapa (IFI/IFIL)	69,952,000	—	69,952,000	3.808%	4.828%
Deutsche Bank AG	67,642,211	—	67,642,211	3.682%	4.669%
Ente Cassa di Risparmio di Firenze	37,797,948	—	37,797,948	2.57%	2.609%
Fondazione Cariplo	32,057,549	—	32,057,549	1.745%	2.213%
Caisse des Depots et Consignations (CDC)	31,294,572	—	31,294,572	1.703%	2.160%
Societá Reale Mutua di Assicurazioni	28,283,476	—	28,283,476	1.540%	1.952%
Fondazione Cassa di Risparmio di Venezia	27,503,729	—	27,503,729	1.497%	1.898%
Fondazione Cassa di Risparmio di Udine e Pordenone	25,083,286	—	25,083,286	1.365%	1.731%
Monte dei Paschi di Siena	16,340,010	—	16,340,010	0.889%	1.128%
KBC Bank	16,319,857	—	16,319,857	0.888%	1.126%

(1) Total capital takes the Preferred Shares held by the Foundations into consideration.

(2) Ordinary capital does not take the Preferred Shares held by the Foundations into consideration.

In 2002, pursuant to the Cardine Merger and the Conversion, the major shareholders (and their holdings) underwent significant changes. See “Item 4. Information on the Company―History and Development of the Company―Recent Developments―Cardine―New ownership structure of Sanpaolo IMI upon completion of the Cardine Merger”.

Differences in Voting Rights

Certain different voting rights were created in connection with the Cardine Merger. See “Item 4. Information on the Company—Recent Developments—Cardine—New ownership structure of Sanpaolo IMI upon completion of the Cardine Merger”.

Number of Record Holders in the United States

As of June 20, 2002, there were 12,204,953 ADSs outstanding, representing 36,614,859 Shares or approximately 2.5% of Sanpaolo IMI ordinary share capital; as of such date, there were 23 holders of record of Sanpaolo IMI ADSs.

B. Related Party Transactions

Material Related Party Transactions

In May 2002, Sanpaolo IMI sold 8% of Cardine to the Compagnia di San Paolo. The sale was part of the streamlining of the Group’s equity holders. See: “Item 4. Information on the Company—History and

Developments of the Company—Recent Developments—Cardine—Streamlining of Group's equity holding through transactions involving Sanpaolo IMI and Compagnia di San Paolo."

As part of the streamlining of the Group's equity holdings, certain Directors of the Group and affiliates thereof sold minority stakes in Old NHS, the company whose shares were a material portion of the assets sold by the Compagnia di San Paolo in the above referenced transaction, to Sanpaolo IMI. The sale of such minority stakes were for cash. Sanpaolo IMI paid approximately €9.4 million for a 2.56% stake in Old NHS. Concurrently the Directors of the Group and the affiliates thereof which sold their stakes in Old NHS to Sanpaolo IMI, purchased Cardine shares from Sanpaolo IMI for the amount that they were due for the interest in Old NHS that they sold to Sanpaolo IMI. The valuations of the stakes in Old NHS and of the Cardine shares transferred pursuant to these transactions is the same as the valuations made in the above referenced transaction between Sanpaolo IMI and Compagnia di San Paolo. See "Item 4. Information on the Company—History and Developments of the Company—Recent Developments—Cardine—Streamlining of Group's equity holding through transactions involving Sanpaolo IMI and Compagnia di San Paolo."

Loans and Guarantees Given

Loans and guarantees given

	12/31/01	12/31/00
	(in millions of €)	
Directors	44	6
Statutory Auditors	-	1

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors, €0.1 million, and to companies and banks identified pursuant to article 136 of the Consolidated Banking Act, €44.4 million, including the drawdown against credit lines granted to the latter.

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

The following table sets out the amounts due to and from companies belonging to the Sanpaolo IMI Banking Group, as defined pursuant to article 4 of Decree 87/92, and the amounts due to and from investments that are not part of the Group.

Amounts due to and from Group Companies

	12/31/01	12/31/00
	(in millions of €)	
(a) Assets		
1. due from banks	-	26
of which	-	
'— subordinated		-
2. due from financial institutions(*)	490	470
of which		
'— subordinated		-
3. due from other customers	154	108
of which		
' — subordinated		-
4. Bonds and other debt securities		-
of which		
'— subordinated		-
Total assets	**644**	**604**
(b) Liabilities		
1. due to banks	31	14
2. due to financial institutions	12	34
3. due to other customers	219	142
4. Securities issued	151	16

	12/31/01	12/31/00
	(in millions of €)	
5. Subordinated liabilities	-	-
Total liabilities	**413**	**206**
(c) Guarantees and commitments		
1. guarantees given	9	46
2. commitments		6
Total guarantees and commitments	**9**	**52**

(*) It does not include €2,738 by 2000 and €2,041 by 2001 of receivables due to Banco di Napoli from SGA.

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

	12/31/01	12/31/00
	(in millions of €)	
(a) Assets		
1. due from banks	1,105	928
of which		
—subordinated	20	20
2. due from financial institutions(*)	751	721
of which		
—subordinated		
3. due from other customers	1,305	1,852
of which		
—subordinated	5	21
4. Bonds and other debt securities	9	13
of which		
—subordinated		
Total assets	**3,170**	**3,514**
(b) Liabilities		
1. due to banks(**)	1,448	2,718
2. due to financial institutions	173	115
3. due to other customers	257	110
4. Securities issued	-	-
5. Subordinated liabilities	-	-
Total liabilities	**1,878**	**2,943**
(c). Guarantees and commitments		
1. guarantees given	1,142	955
2. commitments	384	464
Total guarantees and commitments	**1,526**	**1,419**

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

(**) Including the repurchase agreements with the Bank of Italy.

Amounts due to and from Group companies and non-Group companies are detailed in Note (29).

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See the Consolidated Financial Statements and related notes in the F- pages.

See "Item 17. Financial Statements".

Legal Proceedings

The Group is subject to certain claims and is a party to a large number of legal proceedings relating to the normal course of its business. Although it is difficult to determine the outcome of such claims and proceedings with certainty, Sanpaolo IMI believes that liabilities related to such claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the Group's financial condition or results of operations.

Incompatibility of the Ciampi Law with the principles of European Community

With its Decision C 3955 pronounced in 2001 the European Commission declared incompatible with the principles of European Community the tax break provided for by the Ciampi Law in case of merger of banks or banking groups. As a result, the Ciampi Law was suspended by a decree of the Italian government. At present the appeals against this Decision brought by ABI (the Italian Banking Association) and the affected banks (among them Sanpaolo IMI) are pending before the competent authorities of European Community. With effect from fiscal 2001, the calculation of taxes is made not considering the above mentioned tax break, recently suspended by a Decree of the Italian Government.

Italian government regulations on subsidized residential mortgage loans

In light of declining interest rates in Italy, various regulations were issued in 1999 which imposed upon the entire Italian banking sector a review of interest rates on loans subsidized totally or partially by the public sector, if so requested by the borrowers or loan sponsors. Article 29 of Law 133/99 on low-interest residential mortgage loans is the regulation with the largest potential impact on the Sanpaolo IMI Group. If implemented, the regulation is expected to apply retroactively from July 1, 1999.

The Italian banking sector is seeking to prevent the application of this regulation. Sanpaolo IMI and other affected banks have filed an appeal against the implementing decree, Ministerial Decree 110 of March 24, 2000, which is currently pending before the Regional Administrative Court of Lazio. Similar appeals are pending before the equivalent courts in other Italian regions. For this regulation to become applicable, the Treasury will have to establish, pursuant to Article 145.62 of the Budget Law of 2001, an "actual global average rate" applicable to the residential mortgage loans covered by the regulation. No such rate has yet been established. The interest rates that will actually apply to the Group's outstanding residential mortgage loans that are covered by this regulation will not be known until the legal proceedings and implementing procedure described above have been resolved and negotiations with requesting borrowers or loan sponsors are completed.

Italian government regulations on other subsidized loans

Two other regulations have been issued, one under Law 226/99 on assistance to flood victims in the Piedmont region and one under Article 128 of Law 388/2000 on subsidized agricultural loans, which have the same effect of imposing upon the entire Italian banking sector a review of interest rates on certain subsidized loans, if so requested by the borrowers or loan sponsors.

For Law 226/99 Sanpaolo IMI during 2001 took appropriate steps to conform to the new regulation, whose negative effects will not be significant for the year 2002 and following.

For Article 128 of Law 388/2000 to become applicable, an implementing Ministerial Decree will have to be issued. No such Decree has yet been issued. If implemented, the regulation is expected to apply to interest accruing on the relevant loan from the date on which a request for renegotiation of the applicable interest rate is made. The interest rates that will actually apply to the Group's outstanding loans that are covered by this regulation will not be known until the implementing procedure described above has been resolved and negotiations with requesting borrowers or loan sponsors are completed.

Current account overdrafts

The Italian banking system is characterized by the relatively large proportion of overdraft financing provided through current accounts. A borrowing is made whenever a customer's drawings exceed the credit balance in the account. An overdraft customer is granted a maximum overdraft limit on the basis of Sanpaolo IMI's lending criteria, and the customer can draw on the overdraft facility. Debit interest on overdraft facilities is typically charged quarterly and at a floating rate. Overdrafts are demand loans and are generally not subject to repayment schedules.

With three innovative judgments rendered in 1999 against some Italian banks, the Italian High Court (Corte di Cassazione) declared invalid the practice of Italian banks to capitalize interest income on a quarterly basis (this trend has been reasserted with two judgments rendered in 2002).

In order to rationalize the matter after these decisions, the Italian Government (with the Decree no. 342/99) enacted the validity of the above mentioned practice, for the current accounts opened before April 22, 2000 (the date of its promulgation), while required that interest income and interest charges must be capitalized on the same time basis for the current accounts opened after April 22, 2000.

In a ruling published October 17, 2000, the Italian Constitutional Court (Corte Costituzionale) decided that the provisions of the Decree no. 342/99 were unconstitutional to the extent they apply to current accounts opened before the promulgation of this legislative measure. The Constitutional Court did not express an opinion on the substantive issue of whether the practice to capitalize interest income for current accounts opened before April 22, 2000 was permitted under Italian Civil law, but established that Italian Parliament had not delegated sufficient power to the Italian Government to enact such a provision. The matter is rather challenged and the outcome is uncertain, because some judges rendered decisions contrasting with the trend of the High Court. At present the number of the actions brought against Sanpaolo IMI is not very large and is not increasing after the above mentioned judgments of the High Court.

Italian law on fixed rate mortgage loans

Decree Law 394 of December 29, 2000 on usury was enacted into law on February 27, 2001. This law applies to any installments on fixed-rate mortgage loans due after January 2, 2001, and requires banks to renegotiate outstanding loans on the basis of a "substitute rate" of 9.96% for residential and business mortgage loans, reduced to 8% for residential mortgage loans of up to €77,469 for the purchase of a primary residence (provided it is not considered a luxury home).

During 2001 Sanpaolo IMI Group took appropriate steps to conform to the law and the negative impact of renegotiated fixed-rate mortgage rates is gradually decreasing. Going forward, management does not expect this law to have a material adverse effect on the Group.

Administrative proceeding concerning Sanpaolo IMI Asset Management SGR S.p.A.

In 2002, CONSOB contested to Sanpaolo IMI Asset Management SGR S.p.A. (a company of the Group operating in the asset management bus) that the positive result of an investment fund was obtained to the detriment of two other funds in the absence of an adequate audit system.

Sanpaolo IMI Asset Management SGR S.p.A. replied to CONSOB asserting that there is no connection among the performances of the three funds and that it always took appropriate measures for what concerns internal controls. The proceeding is currently pending and is not possible, at the moment, to anticipate its outcome.

Dividends

The total dividend paid by Sanpaolo IMI each year has been approved by the Annual Shareholders' Meeting. The dividends related to each year are paid in the following year to which they relate. Dollar amounts have been converted at the Noon Buying Rate in effect on the respective payment dates.

Year	Dividends per Share in Lire/€	Dividends per share in U.S.$
1997	Lit. 110	U.S.$0.06
1998	Lit. 900	U.S.$0.49
1999	Lit.1,000 /€0.52(1)	U.S.$0.45(2)

Year	Dividends per Share in Lire/€	Dividends per share in U.S.$
2000	Lit.1,100 /€0.57(3)	U.S.$0.49(4)
2001	€0.57	U.S.$0.53(5)

(1) Approved at the Annual Shareholders Meeting held on April 28, 2000 and paid on May 25, 2000.

(2) Based on the Noon Buying Rate as of May 22, 2000.

(3) Approved at the Annual Shareholders Meeting held on April 30, 2001 and paid on May 24, 2000.

(4) Based on the Noon Buying Rate as of May 24, 2001.

(5) Based on the Noon Buying Rate as of May 23, 2002.

B. Significant Changes

See "Item 4. Information on the Company—History and Developments of the Company—Recent Developments".

ITEM 9. LISTING DETAILS

A. Performance of Sanpaolo IMI Share Prices

The Sanpaolo IMI share price started 2001 at €17.27. It then declined to €12.04 at December 28, 2001 reaching €9.48 at June 20, 2002.

The Share price performance from January 2002 through June 20, 2002 was worse than that of the MIB Index for the banking sector: the Share price decreased by 21.3%, compared with a decrease of 4.4% in the MIB Index for the banking sector and a decrease of 14.2% in the MIB 30 Index (the index of the 30 Italian companies with the largest market capitalization).

The principal trading market for the Sanpaolo IMI Shares is on Telematico under the symbol "SPI". The Sanpaolo IMI Shares and ADSs are also traded on SEAQ International, the London Stock Exchange's quotation system for equity securities of non-UK incorporated companies. Sanpaolo IMI ADSs, each representing two Sanpaolo IMI Shares, have been listed on the NYSE under the symbol "IMI" since November 2, 1998. Morgan Guaranty Trust Company of New York is Sanpaolo IMI's Depositary and issues the American Depositary Receipts ("ADRs") evidencing ADSs.

a) The following table lists the reported annual high and low prices of Sanpaolo Shares from 1997 to 1998, and annual high and low prices of Sanpaolo IMI Shares from 1999 to 2001.

Year	High (*)(**)(€)	Low (*)(**)(€)
1997	8.833	4.583
1998	16.102	8.654
1999	16.035	11.102
2000	20.870	11.658
2001	18.627	8.676
2002 (through June 20, 2002)	13.482	9.480

(*) Prices prior to November 2, 1999 have been restated to take account of the property spin-off.

(**) Official prices: source Borsa Italiana

b) The following table lists the reported high and low prices of Sanpaolo IMI Shares on Telematico from January 2, 1998 through October 30, 1998, the high and low prices of Sanpaolo IMI Shares on Telematico from November 2, 1998 through June 15, 2001 and the high and low prices of Sanpaolo IMI ADSs on the NYSE from November 2, 1998 through June 15, 2001. From January 4, 1999, the Sanpaolo IMI Shares began trading on Telematico in €. The prices for 1998 have been restated (based on the Fixed €/Lira Exchange Rate of Lit. 1,936.27 = €1 established on December 31, 1998) as if the Sanpaolo IMI Shares had been trading in euro since the beginning of the period.

From the third quarter 2000, the Sanpaolo IMI ADS quotation is presented in the decimal equivalent of the fractional quotation.

	Telematico (1) (2)		NYSE (2)	
	High	Low	High	Low
2000				
First quarter................................	16.53	11.35	31 8/16	22 4/16
Second quarter	18.70	14.06	35 10/16	26 6/16
Third quarter	21.05	17.49	37.00	30.50
Fourth quarter	20.20	15.76	35.13	28.50
2001				
First quarter................................	18.99	13.81	36.00	24.50
Second quarter	16.69	14.10	29.50	25.60
Third quarter	15.50	8.30	26.00	15.20
Fourth quarter	13.64	10.50	23.95	18.74
2002				
First quarter................................	13.55	10.33	23.75	18.15
Second quarter (through June 20)	13.96	9.48	24.80	18.05

(1)

(2)

As of June 20, 2002, there were 12,204,953 ADSs outstanding, representing 36,614,859 Shares ordinary shares or approximately 2.5% of Sanpaolo IMI ordinary share capital; as of the same date, there were 23 holders of record of Sanpaolo IMI ADSs.

c) The following table lists the reported high and low market prices of Sanpaolo IMI ADSs for the most recent six months:

Months	High	Low
January 02..	22.35	19.25
February 02......................................	20.51	18.15
March 02..	23.75	20.27
April 02..	24.80	22.16
May 02...	22.90	18.05
June 02 (through June 20)................	19.35	18.05

The Sanpaolo IMI ADS quotation is presented in the decimal equivalent of the fractional quotation for January 2001 and thereafter in decimal form following the decimalization of all stocks quoted on the NYSE.

B. Markets

Clearance and Settlement of Sanpaolo IMI Shares

The settlement of stock exchange transactions is facilitated by a joint stock company (Monte Titoli S.p.A., "Monte Titoli") which carries out the activity of central depository; the company's shares are currently owned by certain of the major Italian banks and financial institutions. Most Italian banks, brokers and securities dealers have securities accounts as participants with Monte Titoli.

The Legislative Decree No. 213/98, regulating the adoption of the euro has also established that securities listed on regulated markets could no longer be represented by physical certificates. These provisions were effective as of October 5, 1998, for the securities previously entered into a centralized securities depositary system and, as of January 1, 1999, for all other securities.

As a consequence of this, all listed securities must be actually entered into central depositories, and the operations concerning them have to be done by book entry. For this reason, beneficial owners of Sanpaolo IMI Shares must hold their interests through specific accounts with any of the participants in Monte Titoli. The beneficial owners of Sanpaolo IMI Shares held with Monte Titoli may transfer their shares, collect dividends, create liens and exercise other rights with respect to those Sanpaolo IMI Shares through such accounts.

Beneficial owners of Sanpaolo IMI Shares may also hold their interests through Euroclear and Clearstream and may transfer the Sanpaolo IMI Shares, collect dividends and exercise other shareholders' rights through Euroclear or Clearstream. Investors may request Euroclear or Clearstream to transfer their Shares to an account of such holders with a participant having an account with Monte Titoli.

Securities Trading in Italy

Sanpaolo IMI Shares are listed in Milan and New York, respectively on Telematico and NYSE, and are traded on London's SEAQ International.

As specified above (see "Item 4. Information of the Company—Business Overview—The Italian Banking System: Supervision and Regulation"), Borsa Italiana is the joint stock company organizing and managing the regulated markets for financial instruments. Borsa Italiana replaced the administrative body Consiglio di Borsa and in January 1998 was finally privatized. The shares of Borsa Italiana are currently owned by financial intermediaries and primarily Italian Banks: Sanpaolo IMI holds as of December 31, 2001, through its subsidiaries a 7.5% share of the capital of Borsa Italiana.

The ordinary Shareholders' Meeting of the market company is entitled, according to Section 62, Legislative Decree n. 58/1998, to issue rules establishing the condition and procedures for the admission, exclusion and suspension of market participants and financial instruments to and from trading, and those for the conduct of trading and any obligations of market participants and issuers.

According to current Borsa Italiana regulations, a three-day rolling cash settlement period applies to all trades of equity securities in Italy. Any person, through an authorized intermediary, may purchase or sell listed securities. An "official price", calculated for each security as a weighted average of all trades effected during the trading day and a "reference price", calculated for each security as a weighted average of the last 10% of trades effected during such day are reported daily. Each of these prices is net of the quantity traded using the cross-order function.

In particular market conditions, Borsa Italiana may, with reference to markets, categories of financial instruments or individual instruments:

- Prolong the duration or delay the start of one or more phases of trading;
- Interrupt, where possible, continuous trading with the simultaneous reactivation of opening auction;
- Modify the trading conditions; and
- Suspend or reactivate trading.

Prior to January 13, 2002 Sanpaolo IMI shares were traded only in minimum lots of prescribed size (or multiples thereof), determined for the Sanpaolo IMI in 50 Shares. After January 13, 2002 Sanpaolo IMI Shares may be traded without any minimum lot restriction. The shares are included in the index of the 30 largest companies on Telematico in terms of capitalization and liquidity ("MIB30").

Since February 19, 1996, call and put options are traded on the Italian derivatives market, which includes the Sanpaolo IMI shares.

Sanpaolo IMI ADSs have not at any time been suspended from trading on the NYSE (nor has trading at any other time been halted).

ITEM 10. ADDITIONAL INFORMATION

A. Memorandum of Articles of Association

As reported in Article 4 of the By-laws, the Company has as its purpose the collection of deposits from the public and the business of lending in its various forms, in Italy and abroad.

The Company can undertake, within the limits of the regulations in force, all banking and financial transactions and services as well as any other transaction in the way of business and in whatever way related to the achievement of its corporate objective.

The Company in its capacity as Reporting Bank for the Bank of Italy purposes of the Sanpaolo IMI Banking Group according to the terms of Article 61 of Legislative Decree 385 of September 1, 1993 — issues, in the exercise of its function of management and coordination, instructions to the members of the Group for the execution of the instructions issued by the Regulatory Authorities in the interests of stability of the Group itself as a whole.

There are neither provision in the By-laws concerning limitations in the right to hold securities nor concerning:

(a) Director’s power to vote on a proposal, arrangement or contract in which the director is materially interested;

(b) Retirement or non-retirement of director under an age limit requirement;

(c) Number of shares for director’s qualification.

The Board of Directors, in compliance with Italian law, determine the remuneration of Directors with particular responsibilities, having heard the opinion of the board of statutory auditors. The borrowing powers of the Company are regulated by Italian law.

The share capital is divided into ordinary or Preferred Shares. Shares have dividend rights. Dividends not claimed within five years following the day on which they are available are retained by the Company and placed to reserves, as provide for the Article 22 of the By-laws.

Every ordinary share confers the right to one vote in ordinary and extraordinary meetings. Every Preferred Share confers the right to one vote only in extraordinary meetings.

The Shareholders’ Meeting is ordinary or extraordinary according to the terms of the law and can be called in Italy not necessarily at the registered office.

The ordinary Shareholders’ Meeting is called at least once a year within four months of the end of the financial year or, when particular circumstances demand, within six months.

The extraordinary Shareholders’ Meeting is called to approve matters reserved to it by law or by the articles of association.

Participation and representation in the Shareholders’ Meeting are regulated by Italian law.

B. Foreign Investment

There are no limitations imposed by Italian law on the rights of non-residents of Italy or foreign persons to hold or vote shares other than those limitations described below, which apply equally to all owners of such shares. The Sanpaolo IMI By-laws do not provide for any limitations.

Securities regulations

Pursuant to Italian securities laws, any holding of any direct or indirect interest in excess of 2%, 5%, 7.5%, 10%, and higher multiples of 5%, in the voting shares of a listed company must be notified to CONSOB and the company within the 5 trading days following the acquisition (the same communication has to be done for the reduction of such interest below the above specified percentages). The voting rights relating to the shares for which the required notifications have not been given may not be exercised. Cross-ownership between listed companies may not exceed 2% of their respective voting shares. Likewise, cross-ownership between a listed company and an unlisted company may not exceed 2% of the voting shares of the listed company or 10% of the voting shares of the unlisted company. The 2% threshold may be increased to 5% pursuant to an agreement between the companies approved by the ordinary shareholders' meeting of the two companies. Pursuant to CONSOB interpretation of cross-ownership (release of October 10, 1999) foreign companies are treated as unlisted companies. Italian listed companies' stake in a foreign company may not exceed 10% of such foreign company's stake in the Italian listed company exceeds 2%, conversely a foreign company may not exceed the 2% limit if the Italian company owing more than 10% of such foreign company. Any shares held in excess of such thresholds may not be voted and must be sold by one of the companies as specified by applicable law. Shares held through subsidiaries, fiduciaries or intermediaries are taken into account for the purposes of calculating these ownership thresholds. However, those provisions on cross-ownership do not apply when a controlled company purchases the shares of a controlling company, within certain limits provided by law and following the approval of the controlled company ordinary shareholders meeting.

Furthermore, any agreement, in whatever form, intended to regulate the exercise of voting rights in a listed company (or in the company or companies controlling a listed company), together with any of its subsequent amendments, renewal or termination, must be: (i) notified to CONSOB, within five days from its execution; (ii) disclosed to the public through the publication, in abstract form, in one Italian newspaper having general circulation, within ten days from its execution; and (iii) deposited in the companies' Register at the site where such listed company has its registered office, within 15 days from its execution.

The same requirements are also mandated for agreements, in whatever form, that (a) impose an obligation of prior consultation for the exercise of voting rights in a listed company and in its controlling companies; (b) contain undertaking limiting the transferability of the shares and other securities granting rights for the acquisition or subscription of the shares; (c) provide for the acquisition of the shares and securities hereon; and (d) contemplate or cause the exercise, also in association with other person, of dominant influence on the listed company that issued the shares and on its controlled entities.

Based on the Consolidated Securities Law, the duration of the above mentioned agreements cannot exceed three years. Each party to the agreement can withdraw from such an agreement by giving a six-month notice, unless otherwise provided in the agreements.

Banking regulations

The requests for the purchase of more than 5% of the capital of an Italian bank, made by any national of a State other than an EU Member State, that applies discriminatory measures with regards to similar acquisitions by an Italian national must be reported to the Treasury Minister. The President of the Italian Council of Ministers may deny such authorization upon the Treasury Minister's proposal.

For the other purchase requirements or limitations provided for Italian banking legislation, see "Item 4. Information on the Company—Business Overview—The Italian Banking System: Supervision and Regulation—Participation in the Share Capital of a Bank".

Antitrust regulations

In accordance with Italian antitrust laws, the Bank of Italy, upon consultation with the Italian antitrust Authority, is required to prohibit acquisitions of sole or joint control over a bank that would create or strengthen a dominant position in the domestic market or a significant part thereof. However, if the acquiring party and the party to be acquired surpass certain turnover thresholds, the antitrust approval for the acquisition falls within the exclusive jurisdiction of the EU Commission.

C. Exchange Controls

As a general rule, the residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy. Non-residents may invest in Italian securities without restriction and may export cash, instruments of credit and securities, in both foreign currency and Euro, representing interest, dividends, other asset distributions and the proceeds of dispositions.

Certain procedural requirements, however, are imposed by law. Investments, disinvestments and any transfer of cash or bearer securities to and from Italy, whether by residents or non-residents of Italy, for amounts exceeding €10,329.14 must be made through a banking or other authorized intermediary, including banks located outside Italy. Non-corporate residents of Italy effecting transfers to and from Italy in excess of €10,329.14 in one year without using domestic authorized banks and other financial intermediaries must disclose them in their annual tax declarations. For corporate residents there is no requirement for such declaration because such information is contained in their financial statements. Non-corporate residents must also give details in their tax declarations of financial assets held outside Italy at the end of the fiscal year and of transfers in excess of €10,329.14 to, from, within and between foreign countries in connection with such assets during the fiscal year. No declaration is required from such non-corporate residents in respect of foreign investments and foreign income-earning assets that are exempt from income tax or subject to withholding tax in Italy.

Authorized banks, financial and trust companies and other professional intermediaries are required to maintain records of transfers of cash and bearer securities in excess of €10,329.14 into and out of Italy made on behalf of individuals, non-profit entities and business enterprises. Such records must be kept for five years and may be inspected at any time by Italian tax and judicial authorities .

There can be no assurance that the present regulatory, environment in or outside Italy will endure or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership in the EU and other international organizations and its adherence to various bilateral and multilateral international agreements.

D. Taxation

The following summary describes the material Italian tax and U.S. federal tax consequences of the acquisition, ownership and sale of Shares, including Shares represented by ADSs evidenced by ADRs, that are generally applicable to U.S. holders who own Shares or ADSs as capital assets. For these purposes, a U.S. holder is a beneficial owner who is:

- a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, organized under the laws of the United States or of any political subdivision of the United States; or
- an estate or trust the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source;

and who is not subject to an anti-treaty shopping provision that applies in certain circumstances. Special rules apply to U.S. holders that are also residents of Italy. This summary does not discuss the treatment of Shares or ADSs that are held in connection with a permanent establishment or fixed base through which a beneficial owner carries on business or performs personal services in Italy.

This discussion is based on the tax laws and practices of Italy and the United States currently in effect, as well as the current income tax convention between the United States and Italy (the "Income Tax Convention"). These laws may change, possibly with retroactive effect. This discussion does not address state, local or other foreign tax consequences. This discussion is based in part upon representations of the Depositary and assumes that each obligation provided for in, or otherwise contemplated by, the Deposit Agreement and any related agreement will be performed in accordance with its respective terms. The U.S. Treasury has expressed concerns that parties to whom ADRs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. holders of ADRs, of foreign tax credits for U.S. federal income tax purposes. Accordingly, the analysis of the creditability of Italian taxes described below could be affected by future actions that may be taken by the U.S. Treasury.

Please note that this discussion does not address all of the tax consequences that may be relevant in light of a U.S. holder's particular circumstances. In particular, it does not address U.S. holders subject to special rules, including:

- persons subject to the alternative minimum tax;
- insurance companies;
- tax-exempt entities;
- dealers and traders in securities or foreign currencies;
- financial institutions;
- persons who own the Shares or ADSs as part of an integrated investment, including a straddle, hedging or conversion transaction, comprised of the Shares or ADSs and one or more other positions for tax purposes;
- persons whose functional currency is not the U.S. dollar; or
- persons who actually or constructively own 10% or more of Sanpaolo IMI's voting stock.

Holders should consult their own tax advisors with regard to the application of Italian and U.S. federal tax laws to the Shares or ADSs, and any tax consequences arising under the laws of any state, local or other foreign taxing jurisdictions. For purposes of the Income Tax Convention, the current estate tax convention between the United States and Italy (the "Estate Tax Convention"), Italian tax and U.S. federal tax law, holders of ADRs evidencing ADSs will be treated as owners of the Shares represented by those ADSs, and the discussion of tax consequences to holders of ADSs applies as well to holders of Shares.

Italian Taxation

Taxation of Dividends

Italian law provides for the withholding of income tax at a 27% rate on dividends paid by Italian companies to shareholders who are not residents of Italy for tax purposes. Reduced rates (normally 15%) apply to non-resident shareholders who are entitled to, and comply with, procedures for claiming benefits under an income tax convention. Italy has concluded income tax conventions with over 60 foreign countries, including all of the members of the European Community, Argentina, Australia, Brazil, Canada, Japan, New Zealand, Norway, Switzerland, United States and some countries in Africa, Middle East and Far East.

Under the Income Tax Convention, dividends derived and beneficially owned by U.S. holders are subject to Italian withholding tax at a reduced rate of 15%. In the case of dividends derived by a U.S. partnership, the reduction of the withholding tax under the treaty is only available to the extent such dividends are subject to U.S. tax in the hands of the partners.

As to dividends derived in respect of shares held in the centralized deposit system managed by Monte Titoli, instead of the 27% withholding tax mentioned above, a substitute tax, at the same 27% rate, applies. Such substitute tax is levied by the custodian of the shares.

Since the Shares underlying Sanpaolo IMI ADRs are sub-deposited with Monte Titoli, no withholding tax will be applied by Sanpaolo IMI directly, and the substitute tax will be applied by the custodian. The depositary's instructions specify the procedures that U.S. ADR holders must follow in order to obtain a reduction of the rate of the substitute tax to 15% pursuant to the Income Tax Convention.

According to Italian law, in order to obtain a reduced rate under the Income Tax Convention, the following procedure must be followed. The custodian must receive, in a timely manner (in accordance with the custodian's requirements) prior to the dividend payment date:

(i) a declaration of the ADR holder containing all the data that identify the beneficial owner of the Shares (if different from the ADR holder),

(ii) a request by the beneficial owner for the application of the Income Tax Convention which contains a declaration that indicates the existence of all conditions required by the Income Tax Convention, as well as the necessary elements to determine the applicable Income Tax Convention withholding tax rate, together with a statement that such beneficial owner does not maintain a permanent establishment or a fixed base in Italy; and

(iii) a certification from the U.S. Internal Revenue Service that the beneficial owner is a U.S. resident for the purpose of the Income Tax Convention. Such certificate will be effective until March 31 of the year following submission. The time for processing requests for certification by the Internal Revenue Service normally is six to eight weeks. Accordingly, in order to be eligible for the procedure described below, U.S. holders should begin the process of obtaining certificates as soon as possible after receiving instructions from the depositary on how to claim the 15% reduced rate under the Income Tax Convention.

The custodian may advise the depositary, and the depositary will advise U.S. holders, of an additional limited period in which the custodian is willing to receive claims for the 15% reduced treaty rate.

If the custodian does not receive the required documentation on a timely basis, or if in the custodian’s judgment the documentation fails to satisfy the requirements of Italian law for any reason, U.S. holders will not be entitled to obtain the reduced treaty rate at source and instead must claim a refund of 12% of the dividend (representing the difference between the 27% ordinary rate and the 15% reduced treaty rate) directly from the Italian tax authorities. Extensive delays have been encountered by U.S. holders seeking refunds from the Italian tax authorities.

Italian law provides an alternative mechanism under which non-resident shareholders can claim a refund of up to four-ninths of Italian withholding taxes on dividend income by establishing to the Italian tax authorities that the dividend income was subject to income tax in another jurisdiction in an amount at least equal to the total refunds claimed. U.S. holders should consult their own tax advisors concerning the possible availability of these additional refunds, which traditionally have been payable only after extensive delays.

Distribution of additional Shares to beneficial owners with respect to their ADSs that are made as part of a pro rata distribution to all shareholders of Sanpaolo IMI generally will not be subject to Italian tax.

Italian companies are required to supply to the Italian tax authorities certain information concerning the identity of non-resident shareholders in connection with the payment of dividends. Shareholders are required to provide their Italian tax identification number, if any, or alternatively, in the case of individuals, their name, address and place and date of birth, or in the case of legal entities and partnerships, their name, country of establishment and address, and the information required for individuals with respect to one of their representatives.

Non-resident shareholders are also required to provide their foreign tax identification number.

In the case of ADSs owned by non-Italian residents, Sanpaolo IMI understands that the provision of information concerning the depositary, in its capacity as holder of record of the Shares, will satisfy these requirements. Sanpaolo IMI will be required to provide information concerning non-resident beneficial owners of Shares, however, to the extent such owners wish to benefit from reduced withholding tax rates on dividends under an income tax convention, and claims for such benefits therefore must be accompanied by the required information.

Taxation of capital gains

The Italian capital gains tax is not applicable if (i) the seller is a non-resident without a permanent establishment in Italy, (ii) the Shares (or ADSs) are listed on a stock exchange and (iii) during any 12-month period the seller does not dispose of Shares (or ADSs) that comprise a “qualified shareholding”. For Shares listed on a stock exchange, a “qualified shareholding” consists of shares which entitle the holder to exercise more than 2% of the voting rights of the company or represent more than 5% of the share capital.

Since the Shares (and ADSs) are listed, capital gains realized on the sale of non-qualified shareholdings in Sanpaolo IMI by non-resident holders without a permanent establishment in Italy are not subject to capital gains tax. In addition, the exemptions from capital gains tax that are available pursuant to an income tax convention apply. The capital gains rate applicable to sales of qualified shareholdings equals 27%.

Other Italian taxes

Estate and Gift Tax

Pursuant to Law 383 of October 18, 2001, inheritance and gift tax no longer applies to inheritance and gift transfers made since October 25, 2001. Gift transfers to persons other than the spouse, siblings or relatives within the 4th degree will be subject to transfer taxes applicable to transfers for consideration, if any, when the value of the gift to each person exceeds €180,759.91; the tax applies only to the amount in excess thereof.

Transfer Tax

No transfer tax is payable upon the transfer of Shares through an officially recognized stock exchange. Transfers of Shares or ADSs outside an officially recognized stock exchange are also exempted from the payment of transfer tax provided that the parties entering into the agreement pursuant to which the transfer takes place are:

(i) all non-residents,

(ii) all banks, Italian securities dealing firms (SIMs) or stockbrokers, or

(iii) banks, SIMs or stockbrokers, on the one hand, and non-residents or investment funds, on the other hand.

In any other case, transfer tax is currently payable at the following rates:

- Lit. 140 (€0.07) per Lit. 100,000 (€51.65) (or fraction thereof) of the price at which the Shares or ADSs are transferred when the transfer is made between private individuals directly or through an intermediary that is not a bank, SIM or stockbroker;

- Lit. 50 (€0.03) per Lit. 100,000 (€51.65) (or fraction thereof) of the price at which the Shares or ADSs are transferred when the transfer is made either (i) between a bank and a private individual or (ii) between private individuals through a bank, SIM or stockbroker.

The change of a depository (e.g., Euroclear, Clearstream or Monte Titoli) not involving a transfer of the ownership of the transferred Shares or ADSs will not trigger the Italian transfer tax.

Apart from the above exemptions and exclusions, there are questions regarding applicability of the transfer tax to the transfer of ADRs, since ADRs are not shares themselves. In general, with respect to U.S. holders, the transfer tax will not be applicable on transfers of Sanpaolo IMI Shares or ADRs. However, in the case of transfers which are not executed on an official stock exchange and are entered into with an Italian counterparty other than a bank or other authorized financial intermediary or an investment fund, it is advisable that U.S. holders consult their own tax advisors concerning the applicability of this transfer tax. Deposits and withdrawals of Shares in return for ADSs by non-Italian residents will not be subject to the transfer tax.

United States Federal Income Taxation

Taxation of dividends

Distributions made with respect to the Shares or ADSs, before reduction for any Italian tax withheld, will generally constitute foreign source dividend income for U.S. federal income tax purposes to the extent such distributions are made from Sanpaolo IMI current or accumulated earnings and profits, as determined in accordance with U.S. federal income tax principles. A U.S. holder will not be entitled to claim a dividends-received deduction for dividends paid on the Shares or ADSs. The amount of any cash distribution paid in euros, including the amount of any Italian tax withheld, will be equal to the U.S. dollar value of such euros on the date of receipt by the

Depositary in the case of U.S. holders of ADSs, or by the U.S. holder in the case of U.S. holders of Shares, regardless of whether the payment is in fact converted into U.S. dollars. Gain or loss, if any, recognized on the sale or other disposition of such euros will be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Subject to certain limitations and restrictions, Italian taxes withheld from distributions at the rate provided in the Income Tax Convention will be eligible for credit against a U.S. holder's U.S. federal income tax liability. Italian taxes withheld in excess of the rate provided in the Income Tax Convention will generally not be eligible for credit against a U.S. holder's federal income tax liability. Furthermore, a U.S. holder will not be allowed a foreign tax credit for foreign taxes withheld on distributions if the holder:

- has held the Shares or ADSs for less than a specified minimum period during which such holder is not protected from risk of loss;
- is under an obligation to make related payments with respect to positions in "substantially similar or related property"; or
- holds the Shares or ADSs in arrangements in which such holder's expected economic profit, after non-U.S. taxes, is insubstantial.

The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed with respect to the Shares or ADSs will generally constitute "passive income" or, in the case of certain U.S. holders, "financial services income". U.S. holders should consult their tax advisors concerning the foreign tax credit implications of the payment of these withholding taxes.

Taxation of capital gains

A U.S. holder will recognize capital gain or loss for U.S. federal income tax purposes on the sale or exchange of Shares or ADSs in the same manner as the holder would on the sale or exchange of any other shares of stock held as capital assets. As a result, a U.S. holder will generally recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and such holder's adjusted basis in the Shares or ADSs. The gain or loss will generally be U.S. source income or loss. U.S. holders should consult their own tax advisors about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

Information Reporting and Backup Withholding

A U.S. holder may, under certain circumstances, be subject to information reporting and backup withholding with respect to dividends or the proceeds of any sale, exchange or redemption of ADSs or Shares unless the U.S. holder:

- is a corporation or comes within certain other exempt categories, and, when required, demonstrates this fact, or
- provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

Any amount withheld under these rules will be creditable against a U.S. holder's U.S. federal income tax liability if the U.S. holder provides the required information to the U.S. Internal Revenue Service. If a U.S. holder is required to and does not provide a correct taxpayer identification number, the U.S. holder may be subject to penalties imposed by the U.S. Internal Revenue Service.

Passive Foreign Investment Company Rules

Based on proposed regulations, the Company does not expect to be considered a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes for 2001. However, this is a factual determination that must be made annually and thus may change, and there can be no assurance that the proposed regulations will be finalized in their current form. If the Company were treated as a PFIC for any taxable year during which a U.S. holder held Shares or ADSs, certain adverse consequences could apply to the U.S. holder.

If the Company is treated as a PFIC for any taxable year, gain recognized by such U.S. holder on a sale or other disposition of the Shares or ADSs would be allocated ratably over the U.S. holder's holding period for the Shares or ADSs. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of Shares or ADSs in excess of 125% of the average of the annual distributions on Shares or ADSs received by the U.S. holder during the preceding three years or the U.S. holder's holding period, whichever is shorter, would be subject to taxation as described above. Certain elections may be available (including a mark-to-market election) to U.S. holders that may ameliorate the adverse consequences resulting from PFIC status.

E. Documents on Display

Segreteria Societaria at Piazza San Carlo 156, 10121 Turin, Italy.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

The Group places substantial emphasis on risk management and control, based on the following three principles:

- clear identification of responsibility for risk assumption;
- measurement and control systems in line with international best practice; and
- separation of duties between the Business Areas that are responsible for day-to-day operations and those that are responsible for controls.

The Group Technical Risks Committee, which comprises, as of the date of this annual report, the Chairman, the Managing Directors, Messrs. Ottolenghi, Rossi and Vermeiren was set up in July 2001 to support the Parent's Bank's Board of Directors and Executive Committee in defining the policies relating to the acceptance of credit and financial risks.

The Financial and Market Risk Committee and the Credit Committee are operational committees which support the definition of the policies relating to the acceptance of credit and financial risk by the Board of Directors and the Executive Committee.

The Parent Bank is also responsible for general risk management and control functions of and takes risk-acceptance decisions in the case of major exposures, with the support of the Risk Management department, a separate department within the Parent Bank.

Each Business Area that generates credit and/or financial risks has its own risk control structure and operates within limits of autonomy determined by the Parent Bank.

Financial Risk Management and Control

Organization

The main body that is responsible for the management and control of financial risks is the Parent Bank's Board of Directors. It defines the Group's broad strategy and overall approach to the acceptance of market risk, allocates capital on the basis of the expected risk/return profile, and approves the operating limits for the Parent Bank and guidelines for its subsidiaries.

The Group Financial and Market Risk Committee is responsible for defining the criteria and methods by which risks are measured, as well as the structure of the operating limits to be followed by the Parent Company and its Business Areas, and for monitoring the risk profile of Group companies. The Committee consists of the Managing Directors, the heads of the Business Areas that take on risks, and the Risk Management department.

The Risk Management department is responsible for developing risk measurement methodologies; making proposals regarding the system of operating limits for the Parent Bank and for the Business Areas, measuring outstanding risks in the various operating units (thus providing a more detailed measurement of the outstanding risk than at the Business Areas level) and monitoring the Business Areas compliance with the limits laid down by the Board of Directors and by the Executive Committee.

The individual Business Areas are responsible for measuring their financial market risks, applying a system of approval limits in line with the overall policy approved by the Parent Bank.

Measurement techniques

The methods used by the Group to measure financial risks consist mainly of the following:

- Value at Risk (VaR);
- Sensitivity Analysis;
- Worst Case Scenario.

VaR

VaR modeling is a statistical technique that produces an estimate of the potential loss in a portfolio over a specified holding period which is statistically unlikely to be exceeded more than once during the given holding period. The Group uses a model based on historical volatility and correlations between the individual risks of each currency made up of short and long-term interest rates, exchange rates and equity prices. The Group’s model is based on the last 250 trading days, a 10-day holding period and a 99% confidence level. VaR models have certain limitations, among which are that they work best during normal market conditions and historical data may fail to predict the future. VaR results, therefore, cannot guarantee that actual risk will follow the statistical estimate. As a result, management also relies on other tools, such as Sensitivity Analysis and Worst Case Scenario.

Sensitivity Analysis

This method quantifies the change in value of a financial portfolio following adverse movements in risk factors. For interest rate risk, an adverse movement is defined as a parallel and uniform shift of 100 basis points in the interest rate curve.

Worst Case Scenario

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

Trading Activities

Asset and Liability Management. The market risks generated by the Group’s banking book, which includes all assets and liabilities – including the related hedging derivatives – not included in the trading book, are monitored by means of Sensitivity Analysis, together with measurement of the VaR.

During 2001, the potential loss on the fair value of the Bank’s banking book, measured according to the Sensitivity Analysis method, showed an average of €169 million, with a minimum of €120 million and a maximum of €239 million. The increase in value compared to 2000 Pro Forma (which assumes the same scope of consolidation) was attributable to management's policy of maximizing the fair value of the portfolio through the assumption of long positions in connection with management's expectations of certain interest rate scenarios.

Sensitivity Analysis—banking book

	2001	2000 Pro Forma (1)	2000
		(€/mil)	
Average	168.8	143.6	61.9
Low	120.1	20.0	46.8
High	239.2	266.0	125.6
Year-end	239.2	88.8	88.8

(1) Includes Banco di Napoli from 01/01/2000.

The VaR of the banking book fluctuated during 2001 around an average of €96 million amounting to €115 million at December 31, 2001.

The foreign exchange risk generated by the banking book during the year was very low.

Equity investments in non-Group listed companies

At December 31, 2001, the market value of equity investments held by the Group in listed companies that are not consolidated on a line-by-line basis or at net equity amounted to €2,111 million, of which €382 million was held by NHS. Unrealized capital gains on book value of these equity investments totaled €22 million, after deducting minority interests in NHS.

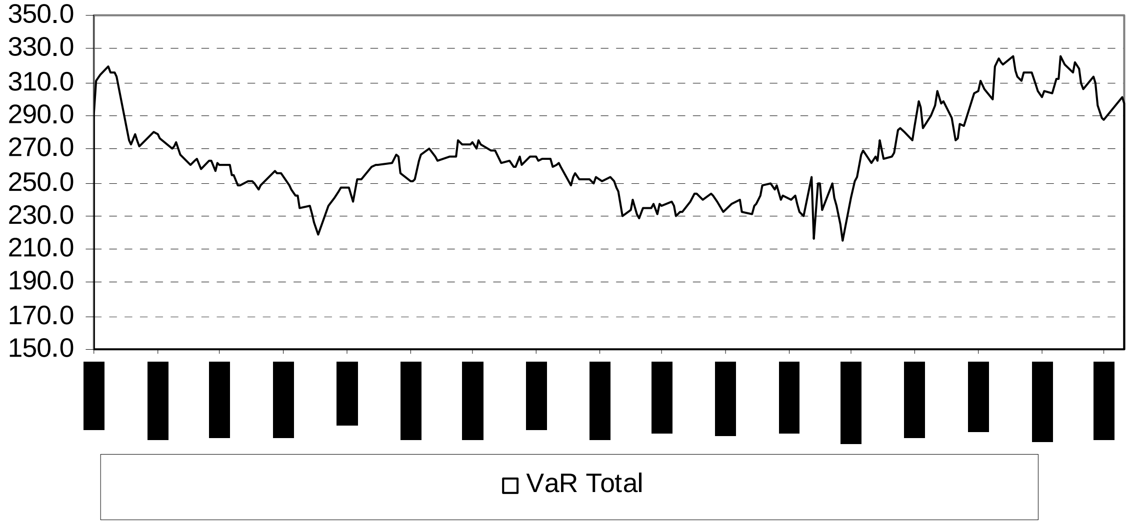
The VaR method is used to measure the market risk of the investment portfolio, although fluctuations in its value do not directly affect the Group's statement of income, given that such investments are accounted at cost.

The average VaR for equity investments in listed companies outside the scope of consolidation during 2001, net of minority interests in NHS, averaged €266 million, with a low of €215 million and a high of €326 million; the high was reached during the fourth quarter of 2001, following a sharp increase in the volatility of share prices. At December 31, 2001, the VaR of these investments was €297 million, compared with €312 million at December 31, 2000.

VaR-equity investments portfolio

	2001	2000
	(in millions of €)	
Average	266	228
Low	215	189
High	326	312
Year-end	297	312

The following graph shows the trend in VaR of the Group's equity investments during the course of 2001.



Trading activities

The financial instruments measured here are the Group's trading activities, mainly in securities (fixed income and equities), foreign exchange and derivatives contracts.

The VaR of the trading activities, which are performed by Banca IMI, oscillated during 2001 between a low of €3.1 million and a high of €18.5 million, with an average of €7.5 million, compared to an average of €13.7 million in 2000. The changes are the result of the prudential measures adopted in connection with the market volatility of 2001. See: "Item 5. Operating and Financial Review and Prospects—Operating Results—Introduction – The Italian Economy and the Italian Banking Sector."

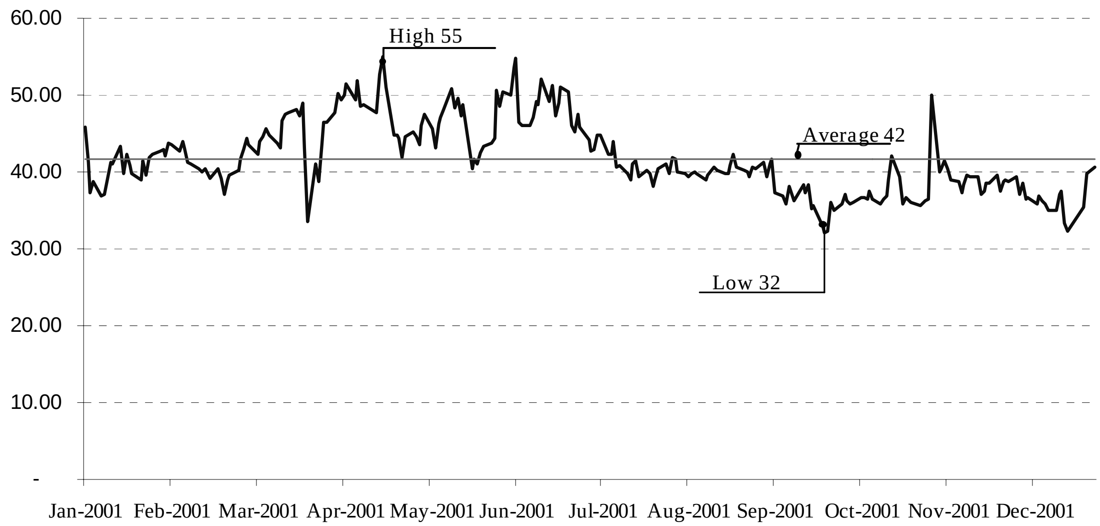
VaR-trading by type of risk

	12/31/2001	Average	Low	High	12/31/2000	Average
			(in millions of €)			
Interest rate risk	5.5	2.5	0.1	7.1	2.1	4.2
Exchange rate risk..............	0.5	0.5	–	3.0	0.1	0.2
Equity price risk.................	3.9	6.7	2.1	18.5	15.7	12.7
Diversification effect	(3.0)	(2.2)	–	–	(2.2)	(3.4)
Total	6.9	7.5	3.1	18.5	15.7	13.7

The overall reductions in VaR (from a total of €15.7 million at December 31, 2000 to €7.5 million at December 31, 2001 is a reflection of the prudential measures enacted in connection with volatility of the financial markets.

In addition to VaR, the Worst Case Scenario method is also used to monitor the impact of potential losses that might arise in extreme circumstances.

MAXIMUM POTENTIAL DAILY LOSS FROM TRADING (€/million)



Backtesting has shown that these measurement techniques are, in management's view, very prudent. In no case was the ex ante potential daily exposure, in terms of VaR and Worst Case Scenario, exceeded by the losses actually incurred.

Credit Risk Management and Control

Organization

The Group's organizational structure seeks to maximize the efficiency of the credit risk management and control process by means of:

- the allocation of precise responsibilities for the management of credit risk to the individual Business Areas; and
- the separation of credit risk management from credit risk control.

Sanpaolo IMI has laid down lines of conduct to be followed when taking on credit risk; these rules are to be applied throughout the Group. They provide for approval levels limits defined in terms of total Group credit exposure to a particular counterparty, differentiated principally according to the counterparty's rating (which can be an internal or an agency rating). The first level of approval limits applies to each individual Business Area or subsidiary, which in turn defines the approval limits to be delegated to its branches. Transactions in excess of these limits must be submitted to the appropriate body within the Parent Bank, consisting of (according to the increased level of exposure) the Group Credit Committee (composed of the joint Managing Directors and the heads of the Credit and Risk Management functions), the Executive Committee and the Board of Directors.

Credit risks on financial institutions are all monitored centrally by the Group Financial and Market Risks Committee, which also has decision-making authority decides on issues related to country risk. The tasks of the Financial Institutions Credit Risk Committee and of the Country Risk Committee were allocated to the Financial and Market Risk Committee in 2001.

In terms of credit risk control, the Risk Management department is responsible for the definition, updating and monitoring of the risk measurement techniques used by the Parent Bank and by the Group as a whole, ensuring that they are constantly in line with industry best practice. It is also responsible for analyzing the risk profile of the Parent Bank and the Group and for proposing any corrective action. Lastly, the Risk Management department is responsible for measuring the exposure of larger borrowers, monitoring the risk measurements carried out by the risk control units in the various Business Areas for consistency and accuracy, and preparing summary reports for the Parent Bank's senior management on changes in credit quality and on the use of capital by the Business Areas.

The risk control units operating within the individual Business Areas are responsible for measuring and monitoring their Business Area's portion of the loan book.

Measurement techniques

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

For loans to customers, various grading models have been developed. These differ according to the counterparty's size and industry sector. These models make it possible to summarize the counterparty's credit quality in a single rating measurement, which reflects the risk of insolvency over the next twelve months. By means of statistical calibrations, these ratings have been made fully consistent with the ones awarded by rating agencies, forming one overall scale of reference. Backtesting analyses carried out to date, comparing insolvency forecasts with actual defaults, confirm that, in management's view, the models used are reliable.

The management of Sanpaolo Network's banking book, (households, small businesses and SMEs, credit quality management) is performed through uses a system which classifies customers into risk categories, based on an evaluation by the loan officers. The risk categories are specifically linked to the frequency of credit line reviews and recovery actions. Lastly, the credit quality control function uses an early warning system to identify any anomalous situations as early as possible.

For banking and financial counterparties, a scoring system has been devised which classifies financial institutions on a scale consistent with those used by the rating agencies. The risk class constitutes the basic level of information, which is integrated with the type and duration of the transaction, as well as the level of collateral. All of this leads to the setting of maximum credit limits for each counterparty. In the case of transactions covered by bank guarantees, the creditworthiness of the counterparty being guaranteed is also taken into consideration in determining the maximum limit.

Lastly, for country risk, ratings are assigned on the basis of a model that takes into consideration the views of rating agencies and other specialized institutions, market information and internal assessments.

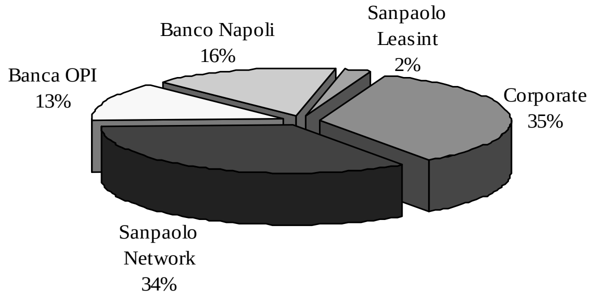
These ratings are not just a direct instrument with which to monitor credit risk, but also constitute a primary element for the credit risk portfolio model, which summarizes the information on asset quality in terms of risk indicators, including the expected loss and capital at risk. The latter is defined as the maximum unexpected loss that the Group could incur with a confidence level of 99.95%.

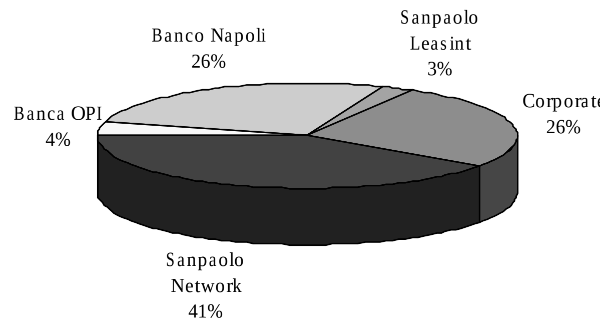
Sanpaolo IMI also pays a great deal of attention to the innovative proposals concerning credit risks made by the Basel Committee for the reform of the Basel Accord on Capital, which among other things envisages using internal ratings for calculating capital requirements; in management's view, the measurement techniques used by the Group appear to be in line with the methods being proposed.

Credit risk

This refers to all of the Group's on- and off-balance sheet credit exposures. The credit risk analysis, which was initially applied to the Parent Bank's loan book, has been gradually extended to the main subsidiaries that take on credit risk, namely Banco di Napoli, Banca OPI, Sanpaolo IMI Bank Ireland and Sanpaolo Leasing. The loan book analyzed represents more than 90% of the Group's risk-weighted assets.

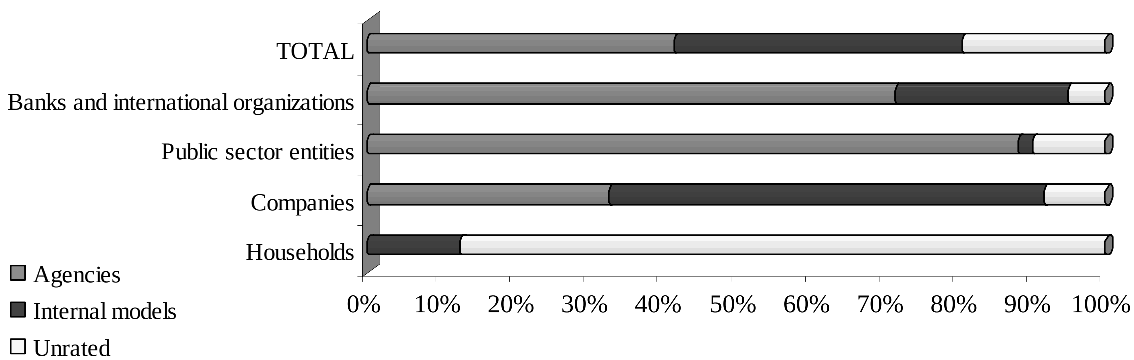
At December 31, 2001, analytical ratings were available for 80% of the counterparties contained in the loan book, in terms of exposure. Unrated counterparties (mostly households with residential mortgages) have been given average probability of default, based on actual default experience for the preceding years. Analytical ratings covered more than 90% of counterparties in other sectors.



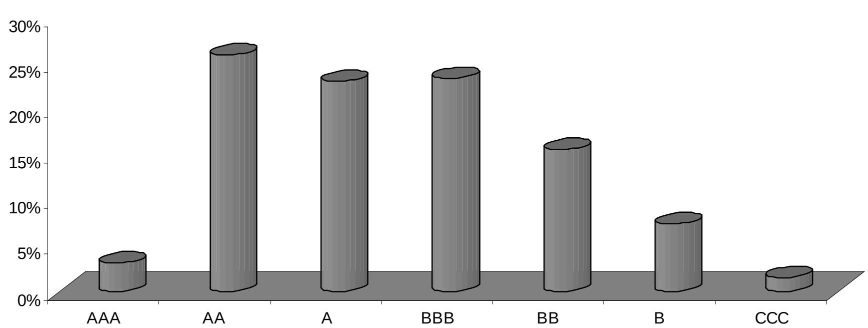


The source for just over 50% of the analytical ratings were specialized rating agencies, while the balance consisted of internal ratings. The latter were prevalent in the corporate sector.

Analysis of Drawdowns by Rating Source



At December 31, 2001, of the customer loans that were assigned an analytical rating (which represent the main reference population for the credit risk management model) more than 75% were rated investment grade (from AAA to BBB), a proportion that remained more or less stable throughout 2001, compared to approximately 80% of rated loans at December 31, 2000. These figures are not entirely comparable due to the fact that in 2001 analytical ratings were extended to small businesses; most of the ratings assigned to the small businesses were BB.



At December 31, 2001, the Bank's economic capital, i.e. capital available to cover customer loans, including those subject to country risk, totaled €3,460 million, which was equal to 3.53% of drawdowns, down 13 basis points compared with 3.66% of drawdowns at December 31, 2000. Of this capital, at December 31, 2001, 70% was allocated to the Sanpaolo Network, Banco di Napoli and Sanpaolo Leasint, while the remainder was split between Corporate and Banca OPI, which both have a lower risk profile because of their type of business.

The Management and Control of Other Risks

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

Operational risk is defined as the risk of incurring losses as a result of four macro categories of events: fraud, legal risks (including non-performance of contractual obligations), weaknesses in internal control or information systems, and natural calamities. A database of significant events that took place in the last ten years has been used for each category, from which it is possible to identify the impact in terms of losses from public sources of information. The empirical distributions of losses are calculated by means of theoretical, probability distributions through the extreme value theory. The capital at risk is identified as the minimum amount, net of any insurance coverage, that is needed to cope with the maximum potential loss with a confidence level of 99.95%. This technique also provides for the application of a correction factor to take account of the effectiveness of internal controls in the various Business Areas.

This method was developed in order to allocate to the Business Areas and to the Group as a whole a quantity of capital consistent with the likelihood of occurrence of these types of events. Operational risks are controlled through the definition of internal rules and procedures and compliance by the Internal Audit department.

Further refinements are currently being made to the Group's operational risk analysis. These principally concern extending external data bases, building internal data bases, developing more advanced statistical calculation engines, using exposure indicators and assessing the economic effect of internal controls in terms of their effectiveness and frequency.

Of particular importance is the Group's participation in industry initiatives to share statistics on operational losses and exposure indicators. This activity has been developed at a national level through the founding of the DIPO Consortium (*Database Italiano delle Perdite Operative* - Italian Database of Operational Losses) and at an international level through the founding of the new ORX (Operational Risk Exchange) Consortium. Both of these consortiums were founded by leading national and international banking groups, including Sanpaolo IMI, to gather, process and distribute information on operational risks.

These developments are in line with the best practices emerging from by the international task forces working on these subjects, in which Sanpaolo IMI is an active participant. They are also consistent with the recommendations made by the Basel Committee in its proposed revision of the Accord on Capital, which envisages the introduction of a specific capital charge for operational risks.

Business risk, also known as strategic risk, is the risk of incurring losses as a result of changes in the macro- or micro-economic scenario which could jeopardize the ability to generate income, typically by reducing the volume of operations or compressing margins.

This risk is evaluated by breaking down the activity of the Business Areas, on the basis of their respective cost and revenue structures, into fundamental "industrial" sectors (e.g. EDP, consulting, distribution, etc.). The Business Areas are then allocated capital in line with the norm for companies operating in the same type of activity.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULT, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATION TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. RESERVED

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS

The following consolidated financial statements and related schedules, together with the report of Arthur Andersen and PricewaterhouseCoopers thereon, are filed as part of this annual report:

ITEM 18. FINANCIAL STATEMENTS

Not applicable.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report:

Exhibit

1.1 Articles and by-laws of Sanpaolo IMI S.p.A.

10.1 Consent of Arthur Andersen

10.2 Letter of Sanpaolo IMI relating to Arthur Andersen

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS 2001

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of
Sanpaolo IMI S.p.A.

We have audited the accompanying consolidated balance sheet of Sanpaolo IMI S.p.A. and its subsidiaries as of December 31, 2001, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect 22 per cent of consolidated "*total assets*", 24 per cent of consolidated "net interest income" and 33 per cent of consolidated "net interest and other banking income". Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these companies, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanpaolo IMI S.p.A. and its subsidiaries as of December 31, 2001, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with the Italian law governing consolidated financial statements and generally accepted accounting principles in Italy.

Sede legale: Milano 20124 Via Vittor Pisani 20 Tel. 0267831 Fax 0266981433 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta all'Albo Consob – Altri uffici: Ancona 60123 Via Corridoni 2 Tel. 07136881 – Bari 70125 Viale della Repubblica 110 Tel. 0805429863 Bologna 40122 Via delle Lame 111 Tel. 051576611 – Brescia 25124 Via Cefalonia 70 Tel. 0302219811 – Firenze 50129 Viale Milton 65 Tel. 0554627100 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Milano 20122 Corso Europa 2 Tel. 0277851 – Napoli 80121 Piazza dei Martiri 30 Tel. 0817644441 – Padova 35137 Largo Europa 16 Tel. 0498762677 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 V.le Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38100 Via Manzoni 16 Tel. 0461237004 – Treviso 31100 Piazza Crispi 8 Tel. 0422542726 – Udine 33100 Via Marinoni 12 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel. 0458002561

PRICEWATERHOUSECOOPERS

The accounting principles referred to above vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of consolidated net income expressed in Euro for the year ended December 31, 2001 and the determination of consolidated stockholders' equity also expressed in Euro at December 31, 2001 to the extent summarized in Note 32 to the consolidated financial statements.

Turin, April 9, 2002

PricewaterhouseCoopers SpA.

Sergio Duca
(Partner)

CONSOLIDATED BALANCE SHEET

(€/mil)

ASSETS		12/31/01		12/31/00	
10.	Cash and deposits with central banks and post offices		818		708
20.	Treasury bills and similar bills eligible for refinancing with central banks		9,373		8,968
30.	Due from banks:		21.571		19.119
	a) repayable on demand	3.191		2.932	
	b) other deposits	18,380		16,187	
40.	Loans to customers *including:*		97.056		98.706
	- *loans using public funds*	*99*		*83*	
50.	Bonds and other debt securities		11.216		13.987
	a) public entities	4.352		6.007	
	b) banks *including:*	3,433		3,445	
	- *own bonds*	*1,074*		*1,056*	
	c) financial institutions *including:*	1,120		671	
	- *own bonds*	-		-	
	d) other issuers	2,311		3,864	
60.	Shares, quotas and other equities		1.528		2.003
70.	Investments		4.054		3.034
	a) carried at equity	339		272	
	b) other	3,715		2,762	
80.	Investments in Group companies		643		539
	a) carried at equity	643		539	
90.	Goodwill arising on consolidation		838		915
100.	Goodwill arising on application of the equity method		215		74
110.	Intangible fixed assets *including:*		367		359
	- *start-up costs*	*3*		*2*	
	- *goodwill*	*8*		*10*	
120.	Tangible fixed assets		1,726		1,793
140.	Own shares (par value Euro 55 million)		304		739
150.	Other assets		18,585		19,193
160.	Accrued income and prepaid expenses		2.191		2.661
	a) accrued income	1.871		2.466	
	b) prepaid expenses *including:*	320		195	
	- *discounts on bond issues*	*31*		*27*	
Total assets			**170,485**		**172,798**

(€/mil)

LIABILITIES AND SHAREHOLDERS' EQUITY		12/31/01		12/31/00	
10.	Due to banks		27.922		29.596
	a) repayable on demand	3.378		4.869	
	b) time deposits or with notice period	24.544		24.727	
20.	Due to customers		65,845		64,718
	a) repayable on demand	48.463		43.701	
	b) time deposits or with notice period	17.382		21.017	
30.	Securities issued		40,839		39,338
	a) bonds	27.695		26.589	
	b) certificates of deposit	8.346		8.888	
	c) other	4,798		3,861	
40.	Public funds administered		100		88
50.	Other liabilities		15.590		17.420
60.	Accrued expense and deferred income		2,162		3,114
	a) accrued expense	1.811		2.755	
	b) deferred income	351		359	
70.	Provision for termination indemnities		734		743
80.	Provisions for risks and charges		2.471		3.823
	a) pensions and similar commitments	43		1.128	
	b) taxation	901		1.230	
	c) other	1,527		1,465	
90.	Reserve for possible loan losses		41		35
100.	Reserve for general banking risks		356		355
110.	Subordinated liabilities		5,607		5,158
130.	Negative goodwill arising on application of the equity		118		63
140.	Minority interest		698		715
150.	Capital		3,932		3,931
160.	Share premium reserve		22		18
170.	Reserves		2.836		2.382
	a) legal reserve	793		793	
	b) reserve for own shares	304		739	
	d) other reserves	1.739		850	
180.	Revaluation reserves		9		9
200.	Net income for the year		1.203		1.292
Total liabilities and shareholders' equity			**170,485**		**172,798**

(€/mil)

GUARANTEES AND COMMITMENTS		12/31/01		12/31/00	
10.	Guarantees given:		16,016		15,670
	Including:				
	- *acceptances*	*128*		*159*	
	- *other guarantees*	*15,888*		*15,511*	
20.	Commitments		24,839		26,518

CONSOLIDATED STATEMENT OF INCOME

(€/mil)

		12/31/01		12/31/00		12/31/99	
10.	Interest income and similar revenues		8.016		7.622		5.966
	including from:						
	-loans to customers	*5,999*		*5,501*		*4,324*	
	-debt securities	*1,026*		*1,006*		*915*	
20.	Interest expense and similar charges		(5.326)		(5.123)		(3.934)
	including on:						
	-deposits from customers	*(1,600)*		*(1,401)*		*(909)*	
	-securities issued	*(2,112)*		*(2,117)*		*(1,847)*	
30.	Dividends and other revenues		397		231		250
	a) from shares, quotas and other equities	263		*169*		*148*	
	b) from equity investments	134		*62*		*102*	
40.	Commission income		3.312		3.452		2.587
50.	Commission expense		(714)		(817)		(530)
60.	Profits (losses) on financial transactions		105		165		103
70.	Other operating income		280		250		224
80.	Administrative costs		(3.600)		(3.076)		(2.466)
	a) personnel	(2.221)		(1.929)		(1.534)	
	including:						
	- wages and salaries	*(1,600)*		*(1,380)*		*(1,097)*	
	- social security charges	*(471)*		*(425)*		*(365)*	
	- termination indemnities	*(109)*		*(97)*		*(69)*	
	- pensions and similar commitments	*(41)*		*(27)*		*(3)*	
	b) other	(1.379)		*(1,147)*		*(932)*	
90.	Adjustments to intangible and tangible fixed assets		(543)		(389)		(293)
100.	Provisions for risks and charges		(136)		(323)		(81)
110.	Other operating expenses		(36)		(31)		(40)
120.	Adjustments to loans and provisions for guarantees and commitments		(636)		(647)		(664)
130.	Writebacks of adjustments to loans and provisions for guarantees and commitments		278		417		361
140.	Provisions to the reserve for possible loan losses		(11)		(8)		(10)
150.	Adjustments to financial fixed assets		(235)		(36)		(89)
160.	Writebacks of adjustments to financial fixed assets		2		15		2
170.	Income (losses) from investments carried at equity		79		87		118
180.	**Income from operating activities**		**1,232**		**1,789**		**1,504**
190.	Extraordinary income		660		451		367
200.	Extraordinary expenses		(269)		(55)		(73)
210.	**Extraordinary items, net**		**391**		**396**		**294**
230.	Change in reserve for general banking risks		(1)		2		(1)
240.	Income taxes		(318)		(785)		(685)
250.	Minority interests		(101)		(94)		(62)
255.	Elimination of second half Income of the Banco di Napoli Group (*)		-		(16)		-
260.	**Net income for the year**		**1,203**		**1,292**		**1,050**

(*) This caption refers to the portion of the net results of the second half of 2000 of the Banco di Napoli group included in the price of the various tranches acquired by SANPAOLO IMI during 2000. As described in the Explanatory Notes to the consolidated Financial Statements as of December 31, 2000, the reversal is made necessary in that the income statement contribution of the Neapolitan group to consolidated Financial Statements for 2000 was reflected line by line throughout the whole of the second half.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Capital Stock	Reserves	Retained Earnings	Total
				(€/mil)
Balance at December 31, 1998	**4,345**	**3,414**	**909**	**8,668**
Appropriation of net income after Minority Interest for 1998:				
to reserves	-	257	(257)	-
dividends	-	-	(652)	(652)
Real estate spin off	(413)	(288)	-	(701)
Conversion of share capital into Euro	(6)	6	-	-
Increase of the reserve general banking risks	-	1	-	1
Net effect of currency traslation of some affiliates' account				-
and other adjustments	-	6	-	6
Net income after Minority Interest	-	-	1,050	1,050
Balance at December 31, 1999	**3,926**	**3,396**	**1,050**	**8,372**
Appropriation of net income after Minority Interest for 1999:				
to reserves	-	326	(326)	-
dividends	-	-	(724)	(724)
Decrease of the reserve general banking risks	-	(2)	-	(2)
Offsetting of goodwill on consolidation (1)	-	(1.027)	-	(1.027)
Exercise of stock options	5	18	-	23
Undistributed dividends on own shares held by the Parent Bank	-	2	-	2
Cancellation of reserves for deferred taxes and other tax effects on reserves	-	98	-	98
Revaluation ex L. 342 11/21/00	-	12	-	12
Differences arising on the translation of foreign currency Financial				-
Statements and other adjustments	-	4	-	4
Net income after Minority Interest	-	-	1,292	1,292
Balance at December 31, 2000	**3,931**	**2,827**	**1,292**	**8,050**
Appropriation of net income after Minority Interest for 2000:				-
to reserves	-	505	(505)	-
dividends	-	-	(787)	(787)
Changes of the reserve general banking risks	-	1	-	1
Offsetting of goodwill on consolidation	-	-	-	-
Exercise of stock options	1	4	-	5
Undistributed dividends on own shares held by the Parent Bank	-	-	-	-
Withdrawal from reserves to pay the tax on equity	-	-	-	-
Revaluation ex L. 342 11/21/00	-	-	-	-
Net effect of currency traslation of some affiliates' account		-		-
and other adjustments	-	4	-	4
Net income after Minority Interest	-	-	1,203	1,203
Balance at December 31, 2001	**3,932**	**3,341**	**1,203**	**8,476**

(1) The offsetting concerns positive differences arising from the consolidation for the first time of the Cassa di Risparmio di Firenze S.p.A. (€ 173 million)), at net equity, and Banco di Napoli S.p.A. (€ 854 million), consolidated "line by line". The offsetting was made using the opportunity provided for in current regulations (See Note (5) "Consolidation Principles").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Form and content of Consolidated Financial Statements for the years ended December 31, 2001, 2000, and 1999

The Bank's consolidated financial statements for 2001 have been prepared pursuant to Decree 87 of January 27, 1992, which implemented EEC Directive 86/635. They also take account of the requirements contained in the Bank of Italy instructions dated July 30, 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.

In compliance with current rules, the financial statements have been prepared in millions of Euro. The consolidated financial statements comprise the consolidated balance sheets, the consolidated statements of income and these explanatory notes, together with the report of the Board of Directors on the results of operations for the years indicated above.

The explanatory notes are presented with comparative figures taken from financial statements as of December 31, 2000.

They provide all the information required by law, including any additional data necessary to give a true and fair view of the financial and operating situation. The tables required by the Bank of Italy are numbered in accordance with Bank of Italy instructions or based on the date of the Instructions.

With regard to the changes in the scope of consolidation in the second half of 2000 following the acquisitions of the Banco di Napoli and Wargny groups, analysis and comments contained in the report on operations make reference to last year's not audited pro-forma statement of income which have been prepared assuming line-by-line consolidation of the two groups as of January 1, 2000. These pro-forma results are attached to this report (see next paragraph "Pro-forma reclassified consolidated financial statements as of December 31, 2000"). In addition, for a better understanding of the changes in the statement of income aggregates, the tables in the explanatory notes show the contribution of the Banco di Napoli Group and, if significant, of the Wargny Group.

Still in terms of disclosure, the usual format of the reclassified statement of income used in the Report on operations as a basis for comments has been modified as follows:

- in the interests of a better representation of the Group results, net interest income of the subsidiary Banca IMI is shown under "profits/(losses) on financial transactions", given that, from an operating point of view, it is an integral part of that company's stockbroking activities. All of the prior year figures have therefore been reclassified.

- "adjustments to goodwill, merger and consolidation differences" are shown separately given the importance of this caption following the acquisition of equity investments of the year. For comparison purposes, the prior period figures have been restated using consistent criteria.

The following schedules are attached to the consolidated financial statements:

- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Statement reconciling the Bank's financial statements with the consolidated financial statements.
- Statement of pro-forma reclassified consolidated statement of income for the full year 2000.

- List of equity investments that exceed 10% of the capital of unquoted and private companies (as per CONSOB resolution no. 11715 of November 24, 1998);

It should also be mentioned that Note 18 “Provisions” contain the information required by CONSOB (Communication 1011405 of February 15, 2001) from banks quoted on regulated markets.

(2) Pro-forma reclassified consolidated financial statements as of December 31, 2000 (Not audited)

For ease of comparison, a pro-forma version of last year's reclassified consolidated statement of income has been prepared on the assumption that Banco di Napoli and the Wargny Group were taken over from January 1, 2000, rather than during the year. The pro-forma version is unaudited and is only used as a comparable basis for analysis and comments in the Report on operations.

This was not necessary for the balance sheet as of December 31, 2000, since Banco di Napoli and the Wargny Group were already consolidated line-by-line at that date.

The pro-forma reclassified consolidated statement of income for 2000 is attached to these explanatory notes.

The pro-forma reclassified consolidated statement of income is based on the statements of income for 2000 published by the SANPAOLO IMI Group (column a of the attached schedule), Banco di Napoli (column b of the attached schedule), and the Wargny Group (column c of the attached schedule). The Banco di Napoli and Wargny Group accounts have been restated using the same accounting principles as SANPAOLO IMI.

In order to reflect the effects of these extraordinary operations, the book results have been suitably integrated and adjusted to take into consideration:

- the effect of consolidating the companies belonging to the Banco di Napoli Group and of the initial adjustments to the Banco's shareholders’ equity (column d of the attached schedules). It was necessary to consolidate the companies belonging to the Naples-based group as the information published by Banco di Napoli in 2000 referred to individual company accounts. In addition, the initial adjustments to the Banco's shareholders’ equity refer to changes taken into consideration in the SANPAOLO IMI consolidated financial statements as of December 31, 2000, when calculating the differences arising on first-time consolidation. More specifically, the adjustments refer to the adoption of SANPAOLO IMI Group accounting principles and to the reorganization of Banco di Napoli, which are therefore eliminated from Banco di Napoli S.p.A.'s income statement for 2000. These adjustments also include the reclassifications needed to bring the figures into line with the Parent Bank's accounting principles;

- the effect of pro-forma adjustments (column e of the attached schedules) concerning the acquisition and consolidation of the Banco di Napoli and Wargny groups simulated as taking effect from January 1, 2000. More specifically: the statement of income reflects for the full year the financial charges connected with investments and with the amortization of goodwill arising on consolidation.

(3) Scope of Consolidation

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

SANPAOLO IMI S.p.A. (The Parent Bank), the Banking Group comprises the directly and indirectly controlled subsidiaries which carry out banking, finance or other activities which complement those of the Parent Bank.

The scope of line-by-line consolidation excludes Società per la Gestione di Attività S.p.A. (Sga), owned by Banco di Napoli, the shares of which have been pledged with voting rights to the Treasury Ministry as part of the special procedures described in Note 16 - Other assets.

The scope of line-by-line consolidation also excludes those companies for which a formal decision has been taken to dispose of them.

Equity investments considered under joint control are consolidated on a proportional basis.

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

Changes in the companies consolidated on a line-by-line or proportional basis with respect to December 31, 2000 include:

- exclusion from line-by-line consolidation of Sanpaolo Immobiliare S.p.A. and SIM Banconapoli & Fumagalli Soldan S.p.A. as these companies were sold off during the year; the same applies to Datitalia S.p.A. which was sold in early 2002;
- inclusion of the newly established companies Centradia Group Ltd, Centradia Ltd and Centradia Services Ltd in the proportional consolidation.

Companies consolidated on a line-by-line basis, proportionally and at net equity are listed in Note 14

(4) Methods and effects of the consolidation of equity investments acquired during the year 2000.

The three follow main investments are reflected in the consolidated accounts as indicated below:

- the consolidation of Cassa di Risparmio di Firenze at equity resulted in “goodwill arising on consolidation”, being the difference between the acquisition price and shareholders’ equity pertaining to the Group as of December 31, 1999, an amount of € 255 million. Of this amount: a) € 173 million, as the excess cost vis-à-vis the average market value of Carifirenze shares, has been deducted from “negative goodwill arising on consolidation” already existing in the consolidated financial statements as at December 31, 1999; b) the balance of € 82 million has been booked to the consolidated balance sheet to be amortized over 10 years starting from 2000, given the nature of the investment;
- the line-by-line consolidation of the Banco di Napoli group, based on the net equity on the acquisition dates of the three different tranches (suitably adjusted to comply with the accounting policies of the SANPAOLO IMI Group, and to take account of expected restructuring costs), shows “goodwill arising on consolidation” of € 1,670 million. This goodwill has been attributed: a) € 854 million to reduce the existing balance of “negative goodwill arising on consolidation”; b) € 816 million to the assets side of the balance sheet to be amortized over 10 years, given the nature of the investment. In 2000, the amortization on the portion not offset against negative goodwill arising on consolidation, charged to the statement of income in proportion to the ownership period of the different tranches acquired, totalled € 4 million. Considering that the control over Banco di Napoli was finalized during the second half of 2000, as mentioned above, the consolidated statement of income of SANPAOLO IMI as of December 31, 2000

reflects, on a line by line basis, the economic flows of the Neapolitan group only relating to the second half of the year, suitably adjusted for the elements considered as changes to shareholders' equity when calculating the consolidation differences. The portion of consolidated income of the bank relating to the second half of 2000 included in the purchase price of the various tranches, and therefore not to be attributed to the SANPAOLO IMI Group result, is shown in a specific caption of the statement of income "elimination of second half-year income pertaining to Banco di Napoli Group" and deducted from the consolidated result;

- the line-by-line consolidation of the Wargny group entailed booking to the assets side of the consolidated balance sheet "goodwill arising on consolidation" of € 78 million, with respect to the shareholders' equity of the French group based on the initial results as of December 31, 2000. This difference will be amortized over 10 years, given the nature of the investment. Given that we took control of this group in November 2000, the consolidated statement of income of SANPAOLO IMI as of December 31, 2000 does not reflect the results of the French group as not significant.

(5) Consolidation principles

The main consolidation principles adopted are as follows:

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

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

- with reference to the balance sheets as of December 31, 1993 for investments held in portfolio as of December 31, 1994, being the date the Bank first prepared consolidated financial statements;

- for investments purchased subsequent to December 31, 1994, with reference to their balance sheets at the date of acquisition or, as customary where these are not available, with reference to the balance sheets prepared closest to that date;

- for investments formerly belonging to the IMI Group, with reference to their shareholders' equity as of January 1, 1998 (accounting date for the merger of Sanpaolo and IMI).

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

"Positive goodwill" arising on the application of line-by-line consolidation, proportional consolidation or the equity method is deducted from the total "negative goodwill" that existed already or which arose during the same year and up to their total amount. Investments acquired to be re-sold as part of the merchant banking activity are not taken into account for this offsetting. Compensation of positive differences with pre-existing negative differences arising on consolidation is made on the basis possibility envisaged by Article 32, paragraph 4, of legislative decree 87/92, confirmed by paragraph 5 of the same article, as well as the applicable instructions of the Bank of Italy (provision of July 30, 1992 and successively updated). It is based on the prudent aim of not taking forward to future years the recovery, through amortization, of part of the cost which can be immediately compensated with pre-existing consolidation reserves. Positive goodwill not offset by negative goodwill is amortized over a period that depends on how the investment is used. This approach has been applied beginning from the financial statements as of December 31, 1998; positive goodwill arising on consolidation of certain equity investments of the IMI Group has been offset against the negative goodwill arising on consolidation of other equity investments of the IMI Group. On that occasion the amortization schedule of existing positive goodwill has been confirmed.

Receivables, payables, off-balance sheet transactions, and costs and revenues as well as any gains and losses relating to significant transactions between Group companies are eliminated. By way of exception, also on account of the provisions of art. 34, Decree 87/92, costs and revenues arising on transactions involving stocks and shares and currency traded between Group companies at normal market conditions, are not eliminated.

The financial statements of consolidated companies denominated in currencies not included in the Euro-zone are translated into Euro at year-end rates of exchange. Differences arising on translation of the equity items of consolidated companies at year-end rates of exchange are included in consolidated reserves, unless they are offset by specific hedging transactions.

Adjustments and provisions made solely for fiscal purposes in the financial statements of the Parent Bank and of consolidated companies are eliminated.

(6) Financial statements used for consolidation

The financial statements used for the consolidation are those prepared as of December 31, 2001, as approved by the appropriate bodies within subsidiary companies and adjusted, where necessary, for consistency with Group accounting policies. The financial statements used for consolidation purposes of companies operating in the financial leasing sector were prepared using the financial lease method which is essentially consistent with Group accounting policies.

The valuation at equity of minority equity investments is based on the latest financial statements or draft financial statements that are available.

(7) Changes to the accounting policies

The accounting policies used in the preparation of the 2001 balance sheet and statement of income are consistent with those used for the Group's 2000 and 1999 consolidated financial statements, with the following exceptions:

Changes adopted in 2001

Dividends from direct subsidiaries, beginning from 2001, are booked in the year that they accrue, rather than in the year that they are receivable. The treatment was approved by the Board of Directors of the Parent Company at the meeting on April 10, 2001.

The treatment above mentioned does not impact on the consolidated financial statement, because the dividends from subsidiaries consolidated line by line are eliminated within the consolidation process.

Changes adopted in 2000

No changes were adopted in 2000.

Changes adopted in 1999

In compliance with the Bank of Italy's instructions on deferred taxation, which were issued on August 3, 1999, the treatment of deferred tax assets was changed. In particular, where deductible timing differences exceed taxable timing differences, the net tax effect is now classified under caption 150 "other assets" (with a credit to income taxes), rather than under caption 160.b) "prepaid expenses".

(8) Audit of the consolidated financial statements

The consolidated financial statements, as well as the Parent Bank's financial statements, are audited by PricewaterhouseCoopers S.p.A., in accordance with the shareholders' resolution dated April 28, 2000, which appointed them as auditors for the three-year period 2001-2003.

For the years 1999 and 2000, the consolidated financial statement, as well as the Parent Bank's financial statements, were audited by Arthur Andersen S.p.A.

(9) Comparison with the quarterly accounts as of December 31, 2001

The consolidated financial statements, prepared using final accounting information for the Parent Bank and its subsidiaries, include a number of changes with respect to the quarterly report as of December 31,2001, which was presented on February 14, 2002 in order to provide advance information concerning the Group's results for the year.

The differences are not significant and do not alter the substance of the information already provided. They relate primarily to:

- the completion of the reconciliation process and the elimination of intercompany transactions;
- the precise valuation of equity investments using the equity method and of the dealing securities portfolio;
- additional provisions concerning the question of bank usury on the basis of the Constitutional Court judgement dated February 25, 2002 (see Note (18) –Information as per CONSOB Communication 1011405 of February 15, 2001);
- reassessment of the doubtful loan situation also in the light of the events that took place after approval of the quarterly report;

- recalculation of current and deferred taxes;

- certain reclassifications in the statement of income.

(10) Description of Accounting Policies

The accounting policies adopted are communicated to and, where required by law, approved by the Board of Statutory Auditors. These policies are consistent with those applied as of December 31, 2000 and 1999 except for the changes discussed in the introduction to these explanatory notes.

Loans, guarantees and commitments

Loans

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

In detail:

- non-performing loans: being loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;

- problem loans: being loans to borrowers in temporary difficulties likely to be resolved within a reasonable period of time, are valued on a case-by-case basis;

- restructured loans: being loans for which a syndicate of banks (or a single bank) reschedules the repayment of principal or re-negotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;

- loans being restructured: being 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": being loans to borrowers resident in countries with debt-servicing difficulties, are normally adjusted on a general basis by applying writedown percentages not lower than those specified by the Italian Banking Association. Certain positions valued taking into account the level of lending risk hedging offered by underlying guarantees are an exception to this. They do not include specific positions which are assessed on a case-by-case basis, using objective criteria, with reference to the category of risk concerned;

- performing loans: being loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. With reference to the trading activity on the secondary loan market carried out by the New York and London branches, performing loans purchased as part of this activity form part of a separate homogeneous portfolio, which is valued globally at the lower of cost and market value. General adjustments to performing loans are calculated by the individual subsidiaries on a historical, statistical basis. For the Parent Bank this method is integrated by a portfolio model based on risk management methodologies used for monitoring and controlling lending risks.

The historical/statistical method of the Parent Bank, which provides a historical valuation of portfolio risk, goes through the following steps:

1. year-end estimate by the Bank of the performing loans which, based on the movements in the last four years, are likely to become doubtful loans during the next year;
2. calculation of the potential losses likely to be incurred on the amount mentioned in point 1, assuming that the loss percentage is the same as the average loss on performing loans transferred to doubtful loans in the last four years.

This portfolio model, which provides the extent of the loss that the Parent Bank may suffer in a year, is essentially based on the following elements:

1. the rating attributed to each counterparty, which reflects the risk of insolvency over the next twelve months (i.e. the transfer to doubtful loans);
2. the so-called “loss given default”, which measures the average loss percentage in the case of insolvency.

The loss resulting from these two models constitutes the minimum general writedown to cover the inherent risk in performing loans. This is increased by the Parent Bank, by applying a multiplying factor to a value considered adequate to take into account the various phases of the economic cycle.

As regards the method of calculating writedowns by means of discounting, note that they are equal to the difference between:

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

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

The timing and extent of expected cash receipts are determined by input from the department responsible for loan evaluation; if no such input is available, estimates and general statistics deriving from historical data and studies of the business sectors concerned have been used.

With regard to the discounting rate as of December 31, 2001, the Parent Bank has used a reference rate of 5.6%. This rate is deemed to reflect the best approximation of the original average yield on the doubtful loan portfolio – considering the contractual rates currently applied by the Bank on medium-long term loans (fixed and floating rate) and on short term ones (floating rate). A similar approach has been adopted by subsidiary companies; foreign companies have applied reference rates appropriate to the markets concerned.

For the purpose of classifying loans as non-performing, problem, restructured or exposed to country-risk, the Parent Bank has made reference to current Bank of Italy regulations on the subject. These have been supplemented by specific and detailed internal instructions regarding, in particular, aspects of implementation and the introduction of rules for the automatic transfer of loans between the various risk categories.

The Parent Bank's doubtful loans are classified to the various risk categories (non-performing, problem, restructured and being restructured) by the Branches and Area Management, working together with the central functions responsible for the supervision of lending.

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

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

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

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

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

Loans deriving from financing and deposit contracts

These are recorded at the amount disbursed. The difference between the amount of the loan granted to a customer and the amount actually disbursed is credited to the statement of income in accordance with the loan repayment plan. Loans backed by discounted notes, acquired within the scope of lending activities, are recorded in the financial statements at their nominal value, while the portion pertaining to future years is recorded among deferred income.

Reverse repurchase agreements on securities

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

Loan of securities

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

Finance leases

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

Guarantees and commitments

Guarantees and commitments giving rise to lending risk are recorded at the total value of the exposure, while the related risk is assessed on the basis described in relation to loans. Expected losses in relation to guarantees and commitments are covered by the related provision. Commitments include exposures to debtors underlying loan derivatives in which the Group has taken over the lending risk ("seller protection").

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

Investment securities

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

Such securities are written down to reflect any lasting deterioration in the solvency of the issuers and the ability of the related nations to repay debt. Investment securities can also be written down to take account of market trends (art. 18 of D.Lgs. 87/92). The original value of investment securities is reinstated when the reasons for any writedowns cease to apply.

Dealing securities

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

- securities quoted in organized markets: the official price quoted on the last trading day of the year;

- securities not quoted in organized markets: at the lower of cost or market value. The latter is calculated by actualizing future financial flows, using current market rates when valuing similar instruments by type and credit risk of the issuer. These estimates, where possible, are also compared with the prices of securities that have similar financial characteristics. The original value of investment 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 the investment and dealing portfolios are made on the basis of the book value of the securities transferred at the time of the transaction; book value is determined using the method applicable to the originating portfolio. The related economic effects are booked to caption 60. "Profits/(losses) on financial transactions" in the case of securities from the dealing portfolio and to caption 150. "Adjustments to financial fixed assets" in the case of securities from the investment portfolio. Securities transferred and still held at period-end are valued using the method applicable to the destination portfolio..

Commitments to buy or sell for securities transactions to be settled

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

Equity investments

Equity investments which are neither fully consolidated nor valued at equity are carried at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account, among others, any reductions in the equity of the companies concerned. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Equity investments can also be written down to take account of market trends (Art. 18.1 of D.Lgs. 87/92).

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

Stock option plans

Stock option plans approved by the Parent Bank, which do not foresee the assignment of own shares, involve the assignment of rights to subscribe to paid increases in capital. Given that neither Italian law nor the accounting principles generally accepted in Italy provide specific instructions on how to account for such plans, they are recorded at the time of the subscription, booking the increase in share capital along with any share premium.

Own shares

Own shares purchased by the Parent Bank are valued at cost, based on the "average daily cost" method, as they are considered long-term investments. The main purpose for the Parent Bank buying its own shares is to use them in strategic deals that require the availability of own shares (e.g. share exchanges as part of the acquisition of equity investments, cooperation agreements and other corporate finance deals). The Parent Bank's shares purchased by subsidiaries for normal dealing purposes are valued at market value, namely the official year-end price.

In the event that own shares are used as part of incentive plans or stock option plans, they are classified specifically in separate portfolios valued at market price in the same way as dealing securities.

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

With the introduction of the Euro, the term foreign currency refers to all currencies outside the EMU.

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currencies or indexed to foreign exchange movements, as well as financial fixed assets funded in foreign currencies or indexed to foreign exchange movements, are valued at period-end spot exchange rates. Equity investments denominated in foreign currencies subject to local exchange-control restrictions (non-convertible currencies) funded in currencies different from the functional one and those which are neither entirely or partially hedged by deposits in the same currency are stated, only for the portion funded in currencies other than the functional one, at the historical rates of exchange applying at the time of acquisition.

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

Unsettled spot and forward currency transactions

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

Transactions not carried out for hedging purposes are valued:

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

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

Tangible fixed assets

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

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

Ordinary maintenance and repairs, which do not lead to an increase in their usefulness and/or useful life, are expensed in the year they are incurred.

Intangible fixed assets

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

- formation and capital increase expenses and other deferred charges are generally amortized on a straight-line basis over five years;

- costs incurred for the purchase of software or for its development using external resources are generally amortized on a straight-line basis over three years, taking account of the residual period such software is expected to benefit;

- the differences arising on the merger of Banca Provinciale Lombarda and Banco Lariano in 1993, net of the portion allocated to more closely reflect the value of the related assets, are amortized on a straight-line basis. Amortization is provided over a period of ten years. These amortization periods are justifiable in view of the durability of the goodwill accumulated by the merged banks, as assessed in expert appraisals prepared for the respective mergers.

Payables

Payables are stated at their nominal value. The difference between the face 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 issued are stated at their issue price plus accrued interest. Consistent with the policies described above, funding repurchase agreements that require the holder to resell the securities acquired when the agreement matures are recorded among payables, as are related securities borrowing transactions.

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

Provision for employee termination indemnities

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

Provisions for risks and charges

Provisions for risks and charges cover known or likely liabilities whose timing and extent cannot be determined at period-end or at the time the financial statements are prepared.

Pensions and similar commitments

This fund, which can be qualified as an "internal" pension fund, was made up by the Parent Bank for supplementary pensions due to retired employees of the former IMI S.p.A. with rights to such benefits. The contingency arising in this connection is assessed at the end of the year on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions.

Taxation

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

Income taxes for the period are prudently determined on the basis of current fiscal legislation with reference to the expected taxable income for the full year.

Deferred taxation, determined according to the so called "balance sheet liability" method, reflects the tax effect of timing 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 when there is reasonable probability that such differences will reversal.

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

Deferred tax liabilities are calculated for each consolidated company by applying the average tax rate to taxable timing differences likely to generate a tax burden. Deferred tax assets are calculated on deductible timing differences if these are likely to be recovered.

The deferred taxation on equity reserves that will become taxable “however used” is charged against shareholders’ equity. Deferred taxation relating to revaluations arising on conversion to the Euro, credited to a specific reserve in suspense for tax purposes pursuant to art. 21 of Decree 213/98, is charged directly against this reserve.

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

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

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

Deferred tax assets are booked to the assets side of the balance sheet at caption 150 "Other assets" as the contra-entry to income taxes, while deferred tax liabilities are booked to liabilities on the balance sheet under caption 80 b.–Taxation–, again as a contra-entry to income taxes.

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

Other provisions

Provisions for guarantees and commitments cover losses in respect of guarantees given and, more generally, the contingencies associated with guarantees and commitments.

Other provisions for risks and charges cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers; possible charges in connection with guarantees given on the sale of equity investments; possible charges in connection with the Bank's commitment to support the Interbank Deposit Guarantee Fund; possible charges in connection with the renegotiation of low-interest housing mortgage loans (Law 133/99 and provisions dictated by Budget Law 2001) and fixed-rate mortgage loans without special interest terms (Decree Law 394 of December 29, 2000, converted into Law 24 of February 28, 2001); charges in connection with other potential liabilities.

The provision for other personnel charges comprises:

- provisions made by the Parent Bank on the basis of an independent actuarial report to an independent supplementary pension fund (Cassa di Previdenza del Personale) to cover unfunded pension liabilities, as well as provisions for contributions that may be due in relation to the personnel of the Parent Bank;
- provisions made on an actuarial basis to set up the technical reserve needed to cover long-service bonuses payable to employees;
- provisions for discretional bonuses to employees and other potential liabilities, including those for personnel leaving incentives.

Reserve for general banking risks

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

Accruals and deferrals

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

Derivatives contracts

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

Derivative contracts are valued individually using the methods applicable to the portfolio concerned (hedging contracts and non-hedging contracts).

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

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

Hedging contracts

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

a) intent to enter into a hedge;

b) high degree of correlation between the technical and financial characteristics of the assets and liabilities hedged and those inherent in the hedging contract.

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

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

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

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

Non-hedging contracts

These are valued as follows:

Contracts on securities, interest rates, stockmarket indices and other assets: contracts quoted in organized markets are stated at their market value on the last day of the period. Contracts linked to reference indicators subject to official observation are stated on the basis of their financial value (replacement cost), determined with reference to the market quotations for those indicators on the last day of the year. 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) on financial transactions". This caption is analyzed in a specific table within the explanatory notes with regard to the portfolios in which the transactions took place (securities, currency, other financial instruments) and to the nature of the income / costs arising (from valuations or elsewhere).

Internal deals

The Parent Bank has adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is inspired mainly by the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives (and sometimes securities); they have their own books of account and established limits on net risk.

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

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

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

Settlement date

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

(11) ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

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

Provisions recorded solely for fiscal purposes

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

Provisions to the reserve for possible loan losses made in accordance with tax laws by the subsidiary Banca OPI S.p.A. for € 57 million have been eliminated from the consolidated statement of income for the year.

(12) LOANS

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

	12/31/01	12/31/00
		(€/mil)
Due from banks (caption 30)	21,571	19,119
Loans to customers (caption 40) (*)	97,056	98,706
Total	118,627	117,825

(*) The amount includes € 2,041 million of loans to Società per la Gestione di Attività S.p.A. (Sga) (€ 2,738 million as of December 31, 2000). (see Information contained in Note (16) – Other assets)

Due from banks (caption 30)

Amounts due from banks include:

Detail of caption 30 "Due to banks" (table 1.1 B.I.) *(€/mil)*

	12/31/01	12/31/00
(a) Deposits with central banks	1,796	439
(b) Bills eligible for refinancing with central banks	-	-
(c) Finance leases	-	-
(d) Repurchase agreements	6,678	4,720
(e) Securities loaned	52	25

Deposits with central banks as of December 31, 2001 include the compulsory reserve with the Bank of Italy and other foreign central banks, of € 786 million (€ 276 million as of December 31, 2000).

Loans to customers (caption 40)

Loans to customers, which are analyzed by technical form in the report on operations, include:

Detail of caption 40 "Loans to customers" (table 1.2 B.I.) *(€/mil)*

	12/31/01	12/31/00
(a) Bills eligible for refinancing with central banks	15	285
(b) Finance leases	2,253	1,877
(c) Repurchase agreements	3,623	2,890
(d) Securities loaned	129	132

Secured loans to customers, excluding those granted directly to Governments or other public entities, are detailed in the table below:

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

	12/31/01	12/31/00
(a) Mortgages	21,545	22,019
(b) Pledged assets:		
1. cash deposits	200	294
2. securities (**)	5,698	4,192
3. other instruments	432	175
(c) Guarantees given by:		
1. Governments (***)	3,770	4,837
2. other public entities	263	383
3. banks	1,631	1,770
4. other operators	12,284	13,923
Total	**45,823**	**47,593**

(*) Figures as of December 31, 2000 have been restated to reflect the exclusion of loans granted directly to Governments or other public entities, which as of December 31, 2001 amounted to € 12,535 million.
(**) Includes repurchase and similar agreements guaranteed by underlying securities totaling € 3,752 million compared with € 3,022 million as of December 31, 2000.
(***) Including € 2,041 million of loans of Banco di Napoli to Sga (€ 2,738 million as of December 31, 2000).

Loans to customers guaranteed by banks and other operators include € 368 million of positions (€ 166 million as of December 31, 2000) for which the Parent Bank bought 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 60.1% of total loans to customers (61.1% as of December 31, 2000).

Degree of risk in loan portfolio

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in Note (10). The related writedowns are effected via direct reduction of the balance sheet asset value of the loans concerned.

The estimated realizable value of problem loans takes into account not only the likelihood of recovery, but also the total or partial lack of income generation and late repayment. Total adjustments as of December 31, 2001 for discounting purposes total € 192 million (€ 309 million as of December 31, 2000).

Non-performing loans (table 1.4 B.I.) *(€/mil)*

	12/31/01	12/31/00
Non-performing loans (net amount, including default interest)	931	1,016

Analysis of loans to customers

Loans to customers for the years 2001 and 2000 are detailed in the tables below:

(Bank of Italy instructions dated 12/17/98)			*(€/mil)*
12/31/01			
	Gross exposure	**Total adjustments**	**Net Exposure**
A. Doubtful loans	**4,391**	**2,501**	**1,890**
A.1 Non-performing loans	3,069	2,139	930
A.2 Problem loans	1,090	293	797
A.3 Loans currently being restructured	66	21	45
A.4 Restructured loans	121	35	86
A.5 Unsecured loans exposed to country risk	45	13	32
B. Performing loans	**95,899**	**733**	**95,166**
Total loans to customers	**100,290**	**3,234**	**97,056**

Non-performing loans include unsecured loans to residents of nations exposed to country risk, for a gross exposure of € 3 million, written down almost in full.

(Bank of Italy instructions dated 12/17/98)			*(€/mil)*
12/31/00			
	Gross exposure	**Total adjustments**	**Net Exposure**
A. Doubtful loans	**5,157**	**3,054**	**2,103**
A.1 Non-performing loans	3,542	2,527	1,015
A.2 Problem loans	1,341	458	883
A.3 Loans currently being restructured	17	5	12
A.4 Restructured loans	122	35	87
A.5 Unsecured loans exposed to country risk	135	29	106
B. Performing loans	**97,190**	**587**	**96,603**
Total loans to customers	**102,347**	**3,641**	**98,706**

As of December 31, 2000, non-performing loans, problem loans and restructured loans include unsecured loans to residents of nations exposed to country risk held in portfolio by the Parent Bank for a total of € 4 million, € 8 million and € 3 million respectively. Value adjustments made to these loans amount to € 1 million for non-performing loans, € 7 million for problem loans and € 2 million for restructured loans.

Analysis of loans to banks

Loans to banks for the years 2001 and 2000 are detailed below:

(Bank of Italy instructions dated 12/17/98) *(€/mil)*

12/31/01

	Gross exposure	Total adjustments	Net Exposure
A. Doubtful loans	**86**	**28**	**58**
A.1 Non-performing loans	11	10	1
A.2 Problem loans	-	-	-
A.3 Loans currently being restructured	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans exposed to country risk	75	18	57
B. Performing loans	**21,522**	**9**	**21,513**
Total loans to banks	**21,608**	**37**	**21,571**

Non-performing loans include unsecured loans to residents of nations exposed to country risk, held in portfolio by the Parent Bank, for a gross exposure of € 7 million, written down in full.

(Bank of Italy instructions dated 12/17/98) *(€/mil)*

12/31/00

	Gross exposure	Total adjustments	Net Exposure
A. Doubtful loans	**72**	**18**	**54**
A.1 Non-performing loans	14	13	1
A.2 Problem loans	-	-	-
A.3 Loans currently being restructured	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans exposed to country risk	58	5	53
B. Performing loans	**19,072**	**7**	**19,065**
Total loans to banks	**19,144**	**25**	**19,119**

As of December 31, 2000, non-performing loans include unsecured loans to residents of nations exposed to country risk, held in portfolio by the Parent Bank, for a gross exposure of € 11 million, written down by € 10 million.

Movements in doubtful loans to customers

Movements in gross doubtful loans to customers during 2001 were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

	Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A	**Gross value as of January 1, 2001**	**3,542**	**1,341**	**17**	**122**	**135**
	A.1 including: for default interest	*808*	*41*	3	-	-
B	**Increases**	**840**	**865**	**68**	**17**	**2**
	B.1 inflows from performing loans	146	708	56	3	-
	B.2 default interest	127	9	-	-	-
	B.3 transfers from other categories of doubful loans	484	34	8	11	-
	B.4 other increases	83	114	4	3	2
C	**Decreases**	**1,313**	**1,116**	**19**	**18**	**92**
	C.1 outflows to performing loans	14	165	1	-	7
	C.2 write-offs	671	47	1	2	-
	C.3 collections	246	400	17	11	85
	C.4 disposals	112	2	-	-	-
	C.5 transfers to other categories of doubtful loans	34	498	-	5	-
	C.6 other decreases	236	4	-	-	-
D	**Gross value as of December 31, 2001**	**3,069**	**1,090**	**66**	**121**	**45**
	D.1 including: for default interest	*547*	*38*	-	-	-

Decreases in non-performing loans mainly refer to the exclusion from the scope of consolidation of Sanpaolo Immobiliare S.p.A. (sold on July 2, 2001), as well as to the completion by the Parent Bank of factoring deals for the assignment without recourse of loans involving 18,577 short-term loans. These loans, recorded for a gross value of € 640 million and a net value of € 111 million, have been factored for € 113 million.

Movements in gross doubtful loans to customers during 2000 were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

	Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A	**Gross value as of January 1, 2000**	**4,146**	**1,545**	**25**	**130**	**74**
	A.1 including: for default interest	*921*	*47*	3	-	-
B	**Increases**	**1,437**	**862**	**1**	**49**	**78**
	B.1 inflows from performing loans	56	337	-	1	-
	B.2 default interest	139	9	-	-	-
	B.3 transfers from other categories of doubful loans	279	42	-	34	-
	B.4 other increases	963	474	1	14	78
C	**Decreases**	**2,041**	**1,066**	**9**	**57**	**17**
	C.1 outflows to performing loans	15	65	-	44	4
	C.2 write-offs	823	106	-	-	-
	C.3 collections	323	479	1	10	6
	C.4 disposals	848	106	-	-	-
	C.5 transfers to other categories of doubtful loans	27	310	8	3	7
	C.6 other decreases	5	-	-	-	-
D	**Gross value as of December 31, 2000**	**3,542**	**1,341**	**17**	**122**	**135**
	D.1 including: for default interest	*808*	*41*	3	-	-

During 2000, "Other increases" include € 1,226 million relating to the contribution of the Banco di Napoli Group, as a result of its first-time consolidation, relating to non-performing loans, € 860 million; problem loans, € 344 million; loans being restructured, € 1 million; restructured loans, € 8 million; and unsecured loans exposed to country risk, € 13 million.

The decrease in non-performing loans can be attributed mainly to the completion by the Parent Bank of 3 factoring deals for the assignment without recourse of loans involving 16,282 mortgage loans, 20,391 short-term loans and 935 industrial loans. These loans, recorded for a gross value of € 1,554 million and a net value of € 756 million, have been factored for € 848 million.

__Movements during the years in gross doubtful amounts due from banks__

Movements in gross doubtful amounts due from banks during 2001 were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A Gross value as of January 1, 2001	**14**	-	-	-	**58**
A.1 including: for default interest	-	-	-	-	-
B Increases	**1**	-	-	-	**22**
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfers from other categories of doubful loans	-	-	-	-	-
B.4 other increases	1	-	-	-	22
C Decreases	**4**	-	-	-	**5**
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	4	-	-	-	-
C.3 collections	-	-	-	-	5
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D Gross value as of December 31,2001	**11**	-	-	-	**75**
D.1 including: for default interest	*1*	-	-	-	-

Movements in gross doubtful amounts due from banks during 2000 were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

	Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A	**Gross value as of January 1, 2000**	**11**	-	-	-	**262**
	A.1 including: for default interest	-	-	-	-	-
B	**Increases**	**5**	-	-	-	**8**
	B.1 inflows from performing loans	-	-	-	-	7
	B.2 default interest	-	-	-	-	-
	B.3 transfers from other categories of doubful loans	-	-	-	-	-
	B.4 other increases	5	-	-	-	1
C	**Decreases**	**2**	**-**	**-**	**-**	**212**
	C.1 outflows to performing loans	-	-	-	-	3
	C.2 write-offs	-	-	-	-	143
	C.3 collections	2	-	-	-	45
	C.4 disposals	-	-	-	-	-
	C.5 transfers to other categories of doubtful loans	-	-	-	-	-
	C.6 other decreases	-	-	-	-	21
D	**Gross value as of December 31,2000**	**14**	**-**	**-**	**-**	**58**
	D.1 including: for default interest	-	-	-	-	-

During 2000, “Other increases” include € 3 million of the Banco di Napoli Group's contribution on first-time consolidation, relating to non-performing loans.

The reduction in unsecured loans exposed to country risk derives mainly from the participation of the Parent Bank to the agreement for the restructuring of the payable by Russia (the so-called London Club), entailing the decline in the total exposure to a gross amount of € 173 million (through a waiver of loans and an exchange of quoted securities, subsequently sold) and a net positive effect of € 18 million booked to the statement of income.

Movements during the years in adjustments made to loans granted to customers

Movements during 2001 in adjustments made to loans granted to customers were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

	Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A	**Total adjustments as of January 1, 2001**	**2,527**	**458**	**5**	**35**	**29**	**587**
	A.1 including: for default interest	*808*	*41*	*3*	-	-	*16*
B	**Increases**	**612**	**214**	**21**	**10**	-	**211**
	B.1 adjustments	345	168	19	2	-	209
	B.1.1 including: for default interest	*127*	*9*	-	-	-	*7*
	B.2 use of reserves for possible loan losses	-	-	-	-	-	-
	B.3 transfers from other categories of doubtful loans	259	28	2	7	-	1
	B.4 other increases	8	18	-	1	-	1
C	**Decreases**	**1,000**	**379**	**5**	**10**	**16**	**65**
	C.1 writeback from valuations	69	27	-	4	16	8
	C.1.1 including: for default interest	-	-	-	-	-	-
	C.2 writebacks of collections	60	36	4	2	-	5
	C.2.1 including: for default interest	*20*	*9*	*2*	-	-	*4*
	C.3 write-offs	671	47	1	2	-	28
	C.4 transfers to other categories of doubtful loans	21	257	-	2	-	17
	C.5 other decreases	179	12	-	-	-	7
D	**Total adjustments as of December 31, 2001**	**2,139**	**293**	**21**	**35**	**13**	**733**
	D.1 including: for default interest	*547*	*38*	-	-	-	*8*

As already discussed, total adjustments include € 192 million relating to the adoption of a policy of actualizing doubtful loans (€ 309 million as of December 31, 2000). Writedowns for discounting purposes total € 164 million on non-performing loans, € 21 million on problem loans and € 7 million on restructured loans and loans being restructured.

Value adjustments to performing loans to customers and banks include € 20 million (€ 26 million as of December 31, 2000) of specific writedowns by the Parent Bank to watchlist positions for a gross exposure of € 233 million (€ 205 million as of December 31, 2000); € 6 million refer to a foreign subsidiary. The inherent risk associated with other performing loans is covered by a general writedown of € 699 million.

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Movements during 2000 in adjustments made to loans granted to customers were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

	Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A	**Total adjustments as of January 1, 2000**	**2,452**	**496**	**6**	**36**	**26**	**274**
	A.1 including: for default interest	921	47	3	-	-	*9*
B	**Increases**	**1,137**	**223**	**2**	**18**	**37**	**333**
	B.1 adjustments (*)	440	96	2	4	15	147
	B.1.1 including: for default interest	*136*	*9*	-	-	-	*3*
	B.2 use of reserves for possible loan losses	-	-	-	-	-	-
	B.3 transfers from other categories of doubtful loans	65	19	-	9	-	3
	B.4 other increases	632	108	-	5	22	183
C	**Decreases**	**1,062**	**261**	**3**	**19**	**34**	**20**
	C.1 writeback from valuations	61	23	-	6	7	1
	C.1.1 including: for default interest	-	-	-	-	-	-
	C.2 writebacks of collections	165	59	-	-	-	2
	C.2.1 including: for default interest	*31*	*17*	-	-	-	*2*
	C.3 write-offs	822	106	-	-	-	12
	C.4 transfers to other categories of doubtful loans	11	72	3	-	6	4
	C.5 other decreases	3	1	-	13	21	1
D	**Total adjustments as of December 31, 2000**	**2,527**	**458**	**5**	**35**	**29**	**587**
	D.1 including: for default interest	*808*	*41*	3	-	-	*16*

(*) The table "Adjustments to the value of loans" under caption 120 of the consolidated statement of income also includes € 67 million pertaining to the Banco di Napoli Group. This amount is included in the table under "Other increase" as a part of the effect of the group's first-time consolidation

During 2000, "Other increases" comprise € 865 million from the contribution of the Banco di Napoli Group as a result of its first-time consolidation, consisting of € 603 million of non-performing loans, € 99 million of problem loans, € 5 million of restructured loans, € 2 million of unsecured loans exposed to country risk and € 156 million of performing loans.

As already discussed, total adjustments include € 309 million relating to the adoption of a policy of actualizing doubtful loans. Writedowns for discounting purposes total € 235 million on non-performing loans, € 64 million on problem loans and € 10 million on restructured loans and loans being restructured.

Performing loans include € 205 million pertaining to the Parent Bank, specifically under observation, covered by write-downs totaling € 26 million. The inherent risk associated with other performing loans is covered by a general writedown of € 568 million.

Movements during the years in adjustments made to loans granted to banks

Movements during 2001 in adjustments made to loans granted to banks were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

	Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A	**Total adjustments as of January 1, 2001**	**13**	-	-	-	**5**	**7**
	A.1 including: for default interest	-	-	-	-	-	-
B	**Increases**	**1**	**-**	**-**	**-**	**13**	**10**
	B.1 adjustments	-	-	-	-	13	9
	B.1.1 including: for default interest	-	-	-	-	-	-
	B.2 use of reserves for possible loan losses	-	-	-	-	-	-
	B.3 transfers from other categories of doubtful loans	-	-	-	-	-	-
	B.4 other increases	1	-	-	-	-	1
C	**Decreases**	**4**	**-**	**-**	**-**	**-**	**8**
	C.1 writeback from valuations	-	-	-	-	-	8
	C.1.1 including: for default interest	-	-	-	-	-	-
	C.2 writebacks of collections	-	-	-	-	-	-
	C.2.1 including: for default interest	-	-	-	-	-	-
	C.3 write-offs	4	-	-	-	-	-
	C.4 transfers to other categories	-	-	-	-	-	-
	C.5 other decreases of doubtful loans	-	-	-	-	-	-
D	**Total adjustments as of December 31, 2001**	**10**	**-**	**-**	**-**	**18**	**9**
	D.1 including: for default interest	*1*	-	-	-	-	-

Movements during 2000 in adjustments made to loans granted to banks were as follows:

(Bank of Italy instructions dated 12/17/98) (€/mil)

	Description / Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A	**Total adjustments as of January 1, 2000**	**11**	-	-	-	**157**	-
	A.1 including: for default interest	-	-	-	-	-	-
B	**Increases**	**2**	-	-	-	**21**	7
	B.1 adjustments	-	-	-	-	1	7
	B.1.1 including: for default interest	-	-	-	-	-	-
	B.2 use of reserves for possible loan losses	-	-	-	-	-	-
	B.3 transfers from other categories of doubtful loans	-	-	-	-	-	-
	B.4 other increases	2	-	-	-	20	-
C	**Decreases**	-	-	-	-	**173**	-
	C.1 writeback from valuations	-	-	-	-	7	-
	C.1.1 including: for default interest	-	-	-	-	-	-
	C.2 writebacks of collections	-	-	-	-	22	-
	C.2.1 including: for default interest	-	-	-	-	-	-
	C.3 write-offs	-	-	-	-	143	-
	C.4 transfers to other categories	-	-	-	-	-	-
	C.5 other decreases of doubtful loans	-	-	-	-	1	-
D	**Total adjustments as of December 31, 2000**	**13**	-	-	-	**5**	**7**
	D.1 including: for default interest	-	-	-	-	-	-

"Other increases" include € 2 million of non-performing loans fromthe Banco di Napoli Group's contribution on first-time consolidation.

Loans to customers and banks resident in nations exposed to country risk are analyzed below for the years 2001 and 2000:

(€/mil)

Country	Gross exposure as of 12/31/01 Total (book value)	including: unsecured book value	including: unsecured weighted value
Brazil	128	66	63
Venezuela	19	15	15
Egypt	16	11	11
Morocco	95	7	7
Argentina	78	6	5
Algeria	9	5	4
Kamerun	2	2	2
Russian Federation	381	1	1
Philippines	20	1	1
Yugoslavia	1	1	1
Indonesia	1	1	1
Libanon	49	1	-
Iran	59	-	-
Cayman Islands	34	-	-
Bermuda	30	-	-
Others	104	3	2
Total gross exposure	**1,026**	**120**	**113**
Total adjustements	31	31	
Net exposures as of 12/31/01	**995**	**89**	

For the purposes of these notes, the countries considered are those listed by the Italian Banking Association, for which, in the absence of specific guarantees, general adjustments have to be made.

Adjustments to unsecured loans exposed to country risk have been made by applying the weighting criteria and the writedown percentages agreed industry-wide by the Italian Banking Association, as mentioned above. Such writedowns are to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans, amounting to € 906 million (€ 896 million as of December 31, 2000), are insured by SACE or equivalent entities and by sureties from banking operators in the OECD area. In addition, they comprise loans of € 255 million (€ 295 million as of December 31, 2000) granted by the Parent Bank to a prime customer resident in Russia that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the lending risk. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

(€/mil)

Country	Gross exposure as of 12/31/00		
	Total	*including: unsecured*	
	(book value)	*book value*	*weighted value*
Brazil	108	58	10
Argentina	81	51	51
Qatar	56	22	16
Venezuela	16	13	13
Tunisia	10	8	2
Egypt	17	6	6
Algeria	44	6	4
South Africa	5	5	1
Morocco	101	5	5
Philippines	10	5	5
Kamerun	3	3	3
Russian Federation	457	2	2
Croazia	2	2	2
Libanon	53	1	-
Pakistan	32	-	-
Others	94	6	5
Total gross exposure	**1,089**	**193**	**125**
Total adjustements	34	34	
Net exposures as of 12/31/00	**1,055**	**159**	

Other information relating to loans

Information regarding the distribution of loans, by category of borrower, industry, geographical area, maturity, liquidity and currency, is provided in Note (22).

(13) SECURITIES

Securities owned by the Group are analyzed as follows:

	12/31/01	12/31/00
		(€/mil)
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	9,373	8,968
Bonds and other debt securities (caption 50)	11.216	13.987
Shares, quotas and other equities (caption 60)	1,528	2,003
Total	**22,117**	**24,958**

"Treasury bills and similar bills eligible for refinancing with central banks" represent securities which may be used for refinancing purposes; at the balance sheet date, securities had not been used for this purpose.

Investment securities

Securities recorded in the consolidated financial statements include those which will be held long term by Group companies and declared as such in their financial statements. The investment securities portfolio is analyzed as follows:

Investment securities (table 2.1 B. *(€/mil)*

	12/31/01		12/31/00	
	Book value	**Market value**	**Book value**	**Market value**
1. Debt securities				
1.1 Government securities				
- quoted	1,579	1,605	2,907	2,962
- unquoted	-	-	-	-
1.2 other securities				
- quoted	1,069	1,090	2,675	2,681
- unquoted	655	656	1,087	1,087
2. Equities				
- quoted	-	-	2	2
- unquoted	5	5	-	-
Total	**3,308**	**3,356**	**6,671**	**6,732**

A comparison between the market value and book value of securities reveals a net unrealized, unrecorded gain of € 23 million on securities not hedged by derivative contracts and € 25 million on securities hedged by derivative contracts pertaining to the Parent Bank. The valuation of these derivatives reveals an unrealized loss of € 21 million.

“Other securities”, quoted and unquoted, mainly include securities held by Banco di Napoli for € 781 million, by foreign subsidiaries for € 557 million and by the Parent Bank for € 386 million. More specifically, the securities deriving from third party securitisation deals amount to € 429 million, investments in government securities (other than Italian) and those of public entities amount to € 300 million, while other investments in securities, totaling € 995 million, are largely of primary European issuers.

“Equities” entirely comprise units in mutual funds included in the investment portfolios of NHS - Nuova Holding SANPAOLO IMI S.p.A..

As of December 31, 2000, a comparison between the market value and book value of “Government securities” reveals a net unrealized, unrecorded gain of € 55 million pertaining to the Parent Bank and to Banco di Napoli, substantially offset by derivative contracts.

“Other securities” include the portfolio of the subsidiary Banco di Napoli (€ 2,937 million) and that of foreign subsidiaries (€ 601 million), as well as those of the Parent Bank (€ 215 million). More specifically, the securities portfolio of Banco di Napoli includes securities issued by primary North American operators (around € 2,270 million), while the investments made by the Parent Bank and its other subsidiaries are concentrated in EU Government and corporate securities.

“Equities” entirely comprise units in mutual funds included in the investment portfolios of certain subsidiary companies.

The following table shows changes in investment securities during 2001:

Changes in investments securities during the year (table 2.2 B.I.) *(€/mil)*

A. Opening balance January 1, 2001	**6,671**
B. Increases	**1,090**
B1. Purchases	893
B2. writebacks	1
B3. transfers from dealing portfolio	4
B4. other changes	192
C. Decreases	**4,453**
C1. sales	1,311
C2. redemptions	1,611
C3. adjustments	11
including:	
permanent writedowns	*9*
C4. transfers to dealing portfolio	1,382
C5. other changes	138
D. Closing balance December 31, 2001	**3,308**

"Transfers from dealing portfolio" as per subcaption B3. are made up of investments held by a foreign subsidiary.

Subcaption B4. "Increases - other changes" includes exchange differences on securities denominated in foreign currency for € 159 million and dealing discounts for € 12 million.

Subcaption C5. “Decreases – other changes” includes € 118 million which is the net effect of eliminating intercompany positions less € 16 million of exchange losses on securities denominated in foreign currency.

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

Subcaption C1. “Sales” includes € 1,223 million of sales carried out by the subsidiary Banco di Napoli according to indications given by its Board of Directors in the resolutions about operations and € 88 million of other sales made by certain foreign subsidiaries based on approvals given by local Supervisory Authorities.

The adjustments reported in subcaption C3., for a total of € 11 million, relate to a € 9 million writedown of securities made by a subsidiary of Banco di Napoli, and a € 2 million writedown of securities to market value by the Parent Bank, pursuant to Art. 18 of D.Lgs 87/92.

Caption C4. "Transfer to dealing portfolio" essentially represents a transfer of € 1,380 million made by Banco di Napoli in connection with the redefinition of its activities.

A comparison between the market value and book value reveals gains of € 21 million (issue and dealing discounts) which will be recorded in the statement of income on an accrual basis. More specifically, Banco di Napoli shows gains of € 33 million, the Parent Bank losses of € 11 million and other foreign subsidiaries losses of € 1 million.

Note that increases in the investment portfolio are carried out by Group companies with Board and Management approval, within their set limits.

The following table shows changes in investment securities during 2000:

Changes in investments securities during the year (table 2.2 B.I.) *(€/mil)*

A. Opening balance January 1, 2000	**1,756**
B. Increases	**5,385**
B1. Purchases	84
B2. writebacks	-
B3. transfers from dealing portfolio	27
B4. other changes	5,274
C. Decreases	**470**
C1. sales	178
C2. redemptions	212
C3. adjustments	16
including:	
permanent writedowns	-
C4. transfers to dealing portfolio	1
C5. other changes	63
D. Closing balance December 31, 2000	**6,671**

“Transfers from dealing portfolio” as per subcaption B3. are made up of investments held by foreign subsidiary companies.

Subcaption B4. “Increases – other changes” includes € 5,203 million relating to the contribution of the Banco di Napoli Group.

Subcaptions B4. “Increases - other changes” and C5. “Decreases - other changes” reflect exchange differences on securities denominated in foreign currency and accrued issue and dealing discounts.

The sales reported in subcaption C1. refer to € 134 million of sales by foreign subsidiaries and € 44 million from the factoring by the Parent Bank of Interest Arrears Notes issued by the former USSR and to its participation in the restructuring of payables by Mexico and Ecuador, resulting in a net gain in the income statement of around € 6 million.

The "adjustments" reported in subcaption C3., totaling € 16 million, relate to the writedown of unsecured securities issued by residents in nations subject to "country risk" made by the Parent Bank, to take market trends into consideration, pursuant to Art. 18 of D.Lgs 87/92.

A comparison between the repayment value and book value reveals gains of € 43 million (issue and dealing discounts) which will be recorded in the statement of income on an accrual basis. More specifically, Banco di Napoli shows gains of € 55 million, the Parent Bank losses of € 10 million and other foreign subsidiaries losses of € 2 million.

Dealing securities

These securities, held for treasury and dealing purposes, comprise:

Dealing securities (table 2.3 B.I.) *(€/mil)*

	12/31/01		12/31/00	
	Book value	**Market value**	**Book value**	**Market value**
1. Debt securities				
1.1 Government securities				
- quoted	9,626	9,626	9,275	9,275
- unquoted	57	57	228	228
1.2 other securities				
- quoted	4,140	4,140	3,811	3,811
- unquoted	3,463	3,471	2,972	2,977
2. Equities				
- quoted	1,259	1,259	1,991	1,991
- unquoted	264	265	10	10
Total	**18,809**	**18,818**	**18,287**	**18,292**

In the reclassified consolidated balance sheet, the dealing securities portfolio also includes € 10 million of SANPAOLO IMI S.p.A. shares, purchased by certain subsidiaries as part of their trading activities.

The following table shows changes in dealing securities during 2001:

Changes in dealing securities during the year (table 2.4 B.I.)	*(€/mil)*
A. Opening balance as of January 1, 2001	**18,287**
B. Increases	**483,251**
B1. purchases	480,224
– *debt securities*	*432,559*
– *Government securities*	*277,006*
– *other securities*	*155,553*
– *equities*	*47,665*
B2. writebacks and revaluations	194
B3. transfers from investment portfolio	1,471
B4. other changes	1,362
C. Decreases	**482,729**
C1. sales and redemptions	481,310
– *debt securities*	*433,095*
– *Government securities*	*278,023*
– *other securities*	*155,072*
– *equities*	*48,215*
C2. adjustments	107
C3. transfers to investment portfolio	4
C5. other changes	1,308
D. Closing balance as of December 31, 2001	**18,809**

The following table shows changes in dealing securities during 2000:

Changes in dealing securities during the year (table 2.4 B.I.)	*(€/mil)*
A. Opening balance as of January 1, 2000	**16,624**
B. Increases	**296,805**
B1. purchases	291,709
– *debt securities*	*268,650*
– *Government securities*	*153,204*
– *other securities*	*115,446*
– *equities*	*23,059*
B2. writebacks and revaluations	133
B3. transfers from investment portfolio	1
B4. other changes (*)	4,962
C. Decreases	**295,142**
C1. sales and redemptions	292,043
– *debt securities*	*269,093*
– *Government securities*	*153,624*
– *other securities*	*115,469*
– *equities*	*22,950*
C2. adjustments	245
C3. transfers to investment portfolio	27
C5. other changes	2.827
D. Closing balance as of December 31, 2000	**18,287**

(*) This caption includes € 1,433 million which is the contribution made by the Banco di Napoli Group on its first-time consolidation.

Other information relating to securities

The composition of the securities portfolio is analyzed by geographical area, currency and liquidity in Note (22).

(14) INVESTMENTS

Significant investments

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

Significant investments (table 3.1 B.I.)

	Name	Registered offices	Type of re-lation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	Ownership %	Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)
A.	**Companies consolidated on a line-by-line and proportional basis**								
	SANPAOLO IMI S.p.A. (Parent Bank)	Turin		8,101	1,184	-	-	-	-
A 1	***Companies consolidated on a line-by-line basis***								
1	Banca Fideuram S.p.A.	Milan	1	942	239	Sanpaolo IMI	61.29	61.29	XXX
						Invesp	10.21	10.21	XXX (A)
							71.50	71.50	
2	Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	344	-5	Sanpaolo IMI	100.00	100.00	XXX
3	Banca IMI Securities Corp.	United States	1	175	3	IMI Capital Market USA	100.00	100.00	XXX
4	Banca OPI S.p.A.	Rome	1	381	32	Sanpaolo IMI	100.00	100.00	XXX (B)
5	Banca Sanpaolo Invest S.p.A.	Rome	1	105	15	Sanpaolo IMI	100.00	100.00	XXX
6	Banco di Napoli S.p.A	Naples	1	1,359	3	Sanpaolo IMI	93.63	100.00	XXX
7	Banco di Napoli Asset Management S.G.R. p.A.	Naples	1	26	3	Banco di Napoli	100.00	100.00	XXX
8	Banque Privée Fideuram Wargny S.A. (ex Financière Wargny S.A.)	France	1	89	-2	Financière Fideuram	99.84	99.84	XXX (C)
9	Banque Sanpaolo S.A.	France	1	436	36	Sanpaolo IMI	100.00	100.00	XXX
10	BNH S.p.A.	Turin	1	361	1,156	Sanpaolo IMI	100.00	100.00	XXX
11	Fideuram Bank S.A.	Luxembourg	1	36	10	Banca Fideuram	99.99	99.99	XXX
						Fideuram Vita	0.01	0.01	XXX
							100.00	100.00	
12	Fideuram Bank (Suisse) A.G. (ex Turis A.G.)	Switzerland	1	21	-	Fideuram Bank	100.00	100.00	XXX
13	Fideuram Capital SIM S.p.A.	Milan	1	25	12	Banca Fideuram	100.00	100.00	XXX
14	Fideuram Fiduciaria S.p.A.	Rome	1	2	-	Banca Fideuram	100.00	100.00	XXX
15	Fideuram Fondi S.p.A	Rome	1	32	11	Banca Fideuram	99.25	99.25	XXX
16	Fideuram Gestioni Patrimoniali SIM S.p.A.	Milan	1	22	15	Banca Fideuram	100.00	100.00	XXX
17	Fideuram Gestions S.A	Luxembourg	1	12	10	Banca Fideuram	99.99	99.99	XXX
						Fideuram Vita	0.01	0.01	XXX
							100.00	100.00	
18	Fideuram Multimanager Fund Management Company S.A.	Luxembourg	1	-	-	Banca Fideuram	99.20	99.20	XXX
						Fideuram Vita	0.80	0.80	XXX
							100.00	100.00	(D)
19	Fideuram Wargny Active Broker S.A. (ex Wargny Mesactions S.A.)	France	1	22	4	Banque Privée Fideuram Wargny	99.99	99.99	XXX
20	Fideuram Wargny Gestion S.A. (ex Wargny Gestion S.A.)	France	1	3	-	Banque Privée Fideuram Wargny	99.85	99.85	XXX
21	Financière Fideuram S.A. (ex Wargny Management S.A.)	France	1	38	-1	Banca Fideuram	94.96	94.96	XXX (E)

(cont.: Companies consolidated on a line-by-line basis)

	Name	Registered offices	Type of re-lation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	Ownership %	Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)
22	Fonditalia Management Company S.A	Luxembourg	1	172	161	Banca Fideuram	99.96	99.96	XXX
						Fideuram Vita	0.04	0.04	XXX
							100.00	100.00	(D)
23	IDEA S.A.	Luxembourg	1	-	-	IMI Bank (Lux)	99.17	99.17	XXX
						Sanpaolo IMI International	0.83	0.83	XXX
							100.00	100.00	
24	IMI Bank (Lux) S.A.	Luxembourg	1	80	3	Banca IMI	99.99	99.99	XXX
						IMI Investments	0.01	0.01	XXX
							100.00	100.00	
25	IMI Capital Markets USA Corp.	United States	1	177	-1	IMI Investments	100.00	100.00	XXX
26	IMI Investments S.A	Luxembourg	1	171	-1	Banca IMI	99.99	99.99	XXX
						Banca IMI Securities	0.01	0.01	XXX
							100.00	100.00	
27	IMI Real Estate S.A	Luxembourg	1	3	-	IMI Bank (Lux)	99.99	99.99	XXX
						Sanpaolo IMI International	0.01	0.01	XXX
							100.00	100.00	
28	IMIWeb Bank S.p.A.	Milan	1	37	-47	Banca IMI	100.00	100.00	XXX
29	IMIWeb (UK) Ltd	United Kingdom	1	8	-6	IMIWeb Bank	100.00	100.00	XXX
30	Independent Management for Institutional Advisory Co. S.A.	Luxembourg	1	6	-	IMI Investments	100.00	100.00	XXX
31	Interfund Advisory Company S.A	Luxembourg	1	64	64	Banca Fideuram	99.92	99.92	XXX
						Fideuram Vita	0.08	0.08	XXX
							100.00	100.00	(D)
32	Int. Securities Advisory Company S.A.	Luxembourg	1	6	6	Banca Fideuram	99.98	99.98	XXX
						Fideuram Vita	0.02	0.02	XXX
							100.00	100.00	(D)
33	Invesp S.p.A. (ex Apoké Two S.p.A.)	Turin	1	365	211	Sanpaolo IMI	100.00	100.00	XXX (F)
34	Lackenstar Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
35	LDV Holding B.V.	The Netherlands	1	233	-1	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	XXX
36	NHS-Nuova Holding Sanpaolo IMI S.p.A. (subsequently IMI Investimenti S.p.A.)	Turin	1	811	63	Sanpaolo IMI	51.00	51.00	XXX (G)
37	NHS Investments S.A. (ex Sanpaolo IMI Investments S.A.)	Luxembourg	1	149	-19	NHS-Nuova Holding Sanpaolo IMI	99.99	99.99	XXX
						LDV Holding	0.01	0.01	XXX
							100.00	100.00	
38	NHS Luxembourg S.A.	Luxembourg	1	20	-	NHS-Nuova Holding Sanpaolo IMI	99.99	99.99	XXX
						LDVHolding	0.01	0.01	XXX
							100.00	100.00	(H)
39	Sanpaolo Asset Management S.A.	France	1	3	2	Banque Sanpaolo	99.98	99.98	XXX
						Société Fonciere d'Investissement	0.01	0.01	XXX
						Société Immobilière d'Investissement	0.01	0.01	XXX
							100.00	100.00	

(cont.: Companies consolidated on a line-by-line basis)

	Name	Registered offices	Type of re-lation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	Ownership %	Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)
40	Sanpaolo Bail S.A	France	1	5	1	Banque Sanpaolo	99.97	99.97	XXX
						Sanpaolo Mur	0.01	0.01	XXX
						Société Fonciere d'Investissement	0.01	0.01	XXX
						Société Immobilière d'Investissement	0.01	0.01	XXX
							100.00	100.00	(B)
41	Sanpaolo Bank (Austria) A.G.	Austria	1	11	2	Sanpaolo Bank	100.00	100.00	XXX
42	Sanpaolo Bank S.A.	Luxembourg	1	142	67	Wealth Management Sanpaolo IMI	99.99	99.99	XXX
						Sanpaolo Services Luxembourg	0.01	0.01	XXX
							100.00	100.00	(I)
43	Sanpaolo Fiduciaria S.p.A.	Milan	1	3	-	Wealth Management Sanpaolo IMI	100.00	100.00	XXX (I)
44	Sanpaolo Fonds Gestion S.n.c.	France	1	12	12	Banque Sanpaolo	80.00	80.00	XXX
						Sanpaolo Asset Management S.A.	20.00	20.00	XXX
							100.00	100.00	
45	Sanpaolo Gestion Internationale S.A.	Luxembourg	1	11	60	Wealth Management Sanpaolo IMI	99.98	99.98	XXX
						Sanpaolo Bank	0.02	0.02	XXX
							100.00	100.00	(I)
46	Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	Milan	1	1	-	Sanpaolo IMI Asset Management SGR	99.99	99.99	XXX
						Sanpaolo IMI	0.01	0.01	XXX
							100.00	100.00	(H)
47	Sanpaolo IMI Asset Management S.g.r. S.p.A.	Turin	1	51	17	Wealth Management Sanpaolo IMI	100.00	100.00	XXX (I)
48	Sanpaolo Imi Bank (International) S.A.	Madeira	1	189	7	Sanpaolo IMI	69.01	69.01	XXX
						Sanpaolo IMI International	30.99	30.99	XXX
							100.00	100.00	
49	Sanpaolo IMI Bank Ireland Plc	Ireland	1	477	20	Sanpaolo IMI	100.00	100.00	XXX
50	Sanpaolo IMI Capital Company I L.l.c.	United States	1	45	-	Sanpaolo IMI	100.00	100.00	XXX
51	Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A.	Monza	1	20	1	Wealth Management Sanpaolo IMI	55.00	55.00	XXX
						Fideuram Capital	30.00	30.00	XXX
						Banca IMI	11.72	11.72	XXX
						IMI Bank (Lux)	3.28	3.28	XXX
							100.00	100.00	(J)
52	Sanpaolo Imi International S.A.	Luxembourg	1	1,112	7	Sanpaolo IMI	100.00	100.00	XXX
53	Sanpaolo IMI US Financial Co.	United States	1	-	-	Sanpaolo IMI	100.00	100.00	XXX
54	Sanpaolo Invest Ireland Ltd	Ireland	1	2	2	Banca Sanpaolo Invest	100.00	100.00	XXX (J)
55	Sanpaolo Leasint S.p.A.	Milan	1	60	7	Sanpaolo IMI	100.00	100.00	XXX (B)
56	Sanpaolo Mur S.A	France	1	3	-	Banque Sanpaolo	99.99	99.99	XXX
						Sanpaolo Bail	0.01	0.01	XXX
							100.00	100.00	(B)
57	Sanpaolo Riscossioni Genova S.p.A.	Genoa	1	7	-	Sanpaolo IMI	100.00	100.00	XXX

(cont.: Companies consolidated on a line-by-line basis)

	Name	Registered offices	Type of re-lation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	Ownership %	Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)
58	Sanpaolo Riscossioni Prato S.p.A.	Prato	1	4	-	Sanpaolo Riscossioni Genova	63.76	63.76	XXX
						Sanpaolo IMI	36.24	36.24	XXX
							100.00	100.00	(K)
59	Sanpaolo Services Luxembourg S.A.	Luxembourg	1	5	3	Wealth Management Sanpaolo IMI	99.60	99.60	XXX
						Sanpaolo Bank	0.40	0.40	XXX
							100.00	100.00	(I)
60	SEP S.p.A.	Turin	1	3	-	Sanpaolo IMI	100.00	100.00	XXX
61	Société de Gestion du Fonds commun de Placement Fideuram Fund S.A.	Luxembourg	1	16	16	Banca Fideuram	99.20	99.20	XXX (D)
						Fideuram Vita	0.80	0.80	XXX
							100.00	100.00	
62	Sogesmar S.A	France	1	1	-	Banque Privée Fideuram Wargny	51.09	51.09	XXX
						Fideuram Wargny Gestion	48.19	48.19	XXX
							99.28	99.28	
63	SP Asset Management Luxembourg S.A	Luxembourg	1	2	1	Sanpaolo Bank	99.99	99.99	XXX
						Sanpaolo Services Luxembourg	0.01	0.01	XXX
							100.00	100.00	
64	SP Immobilière S.A	Luxembourg	1	-	-	Sanpaolo Bank	99.99	99.99	XXX
						Sanpaolo Services Luxembourg	0.01	0.01	XXX
							100.00	100.00	
65	SP Private Banking S.A.	Switzerland	1	19	-8	Sanpaolo Bank	99.98	99.98	XXX (H)
66	Tobuk Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
67	Tushingham Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
68	Wargny Gestion S.A.M.	Montecarlo	1	5	-	Banque Privée Fideuram Wargny	99.50	99.50	XXX
69	Wealth Management Sanpaolo IMI S.p.A. (subsequently Sanpaolo IMI WM S.p.A.)	Milan	1	658	320	Sanpaolo IMI	100.00	100.00	XXX

A 2 *Companies consolidated with the proportional method*

1	Centradia Group Ltd	United Kingdom	7	44	5	Sanpaolo IMI	29.03	29.03	XXX (H)
2	Centradia Ltd	United Kingdom	7	5	-4	Centradia Group	100.00	100.00	XXX (H)
3	Centradia Services Ltd	United Kingdom	7	9	-16	Centradia Group	100.00	100.00	XXX (H)
4	Finconsumo Banca S.p.A.	Turin	7	51	8	Sanpaolo IMI	50.00	50.00	XXX
5	FC Factor S.r.l.	Turin	7	2	1	Finconsumo	100.00	100.00	XXX

	Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	%	Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)	

B. Investments carried at equity

B 1 Investments carried at equity - subsidiaries (***)

	Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Held by	%	Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)	
1	Banca IMI (Nominees) Ltd	United Kingdom	1	-	-	Banca IMI	100.00	100.00	-	
2	Bernabé Mobile Investments 2 S.A.	Belgium	1	59	-8	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	59	
3	Bonec Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	-	
4	Brokerban S.p.A	Naples	1	2	1	Banco di Napoli	100.00	100.00	2	
5	Cedar Street Securities Corp.	United States	1	-	-	Banca IMI Securities	100.00	100.00	-	
6	Consorzio Studi e Ricerche Fiscali	Rome	1	-	-	Sanpaolo IMI	50.00	50.00	-	
						Banca IMI	10.00	10.00	-	
						Banca Fideuram	10.00	10.00	-	
						Banca OPI	5.00	5.00	-	
						Banco di Napoli	5.00	5.00	-	
						Fideuram Vita	5.00	5.00	-	(L)
						NHS-Nuova Holding Sanpaolo IMI	5.00	5.00	-	
						Sanpaolo Leasint	5.00	5.00	-	
						Sanpaolo IMI Asset Management	5.00	5.00	-	
							100.00	100.00		
7	Datitalia Processing S.p.A	Naples	1	8	-	Banco di Napoli	70.00	70.00	6	(M) (N)
8	Esaban S.p.A.	Naples	1	3	-	Banco di Napoli	100.00	100.00	3	(H)
9	Fideuram Asset Management (Ireland) Ltd	Ireland	1	1	-	Banca Fideuram	100.00	100.00	1	(H)
10	Fideuram Assicurazioni S.p.A	Rome	1	13	2	Banca Fideuram	100.00	100.00	13	
11	Fideuram Vita S.p.A	Rome	1	286	5	Banca Fideuram	99.75	100.00	280	
12	Finance Gestion S.A	France	1	-	-	Banque Privée Fideuram Wargny	50.02	50.02	-	
						Financière Fideuram	49.84	49.84	-	
							99.86	99.86		
13	Finomatic S.a r.l.	France	1	-	-	Financière Fideuram	99.80	99.80	-	
14	Gedit S.A.	Luxembourg	1	-	-	Sanpaolo IMI	90.00	90.00	-	
						Prospettive 2001	10.00	10.00	-	(L)
							100.00	100.00		(O)
15	Immobiliare 21 (ex Uno Immobiliare in liq.)	Milan	1	-	-1	Invesp	90.00	90.00	-	
						RSP	10.00	10.00	-	(L)
							100.00	100.00		(P)
16	Independent Management for Institutionals Sicav	Luxembourg	1	-	-	IMI Bank (Lux)	50.00	50.00	-	
						Independent Management for Institutional Adv.	50.00	50.00	-	
17	Obiettivo Società di Gestione del Risparmio (S.G.R.) S.p.A.	Milan	1	3	-	Banca IMI	100.00	100.00	3	(H)
18	Prospettive 2001 S.p.A.	Milan	1	14	-	Sanpaolo IMI	100.00	100.00	14	
19	RSP S.r.l. (ex Stare S.r.l. in liq.)	Turin	1	-	-	Sanpaolo IMI	100.00	100.00	-	

(cont.: Investments carried at equity - subsidiaries)

	Name	Registered offices	Type of re-lation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership: Held by	Ownership: %	Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)	
20	Sanpaolo IMI Capital Partners Ltd	Guernsey	1	-	-	NHS-Nuova Holding Sanpaolo IMI	99.00	99.00	-	
						Sanpaolo IMI Management	1.00	1.00	-	(L)
							100.00	100.00		
21	Sanpaolo IMI Management Ltd	United Kingdom	1	-	-	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	-	
22	Sanpaolo IMI Private Equity S.p.A.	Turin	1	1	-	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	1	
23	Sanpaolo Leasint G.M.B.H.	Austria	1	-	-	Sanpaolo Leasint	100.00	100.00	-	
24	Sanpaolo Life Ltd	Ireland	1	29	18	Sanpaolo Vita	75.00	100.00	-	(L)
						Banca Sanpaolo Invest	25.00	0.00	4	
							100.00	100.00		
25	Sanpaolo Vita S.p.A.	Milan	1	233	51	Wealth Management Sanpaolo IMI	100.00	100.00	244	(I)(Q)
26	Société Civile Les Jardins d'Arcadie	France	1	-	-	Banque Sanpaolo	55.00	55.00	-	
27	Socavie S.A	France	1	5	5	Banque Sanpaolo	99.80	99.80	5	
						Société Foncière d'Investissement	0.20	0.20	-	(L)
							100.00	100.00		
28	Société Foncière d'Investissement S.A.	France	1	-	-	Banque Sanpaolo	99.96	99.96	-	
						Société Immobilière d'Investissement	0.04	0.04	-	(L)
							100.00	100.00		
29	Société Immobilière d'Investissement	France	1	-	-	Banque Sanpaolo	99.98	99.98	-	
						Société Foncière d'Investissement	0.02	0.02	-	(L)
							100.00	100.00		
30	UNI Invest S.A	France	1	-	-	Banque Sanpaolo	99.99	99.99	-	
						Sanpaolo Bail	0.01	0.01	-	
							100.00	100.00		
31	W.D.W. S.A.	France	1	-	-	Banque Privèe Fideuram Wargny	99.72	99.72	-	
32	BN Finrete S.p.A. (in liq.)	Naples	1	1	-	Banco di Napoli	99.00	99.00	1	(R)
33	Imifin S.p.A. (in liq.)	Rome	1	-	-	Sanpaolo IMI	100.00	100.00	-	
34	IMI Bank A.G. (in liq.)	Germany	1	1	-	IMI Bank (Lux)	95.24	95.24	1	
						Sanpaolo IMI International	4.76	4.76	-	
							100.00	100.00		(R)
35	Innovare S.r.l. (in liq.)	Naples	1	4	-	Banco di Napoli	90.00	90.00	1	(R)
36	Sanpaolo U.S. Holding Co. (in liq.)	United States	1	3	-1	Sanpaolo IMI	100.00	100.00	3	(R)
37	W.S. Invest S.A. (in liq.)	France	1	-	-	Financière Fideuram	60.52	60.52	-	
						Finance Gestion	39.00	39.00	-	(L)
							99.52	99.52		
	Other minor investments								2	(S)
	Total investments carried at equity - subsidiaries								643	

	Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	Ownership %	Voting rights at shareholders' meeting %	Consolidated book values (€/mil)	
B 2	***Investments carried at equity - Other***									
38	Aeffe S.p.A	Rimini	8	48	2	LDV Holding	20.00	20.00	10	(T)
39	Banque Michel Inchauspe S.A. (BAMI)	France	8	31	7	Banque Sanpaolo	20.00	20.00	5	
40	Beaujon Immobilière	France	7	-	-	Banque Sanpaolo	50.00	50.00	-	
41	Cassa dei Risparmi di Forlì S.p.A.	Forlì	8	197	18	Sanpaolo IMI	21.02	21.02	41	(P) (U)
42	Cassa di Risparmio di Firenze S.p.A	Florence	8	884	71	Sanpaolo IMI	18.73	18.73	169	(Q) (W)
43	CBE Service S.p.r.l.	Belgium	8	-	-	Sanpaolo IMI	26.70	26.70	-	
						Banco di Napoli	5.00	5.00	-	
							31.70	31.70		
44	Comim S.p.A.	Milan	8	14	2	LDV Holding	49.58	49.58	7	(U)
45	Conservateur Finance S.A	France	8	29	4	Banque Sanpaolo	20.00	20.00	6	
46	CR Firenze Gestion Internationale S.A	Luxembourg	8	-	-	Sanpaolo IMI	20.00	20.00	-	
47	Egida Compagnia di Assicuazioni S.p.A	Turin	7	10	1	Sanpaolo Vita	50.00	50.00	-	(L)
48	Esatri S.p.A.	Milan	8	57	7	Sanpaolo IMI	31.50	31.50	18	(N)
49	Eurosic S.A	France	8	30	1	Banque Sanpaolo	32.77	32.77	10	
50	Filos S.p.A	Venice	8	2	-8	LDV Holding	37.70	37.70	1	(T)
51	Finnat Investments S.p.A.	Rome	8	-	-	Invesp	20.00	20.00	-	(A)
52	HDI Assicurazioni S.p.A.(ex BNC Assicurazioni S.p.A.)	Rome	8	137	-19	Sanpaolo IMI	28.32	28.32	39	(P)
53	Inter-Europa Bank RT	Hungary	8	36	3	Sanpaolo IMI	32.51	32.51	8	(X)
54	Logiasit S.A	France	8	-	-	Banque Sanpaolo	33.34	33.34	-	
55	San Marino Gestion S.A	Luxembourg	8	-	-	Sanpaolo Bank SA	20.00	20.00	-	(V)
56	Sanpaolo IMI Private Equity Scheme B.V.	The Netherlands	8	89	-23	LDV Holding	29.38	29.38	23	
57	Società Gestione per il Realizzo S.p.A.	Rome	8	14	-	Banco di Napoli	18.84	18.84	1	
						Sanpaolo IMI	9.48	9.48	-	
						Banca Fideuram	0.63	0.63	-	
							28.95	28.95		
58	Société Civile du 41 Avenue Bouisson Bertrand	France	8	-	-	Banque Sanpaolo	25.00	25.00	-	
59	Société Civile le Jardin de Nazareth	France	8	-	-	Banque Sanpaolo	20.00	20.00	-	
60	Société Civile Le Maestro	France	8	-	-	Banque Sanpaolo	20.00	20.00	-	
61	Société Civile les Jardins du Ponant	France	8	-	-	Banque Sanpaolo	25.00	25.00	-	
62	Société Civile Res Club les Arcades	France	8	-	-	Banque Sanpaolo	25.00	25.00	-	
63	Société Civile St. Gratien Village	France	8	-	-	Banque Sanpaolo	30.00	30.00	-	
64	Stoà S.c.p.a.	Naples	8	1	-	Banco di Napoli	20.76	20.76	-	(P)
65	Aeroporto di Napoli (in liq.)	Naples	8	-	-	Banco di Napoli	20.00	20.00	-	
66	Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	1	-	Sanpaolo IMI	32.49	32.49	-	
						Banco di Napoli	0.35	0.35	-	
							32.84	32.84		(P)
67	Eurofondo S.c.p.A. (in liq.)	Rome	8	-	-	Sanpaolo IMI	25.00	25.00	-	
68	Finexpance S.p.A. (in liq.)	Chiavari	8	-8	-	Sanpaolo IMI	30.00	30.00	-	(P)
69	G.E.CAP. S.p.A. (in liq.)	Foggia	8	-12	-	Banco di Napoli	37.25	37.25	-	(P)
70	Galère 28 (in liq.)	France	8	-	-	Banque Sanpaolo	23.44	23.44	-	
71	Galileo Holding S.p.A. (in liq.)	Venice	8	-25	-6	Sanpaolo IMI	31.52	31.52	-	(P)
72	Italinfra Grandi Progetti S.p.A. (in liq.)	Naples	8	4	-	Banco di Napoli	30.00	30.00	-	(P)
73	Pubblileasing S.p.A. (in liq.)	Bari	8	1	-	Banco di Napoli	24.00	24.00	-	(P)
74	Société Civile Domaine de La Flambelle (in liq.)	France	8	-	-	Banque Sanpaolo	25.00	25.00	-	
75	Sofimer S.p.A. (in liq.)	Naples	8	3	-	Banco di Napoli	20.00	20.00	-	(P)
76	Sviluppo di Nuove Iniziative S.p.A. (in liq.)	Genoa	7	2	-	Banco di Napoli	50.00	50.00	1	(P) (R)
				Total investments carried at equity - other					339	
				Total investments carried at equity					982	

(*) Type of relationship:

1 = control pursuant to art. 2359.1.1 of the Italian Civil Code (majority of voting rights at an ordinary meeting).

7 = joint control pursuant to art. 35.1 of Decree 87/92;

8 = affiliated company pursuant to art. 36.1 of Decree 87/92: companies over which a “significant influence” is exercised, which is expected to exist if at least 20% of the voting rights at an ordinary meeting are held.

(**) Shareholders’ equity for consolidated companies is that used for the consolidated financial statements. Shareholders' equity includes the portion of net income, before allocation of dividends (net of any interim dividends);

(***) The list excludes equity investments of Banco di Napoli Isveimer S.p.A. (in liquidation) and Società per la gestione di attività S.p.A. (Sga) given the special characteristics of the respective interest holding (see Note 16 - “Other assets”).

(A) Transfer made by the Parent Bank in execution of the reorganisation process relating to equity investments (or portions thereof).

(B) Lease transactions are shown in the balance sheet and statement of income according to the financial lease method.

(C) The company merged Fideuram Wargny Société de Bourse S.A..

(D) The company has been incorporated in Fideuram Gestions S.A. with effect 1/1/2002.

(E) The former Wargny Management S.A. has merged Financière Fideuram (ex Wargny Associes S.A.) and took its name.

(F) The company entered the line-by-line consolidation at 6/30/2001 following the contribution of investments (or portions of them) by the Parent Bank (see note A).

(G) During the first quarter of 2002 the company took the new name of IMI Investimenti S.p.A. following the spin off of NHS S.p.A. "Private Equity" activities.

(H) Newly constituted company.

(I) The company is no longer held directly by the Parent Bank following the reorganization of the Wealth Management sector.

(J) The company, which was carried at cost in the 2000 consolidated financial statements, is now carried at equity, having reached the threshold of "significant influence".

(K) The company, which was formerly controlled directly by the Parent Bank, is now under the direct control of Sanpaolo Riscossioni Genova as a result of the current reorganization of the tax collection sector.

(L) The value is included in the equity valuation of the company holding the investment.

(M) The company, formerly included in the line-by-line consolidation, is now carried at equity, given that it was sold in the early months of 2002.

(N) Shareholders’ equity figures refer to the first half-year as of June 30, 2001.

(O) The company is in liquidation since February 2002.

(P) Shareholders’ equity figures refer to the financial statements as of December 31, 2000.

(Q) The valuation was based on the consolidated financial statements prepared by the company.

(R) The book value of the company reflects the estimated realisable value according to the stage of completion of the liquidation process.

(S) This represents the total value of equity investments shown in the balance sheet at less than € 500,000.

(T) The company, which was carried at cost in the 2000 consolidated financial statements, is now carried at equity, having reached the threshold of "significant influence".

(U) Equity investments acquired in 2001.

(V) The company was sold to third parties on January 25, 2002.

(W) Shareholders’ equity figures refer to the quarterly report as of September 30, 2001. During the year, the percentage fell from 19.10% to 18.73% because of an unsubscribed capital increase by SANPAOLO IMI.

(X) The difference between Consolidated book values and the portion of shareholders’ equity of the company reflects the writedown for permanent loss in value carried out by the Parent Bank.

The following table provides a list of the more significant of the other equity investments held by the Group by amount invested (book value equal to or higher than € 2.5 million).

Other significant equity investments

Name	Registered offices	Ownership Held by	% held (*)	Consolidated book values (€/mil)	
AEM Torino S.p.A.	Turin	NHS - Nuova Holding Sanpaolo IMI	1.47	11	
AMPS S.p.A	Parma	Ldv Holding	17.31	38	
Azimut S.p.A	Viareggio	LDV Holding	9.09	34	
		Sanpaolo IMI Private Equity	0.08	-	(A)
			9.17	34	
Banca Agricola Mantovana S.p.A.	Mantua	Sanpaolo IMI	8.49	206	(B)
Bank of Italy	Rome	Banco di Napoli	6.33	130	
		Sanpaolo IMI	2.00	55	
			8.33	185	
Banka Koper d.d.	Slovenia	Sanpaolo IMI	15.00	37	(C)(D)
Banca Mediocredito S.p.A.	Turin	Invesp	1.11	3	(E)
Banca Popolare di Lodi S.c.r.l.	Lodi	NHS - Nuova Holding Sanpaolo IMI	1.13	15	
		LDV Holding	0.40	8	
			1.53	23	
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.73	18	
Banksiel S.p.A.	Milan	Sanpaolo IMI	7.00	3	
Beni Stabili S.p.A.	Rome	Invesp	3.53	20	(E)
BIAT S.A.	Tunisia	Sanpaolo IMI	5.61	8	
Borsa Italiana S.p.A	Milan	Banca IMI	7.00	3	
		IMI Bank (Lux)	0.50	-	
			7.50	3	
Camuzzi Gazometri S.p.A	Milan	NHS - Nuova Holding Sanpaolo IMI	2.79	21	(F)
Cardine Banca S.p.A.	Bologna	Sanpaolo IMI	10.81	516	
		NHS - Nuova Holding Sanpaolo IMI	0.05	2	
			10.86	518	
Cartiere Fedrigoni & C. S.p.A.	Trento	NHS - Nuova Holding Sanpaolo IMI	10.79	12	(D)
CDC Finance IXIS S.A.	France	Sanpaolo IMI	3.88	323	(D)
Cedel International S.A.	Luxembourg	Banca IMI	1.32	3	
		Banco di Napoli	0.33	-	
			1.65	3	
Convergenza S.c.a.	Luxembourg	NHS Luxembourg	10.00	9	
Davide Campari S.p.A.	Milan	NHS - Nuova Holding Sanpaolo IMI	1.50	12	(D)
Enel S.p.A	Rome	NHS - Nuova Holding Sanpaolo IMI	0.04	18	
Engineering Ingegneria Informatica S.p.A.	Rome	NHS - Nuova Holding Sanpaolo IMI	1.60	6	
Eni S.p.A.	Rome	NHS - Nuova Holding Sanpaolo IMI	0.26	143	(D)
Euromedia Venture Belgique S.A	Belgium	NHS Luxembourg	9.68	5	
Euronext S.A	France	Banque Privèe Fideuram Wargny	1.47	4	

(cont.: Other significant equity investments)

Name	Registered offices	Ownership Held by	% held (*)	Consolidated book values (€/mil)	
FIAT S.p.A	Turin	NHS - Nuova Holding Sanpaolo IMI	1.48	147	
Fincantieri - Cantieri Navali Italiani S.p.A.	Trieste	NHS - Nuova Holding Sanpaolo IMI	1.21	4	
		Banco di Napoli	0.76	3	
			1.97	7	
Hutchinson 3G Italia S.p.A. (ex Andala UMTS S.p.A.)	Milan	NHS Investments	5.64	146	
		Bernabé Mobile Investments 2	2.26	-	(A)
			7.90	146	
Istituto Enciclopedia Italiana S.p.A	Rome	Banco di Napoli	8.00	3	
Istituto per il Credito Sportivo	Rome	Banco di Napoli	10.81	19	
Italenergia S.p.A.	Turin	NHS - Nuova Holding Sanpaolo IMI	7.82	248	(G)
Kiwi II Ventura Servicos de Consultoria S.A	Madeira	NHS - Nuova Holding Sanpaolo IMI	1.00	5	
Merloni Termosanitari S.p.A.	Fabriano	LDV Holding	6.31	22	(D)
Monte Titoli S.p.A.	Milan	Banca IMI	7.00	15	
		Sanpaolo IMI	5.45	1	
		Banco di Napoli	2.08	-	
			14.53	16	
Olivetti S.p.A.	Ivrea	Invesp	0.30	37	(E)
		NHS - Nuova Holding Sanpaolo IMI	0.04	5	
			0.34	42	
Praxis Calcolo S.p.A.	Milan	LDV Holding	12.50	8	
		Sanpaolo IMI Private Equity	0.25	-	(A)
			12.75	8	
Sagat S.p.A	Turin	NHS - Nuova Holding Sanpaolo IMI	12.40	18	
Salvagnini B.V.	The Netherlands	LDV Holding	9.43	6	
Santander Central Hispano S.A.	Spain	Sanpaolo IMI	1.15	458	
		Sanpaolo IMI International	1.85	831	
			3.00	1,289	
Simest S.p.A.	Rome	Sanpaolo IMI	3.31	5	
		Banco di Napoli	0.53	1	
			3.84	6	
SINLOC - Sistemi Iniziative Locali S.p.A	Turin	Banca OPI	8.15	4	
Spinner Global Technology Fund Ltd	Dutch Antilles	NHS - Nuova Holding Sanpaolo IMI	1.94	8	
Unionvita S.p.A	Rome	Sanpaolo IMI Institutional Asset Management	15.00	5	
Utet S.p.A	Turin	LDV Holding	17.90	19	
Other minor investments				34	
Total other significant equity investments				3,715	

(*) Percentage of total capital

(A) The value is included in the equity valuation of the company holding the investment.

(B) Investment carried out in 1999 within the placement operation, made by the SANPAOLO IMI Group, of 19% of the share capital of the company.

(C) Equity investments acquired in 2001. In February 2002 the takeover bid for Banka Koper was completed, as a result interest rose to 62.10%. The Slovenia Bank authorised SANPAOLO IMI S.p.A. to exercise its voting rights within 32.99%.

(D) Equity investments acquired in 2001.

(E) Transferred by the Parent Bank as part of the reorganization of non-strategic equity investments (or portions of them).

(F) The company was sold in March 2002.

(G) Company acquired in the second half of 2001 after the sale of the interest in Montedison.

Composition of the investment portfolio

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

(€/mil)

	12/31/01	**12/31/00**
(a) Investment in banks		
1. quoted	-	-
2. unquoted	1	1
(b) Investment in financial institutions		
1. quoted	-	-
2. unquoted	13	11
(c) Other investments		
1. quoted	-	-
2. unquoted	629	527
Total	**643**	**539**

Analysis of caption 70 "Equity investments" (table 3.4 B.I.)

(€/mil)

	12/31/01	**12/31/00**
(a) Investments in banks		
1. quoted	1,740	1,870
2. unquoted	1,118	236
(b) Investments in financial institutions		
1. quoted	10	10
2. unquoted	67	58
(c) Other investments		
1. quoted	414	527
2. unquoted	705	333
Total	**4,054**	**3,034**

__Changes during the year in the investment portfolio__

The following table shows the changes during 2001 in the investment portfolio:

Investments in Group companies (Table 3.6.1 B.I.)

	(€/mil)
A. Opening balance as of January 1, 2001	**539**
B. Increases	**140**
B1. purchases	108
B2. writebacks	-
B3. revaluations	-
B4. other changes	32
C. Decreases	**36**
C1. sales	-
C2. adjustments	-
including:	
permanent writedowns	-
C3. other changes	36
D. Closing balance as of December 31, 2001	**643**
E. Total revaluations	43
F. Total adjustments	408

Subcaption B1. "Purchases" reflects the capital increases of Sanpaolo Vita (€ 100 million) and of Bernabé Mobile Investments 2 S.A. (€ 2 million). It also includes € 6 million of investment for the incorporation of Obiettivo Società di Gestione del Risparmio (S.G.R.) S.p.A., Fideuram Asset Management (Ireland) Ltd and Esaban S.p.A.

Subcaptions B4. and C3. "Other changes" reflect increases and decreases (also due to the payment of dividends to fully consolidated companies) in subsidiaries carried at equity.

The following table shows the changes during 2000 in the investment portfolio:

Investments in Group companies (Table 3.6.1B.I.)

A. Opening balance as of January 1, 2000	**448**
B. Increases	**99**
B1. purchases	72
B2. writebacks	-
B3. revaluations	-
B4. other changes	27
C. Decreases	**(8)**
C1. sales	-
C2. adjustments	(1)
including:	
permanent writedowns	(1)
C3. other changes	(7)
D. Closing balance as of December 31, 2000	**539**
E. Total revaluations	43
F. Total adjustments	**408**

Subcaption B.1 “Purchases” comprises mainly the acquisition by NHS - Nuova Holding SANPAOLO IMI of a controlling interest in Bernabé Mobile Investments 2 S.A. for € 67 million.

Subcaption B.4 “Other changes” essentially refers to the increase in value of equity holdings carried at equity (a total of € 20 million). The latter amount includes € 4 million for revaluation of Fideuram Vita's shareholders' equity after it carried out a property revaluation pursuant to Law 342 of November 21, 2000. The contra-entries of this revaluation in the consolidated accounts are the € 3 million increase in negative goodwill arising on application of the equity method and the € 1 million increase in shareholders' equity pertaining to minority interests.

Subcaption C.3 “Decreases - Other changes” is entirely made up of the decrease in value of equity investments carried at equity.

The following table shows the changes during 2001 in other equity investments:

Other equity investments (table 3.6.2 B.I.)

	(€/mil)
A. Opening balance as of January 1, 2001	**3,034**
B. Increases	**2,018**
B1. purchases	1,703
B2. writebacks	1
B3. revaluations	-
B4. other changes	314
C. Decreases	**998**
C1. sales	493
C2. adjustments	224
including:	
permanent writedowns	224
C3. other changes	281
D. Closing balance as of December 31, 2001	**4,054**
E. Total revaluations	**115**
F. Total adjustments	**670**

Subcaption B.1 “Purchases” mainly comprises the following acquisitions of equity investments by the Parent Bank:

- purchase from “Fondazione Cassa di Risparmio di Venezia” of 10.81% in the share capital of Cardine Banca S.p.A. for a total of € 516.5 million; this price could be subject to an increase because of the differential between the value of Cardine shares and that of SANPAOLO IMI shares in the 24 months after the closing date (January 12, 2001), with a deductible of € 31 million. Such adjustment could entail an increase in the book value of the investment;
- purchase from Caisse des Depots et Consignations of 3.88% of the share capital of CDC Finance IXIS, investment bank of the French Group, for an outlay of € 323 million; the CDC Group made the same investment (through CDC Ixis Italia Holding, a subsidiary of CDC Ixis) purchasing 2% of SANPAOLO IMI on the market;
- acquisition from Fondazione Cassa dei Risparmi di Forlì of 15% in the share capital of Cassa dei Risparmi di Forlì and subsequent purchase, through a takeover bid, of and additional 6.02% for a total outlay of € 169 million (of which: € 127 million classified under goodwill arising on consolidation).

- acquisition of 15% of share capital of Banka Koper d.d. for SIT 8 billion, corresponding to € 37 million; the exchange risk has been partially hedged by opening deposits of SIT 5.2 billion (the equivalent of approx. € 23 million).

In addition, significant investments have been carried out by NHS – Nuova Holding SANPAOLO IMI S.p.A. even through its subsidiaries (€ 632 million, of which: € 248 million in Italenergia S.p.A., € 144 million in Hutchinson 3G Italia S.p.A. and € 143 million in Eni S.p.A.).

Subcaption B4. “Other changes” includes realized gains from the sale of investments (€ 294 million, of which € 228 million from the sale of the stake in Montedison S.p.A. by NHS – Nuova Holding SANPAOLO IMI S.p.A.; € 50 million from the sale of part of the shareholding held by Invesp S.p.A. in Beni Stabili S.p.A.; € 14 million from the sale of investments in merchant banking sector). Furthermore, it includes the increase in value of significant investments carried at equity (a total of € 17 million).

The subcaption C1. “Sales” refers to the prices of sales by NHS–Nuova Holding SANPAOLO IMI S.p.A., directly and through its subsidiaries, for € 358 million and by Invesp S.p.A. for € 111 million.

The subcaption C2. “Adjustments” essentially reflects writedowns made by NHS – Nuova Holding SANPAOLO IMI S.p.A. in FIAT S.p.A. for € 72 million, Hutchinson 3G Italia S.p.A. € 19 million, Banca Popolare di Lodi S.c.r.l. for € 6 million, Enel S.p.A. for € 4 million, as well as writedowns by SANPAOLO IMI International in Santander Central Hispano for € 80 million and by Invesp S.p.A. in Olivetti S.p.A. for € 17 million (see Section Note 28 – Adjustments to financial fixed assets).

The subcaption C3. “Other decreases” include:

- goodwill arising on consolidation (€ 168 million) taken from the cost of investments carried at equity purchased during the year;
- the reclassification of € 87 million of the interest in Royal Bank of Scotland to the dealing securities portfolio following the decision to sell the shares;
- the decrease of certain investments carried at equity (€ 12 million);
- losses on the disposal of minority interest (€ 7 million).

The following table shows the changes during 2000 in other equity investments:

Other equity investments (table 3.6.2 B.I.)

A. Opening balance as of January 1, 2000	**2,899**
B. Increases	**2,224**
B1. purchases	1,475
B2. writebacks	14
B3. revaluations	-
B4. other changes	465
C. Decreases	**2,089**
C1. sales	846
C2. adjustments	20
including:	
permanent writedowns	20
C3. other changes	1,223
D. Closing balance as of December 31, 2000	**3,034**
E. Total revaluations	**121**
F. Total adjustments	**596**

Subcaption B1. “Purchases” includes the cost of the Parent Bank's strategic investment in Cassa di Risparmio di Firenze S.p.A. (€ 387 million), investments made by SANPAOLO Imi International S.A. in Banco Santander Central Hispano S.A. (€ 708 million) and The Royal Bank of Scotland Plc (€ 71 million), as well as merchant banking investments by NHS –Nuova Holding SANPAOLO IMI and through its subsidiary LDV Holding BV (€ 575 million).

Subcaption B2. “Writebacks” refers entirely to writebacks made by NHS – Nuova Holding SANPAOLO IMI on equity investments which had previously been written down.

Subcaption B4. “Other changes” includes the minority investments of Banco di Napoli S.p.A. (€ 160 million), as well as realized gains from the sale of investments (€ 270 million, of which € 11 million from equity investments in the merchant banking sector). Gains from disposal of investments include the sale of the residual stake in Crediop S.p.A. (€ 134 million gain) and various other sales of minority interests by the Parent Bank and its subsidiaries NHS – Nuova Holding SANPAOLO IMI S.p.A. (gains of € 88 million) and SANPAOLO IMI International S.A. (gains of € 12 million).

The subcaption C1. “sales” refers to the disposals made by the Parent Bank (€ 404 million), by NHS – Nuova Holding SANPAOLO IMI S.p.A. (€ 256 million), by LDV Holding BV (€ 51 million) and by SANPAOLO IMI International S.A. (€ 45 million).

The subcaption C2. “Adjustments” relates mainly to writedowns of the investments in Banca Popolare di Lodi S.r.l. (€ 3 million) carried out by NHS – Nuova Holding SANPAOLO IMI S.p.A., and by LDV Holding BV on its investments in Elsacom NV (€ 8 million), Blixer S.p.A. (€ 4 million) and Filos S.p.A. (€ 2 million).

The subcaption C3. “Other changes” reflects € 818 million for the cancellation of the investment in Ina S.p.A. as part of the non-proportional spin-off of the insurance company, which involved the transfer of the shares in Banco Napoli Holding S.p.A to SANPAOLO IMI. It also includes the attribution to goodwill arising on consolidation of part (€ 256 million) of the cost of the investment in Cassa di Risparmio di Firenze S.p.A., and SANPAOLO IMI International S.A.'s transfer of its investment in Banque Nationale de Paris S.A. (€ 90 million) to the dealing securities portfolio.

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

Amounts due to and from Group companies, as defined by art. 4 of Decree 87/92, as well as to and from non-Group investment and affiliated companies, are detailed in the tables below:

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

(€/mil)

	12/31/01	12/31/00
(a) Assets		
1. due from banks	-	26
of which:		
' - subordinated	-	-
2. due from financial institutions (*)	490	470
of which:		
'- subordinated	-	-
3. due from other customers	154	108
of which:		
' - subordinated	-	-
4. bonds and other debt securities	-	-
of which:		
' - subordinated	-	-
Total assets	**644**	**604**
(b) Liabilities		
1. due to banks	31	14
2. due to financial institutions	12	34
3. due to other customers	219	142
4. securities issued	151	16
5. subordinated liabilities	-	-
Total liabilities	**413**	**206**
(c) Guarantees and commitments		
1. guarantees given	9	46
2. commitments	-	6
Total guarantees and commitments	**9**	**52**

(*) It does not include € 2,041 million of receivables due to Banco di Napoli by Società per la Gestione di Attività S.p.A. (see Note 15).

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

(€/mil)

	12/31/01	12/31/00
(a) Assets		
1. due from banks (*)	1,105	928
of which:		
- subordinated	20	20
2. due from financial institutions	751	721
of which:		
- subordinated	-	-
3. due from other customers	1,305	1,852
of which:		
- subordinated	5	21
4. bonds and other debt securities	9	13
of which:		
- subordinated	-	-
Total assets	**3,170**	**3,514**
(b) Liabilities		
1. due to banks (**)	1,448	2,718
2. due to financial institutions	173	115
3. due to other customers	257	110
4. securities issued	-	-
5. subordinated liabilities	-	-
Total liabilities	**1,878**	**2,943**
(c) Guarantees and commitments		
1. guarantees given	1,142	955
2. commitments	384	464
Total guarantees and commitments	**1,526**	**1,419**

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

Amounts due to and from affiliated companies (companies in which Group companies hold 20% or more, or 10% or more if quoted) are:

Amounts due to and from affiliated companies

(€/mil)

	12/31/01	12/31/00
(a) Assets		
1. due from banks	91	143
of which:		
- subordinated	20	20
2. due from financial institutions	260	235
of which:		
- subordinated	-	-
3. due from other customers	13	31
of which:		
- subordinated	-	-
4. bonds and other debt securities	-	-
of which:		
- subordinated	-	-
Total assets	**364**	**409**
(b) Liabilities		
1. due to banks	110	2
2. due to financial institutions	-	-
3. due to other customers	20	21
4. securities issued	-	-
5. subordinated liabilities	-	-
Total liabilities	**130**	**23**
(c) Guarantees and commitments		
1. guarantees given	179	200
2. commitments	23	36
Total guarantees and commitments	**202**	**236**

(15) TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

(€/mil)

	12/31/01	12/31/00
Tangible fixed assets (caption 120)	1.726	1.793
Intangible fixed assets (caption 110)	367	359
Total	**2,093**	**2,152**

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

(€/mil)

	12/31/01	12/31/00
Property		
– *operating*	1,422	1,448
– non-operating	60	72
– undergoing renovation	0	21
Furniture and installations		
– electronic machines	146	140
– general and specific installations	43	69
– office furniture and machines	54	42
– vehicles	1	1
Total	**1,726**	**1,793**

The elimination of the caption “Property undergoing renovation” is due to the completion of the reconversion process of these buildings, which have been classified under “Operating property” since they are used by the Group.

The following table shows the changes in tangible fixed assets during 2001

Changes in tangible fixed assets during the year (Table 4.1 B.I.)	*(€/mil)*
A. Opening balance January 1, 2001	**1,793**
B. Increases	**177**
B1. purchases	161
B2. writebacks	-
B3. revaluations	-
B4. other changes	16
C. Decreases	**244**
C1. sales	17
C2. adjustments	
(a) depreciation	214
(b) permanent writedowns	-
C3. other changes	13
D. Closing balance December 31, 2001	**1,726**
E. Total revaluations	**916**
F. Total adjustments	**1,529**
(a) accumulated depreciation	1,528
(b) permanent writedowns	1

The following table shows the changes in tangible fixed assets during 2000

Changes in tangible fixed assets during the year (Table 4.1 B.I.)	*(€/mil)*
A. Opening balance January 1, 2000	**1,120**
B. Increases	**842**
B1. purchases	137
B2. writebacks	-
B3. revaluations	15
B4. other changes	690
C. Decreases	**169**
C1. sales	30
C2. adjustments	
(a) depreciation	134
(b) permanent writedowns	-
C3. other changes	5
D. Closing balance December 31, 2000	**1,793**
E. Total revaluations	**916**
F. Total adjustments	**1,351**
(a) accumulated depreciation	1,343
(b) permanent writedowns	8

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

		(€/mil)
	12/31/01	**12/31/00**
Merger differences *(goodwill of merged companies)*	27	54
Goodwill	8	10
Software in use	183	157
Software not yet in use	70	77
Other deferred charges	79	61
Total	**367**	**359**

The differences arising on the mergers of Banca Provinciale Lombarda and Banco Lariano in 1993 are recorded in the financial statements since they represent goodwill relating to merged companies. Such differences are stated net of the amounts allocated to the related assets acquired.

The item "software in use" relates to the acquisition of new programs to update operating network procedures

The amounts booked as “software not yet in use” relate to modifications and procedures of application programs largely being developed by third parties and still to be completed.

Other deferred charges include:

- € 54 million for leasehold improvements;
- € 3 million for start-up and expansion costs.

The following table shows the changes in intangible fixed assets during 2001.

Changes in intangible fixed assets during the year (Table 4.2 B.I.)	*(€/mil)*
A. Opening balance January 1, 2001	**359**
B. Increases	**281**
B1. purchases	216
B2. writebacks	-
B3. revaluations	-
B4. other changes	65
C. Decreases	**273**
C1. sales	7
C2. adjustments	
(a) amortization	200
(b) permanent writedowns	8
C3. other changes	58
D. Closing balance as of December 31,2001	**367**
E. Total revaluations	-
F. Total adjustments	**677**
(a) accumulated amortization	669
(b) permanent writedowns	8

The following table shows the changes in intangible fixed assets during 2000.

Changes in intangible fixed assets during the year (Table 4.2 B.I.)	*(€/mil)*
A. Opening balance January 1, 2000	**267**
B. Increases	**242**
B1. purchases	169
B2. writebacks	-
B3. revaluations	-
B4. other changes	73
C. Decreases	**150**
C1. sales	-
C2. adjustments	
(a) amortization	147
(b) permanent writedowns	-
C3. other changes	3
D. Closing balance as of December 31, 2000	**359**
E. Total revaluations	-
F. Total adjustments	**517**
(a) accumulated amortization	517
(b) permanent writedowns	-

The cost incurred by the Group for the introduction of the Euro totals € 99 million as of December 31, 2001. Of this amount, € 28 million was written off in 2001 and € 15 million is still to be amortized in future years.

(16) OTHER ASSETS

Consolidated asset captions 90, 100, 150 and 160, not commented upon previously, comprise the following:

	12/31/01	12/31/00
		(€/mil)
Goodwiil arising on consolidation (caption 90)	838	915
Goodwill arising on application of the equity method (caption 100)	215	74
Other assets (caption 150)	18,585	19,193
Accrued income and prepaid expenses (caption 160)	2,191	2,661
Total	**21,829**	**22,843**

Other assets (caption 150)

Analysis of caption 150 "Other assets" (Table 5.1 B.I.) *(€/mil)*

	12/31/01	12/31/00
Valuation of derivatives on interest rates and stockmarket indices	4.326	4.588
Effect of currency hedges, forex swap and cross-currency swap transactions	2.292	1.301
Unprocessed transactions (*)	2,097	3,494
Deferred tax assets (**)	1.681	1.270
Tax collection accounts	1.531	1.512
Due from tax authorities	1,319	1,128
- prepaid current year direct taxes	*495*	*231*
- tax credits relating to prior years	*342*	*283*
- taxes paid in advance on termination indemnities (Law 662/96)	*70*	*77*
- taxes withheld during the year	*24*	*13*
- other credits	*388*	*524*
Amounts in transit with branches and subsidiaries (*)	1,229	1,350
Banco di Napoli loans to be restored ex Law 588/96	840	1.376
Premiums paid on purchased options	526	507
Other items drivative contracts	271	594
Deposits with clearing houses	173	-
Checks and other instruments held	160	126
Banco di Napoli non-interest bearing deposits with the Bank of Italy	58	58
Net effect of translating funds from international agencies using current rates, with the exchange risk borne by third parties	46	66
Items relating to securities transactions	30	17
Transactions by foreign branches	20	54
Other	1,986	1,752
Total	**18,585**	**19,193**

(*) Mostly settled at the beginning of 2002.
(**) More details on deferred tax assets can be found in Note 18 – "Provisions".

"Other" includes € 1.3 million at estimated realizable value of the receivable arising from the Rome Court of Appeal judgement of September 11, 2001 concerning the IMI-SIR dispute. Reference should be made to Note (29) "Other consolidated statement of income captions" for further details on this matter.

Banco di Napoli loans to be restored ex Law 588/96

This item, amounting to € 840 million (€ 1,376 million as of December 31, 2000), represents the residual principal and interest of the interventions made in the period by the subsidiary 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 reorganisation plan prepared with Bank of Italy approval in accordance with Law 588/96 containing urgent provisions for the restoration, reorganisation and privatisation of Banco di Napoli. Among other things, this law intends to safeguard Banco di Napoli from the economic and financial consequences deriving from such interventions, either those already made or those still to be made using the mechanism foreseen by the Decree of the Treasury Ministry of September 27, 1974.

To summarize, the procedure applicable both to Isveimer and to Sga lays down that the Bank of Italy grants to Banco di Napoli extraordinary advances at a special low rate of interest (1%) to cover the losses of the subsidiaries concerned. These amounts have to be invested in Government securities, so that the differential between the interest income on the securities purchased and the interest expense on the advances received can directly reduce these "loans to be restored" and the related interest accrued, based on the "minimum interest rate offered on the principal refinancing operations".

From an accounting point of view, the advances received from the Bank of Italy and the Government securities purchased are shown under the memorandum accounts of Banco di Napoli, while the financial flows deriving from collection of the coupons on such securities and from the payment of interest on the advances are respectively debited and credited directly to the "loans to be restored", thus allowing them to be gradually reduced. This accounting treatment has been authorized by the Bank of Italy as it puts the emphasis on the substance of the situation rather than the form, in accordance with Decree Law 87 of January 27, 1992.

At the end of 2001, the Bank of Italy granted Banco di Napoli three new advances, replacing the one that expired in December, for a total of € 15,402 million, all falling due in 2002. In addition, in December, the Ministry of Finance assigned to the Banco € 31.8 million, being the proceeds of the sale in 1997 of 60% of the bank by the Ministry to BN Holding, set up by INA and BNL, pursuant to Law 588/96. This amount was also deducted from the loan to be restored.

Below there is a summary of these two matters.

The liquidation of Isveimer

Isveimer S.p.A., a subsidiary of Banco di Napoli which financed industrial development in Southern Italy, was put in voluntary liquidation in 1996.

In 1997, Banco di Napoli intervened to reduce the final liquidation deficit estimated to be € 917 million. The cost of this intervention and the related interest were recovered in accordance with Law 588/96, as mentioned above, and the methods described in the Treasury Decree of 1974.

In fact, on the expiry of the advance granted by the Bank of Italy, the recovery process showed a balance in favour of the Central Bank as of December 31, 1998 of € 57 million. This amount, plus € 1 million of accrued interest, was lodged as a non interest bearing deposit with the Central Bank. In the consolidated balance sheet, 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, for a price and without recourse. Although Banco di Napoli owns the entire capital of the company, it does not exercise control over it, as it gave the shares and the voting rights to the Treasury by way of a pledge.

The transfer of the doubtful loans to Sga began on January, 1 1997; at the same time, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essentially to finance the cost of the factoring agreement, as well as to pay for the company's running costs (€ 6,426 million). In addition, at the end of 2000, Banco di Napoli reached a settlement with Sga resolving a number of differences of interpretation and substance that had arisen between the parties; the cost of this settlement, € 125 million, was deducted from the loans. As of December 31, 2001, Banco di Napoli loans to Sga, amount to € 2,069 million (including accrued interest and exposures other than those connected to the financing accounts) with a decrease during the year of € 700 million. This reduction follows the recovery of some of the loans transferred to Sga and other interventions by Banco di Napoli in Sga's favour to cover operating losses; while interest accruing on the total exposure during 2001 came to € 132 million.

In 2001 the bank covered losses incurred by the subsidiary in the second half of 2000 and in the first half of 2001, for € 507 million. As per Law 588/96, loans to be restored increased by the same amount.

The following tables show details of the restoration procedure for 2001, with comparative figures for 2000.

Advances received and securities purchased ex Law 588/96 (*) *(€/mil)*

	12/31/01	**12/31/00**
Advances received from the Bank of Italy ex Law 588/96	15,402	15,983
Securities lodged in guarantee for advances ex Law 588/96 (nominal value)	13,919	14,490
- securities purchased with advances received from the Bank of Italy	*13,391*	*13,841*
- securities of Banco di Napoli (**)	*528*	*649*

(*) These operations are included among memorandum accounts as authorised by the Bank of Italy. The advance of € 15,983 million, granted on December 27, 2000, expired on December 27, 2001, while those granted at the end of 2001, for € 15,402 million, will expire on the following due dates: € 1,660 million on 5/1/2002, € 1,487 million 9/1/2002 and € 12,255 million on 12/27/2002.
(**) The book value as of December 31, 2001 of the Banco's securities in guarantee for the advance received from the Bank of Italy totals € 511.7 million (€ 614.1 million as of December 31, 2000): € 344.7 million is included in the investment portfolio and € 166.9 million in the dealing portfolio .

Changes in the loans to be restored ex Law 588/96 (*) *(€/mil)*

	12/31/01	**12/31/00**
Opening balance	1,376	1,264
Changes		
1. Coverage of Sga's losses (**)	507	714
2. Interest income on the securities purchased with the funds advanced by the Bank of Italy	(1,226)	(749)
3. Interest expense on advances from the Bank of Italy	169	97
4. Interest accrued on the "Loans to be restored" account	46	50
5. Other changes (***)	(32)	-
Total	**840**	**1,376**

(*) The statement of income of Banco di Napoli only shows interest accrued on the "Loans to be restored" account.
(**) Of which € 227.7 million relating to the loss for the second half of 2000 covered in April 2001 and € 278.8 million to cover the loss as of June 30, 2001 made in October 2001.
(***) These refer to the assignment to Banco by the Ministry of Finance of the net proceeds of the sale in 1997 of 60% of the bank by the Ministry to BN Holding, set up by INA and BNL, pursuant to Law 588/96.

Financial flows accruing on advances and securities of the Bank of Italy lodged in guarantee ex Law 588/96 (*)

		(€/mil)
	12/31/01	**12/31/00**
Interest accrued on advances	(2)	(2)
Coupons maturing on securities of the Bank of Italy lodged in guarantee	220	254
Total	**218**	**252**

(*) The amounts refer to the portions accruing in the respective years.

Accrued income and prepaid expenses (caption 160)

Analysis of caption 160 "Accrued income and prepaid expenses" (Table 5.2 B.I.) *(€/mil)*

	12/31/01	**12/31/00**
Accrued income		
- income from derivative contracts	744	1,078
- interest from loans to customers	627	774
- interest on securities	321	377
- bank interest	87	177
- other income	92	60
Prepaid expenses		
- commission on placement of securities and mortgage loans	169	28
- charges on derivative contracts	45	55
- discounts on bond issues	31	27
- other charges	75	85
Total	**2,191**	**2,661**

Other information

Distribution of subordinated assets (Table 5.4 B.I.) *(€/mil)*

	12/31/01	**12/31/00**
(a) Due from banks	40	41
(b) Loans to customers	9	33
(c) Bonds and other debt securities	194	114
Total	**243**	**188**

Subordinated loans to customers and amounts due from banks refer mainly to loans made to Group companies.

Subordinated bonds and other debt securities refer mainly to issues by prime banking institutions.

(17) PAYABLES

Total group deposits and other sources of founds are detailed below:

(€/mil)

	12/31/01	12/31/00
Due to banks (caption 10)	27,922	29,596
Due to customers (caption 20)	65,845	64,718
Securities issued (caption 30)	40,839	39,338
Public funds administered (caption 40)	100	88
Total	**134,706**	**133,740**

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

(€/mil)

	12/31/01	12/31/00
Due to central banks		
- repurchase agreements and securities borrowed	1,275	2,607
- other deposits from the Italian Exchange Office	127	54
- other deposits from central banks	1,149	1,081
- advances	-	25
Due to banks		
- deposits	14,105	16,541
- repurchase agreements and securities borrowed	4,061	2,559
- medium and long-term loans from international bodies	4,621	4,542
- current accounts	1,227	767
- other	1,357	1,420
Total	**27,922**	**29,596**

Details of "Due to banks" (Table 6.1 B.I.) *(€/mil)*

	12/31/01	12/31/00
(a) Repurchase agreements	5,221	5,049
(b) Securities borrowed	115	117

"

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

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

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

(€/mil)

	12/31/01	12/31/00
Due to customers		
- current accounts	40,330	38,531
- repurchase agreements and securities borrowed	9,133	7,944
- savings deposits	13,394	14,865
- short-term payables relating to special management services carried out for the government	663	751
- other (*)	2,325	2,627
Securities issued		
- bonds	27,695	26,589
- certificates of deposit	8,346	8,888
- bankers' drafts	651	738
- other securities	4,147	3,123
Total	**106,684**	**104,056**

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

Details of "Due to customers" (Table 6.2 B.I.) *(€/mil)*

	12/31/01	12/31/00
(a) Repurchase agreements	9,009	7,665
(b) Securities borrowed	124	279

No bonds convertible into own shares or into shares of other companies have been issued, nor securities and similar items or management shares.

Public funds administered (caption 40)

Public funds administered, provided by the State and other public agencies, are analyzed below:

(€/mil)

	12/31/01	12/31/00
Funds provided by the State	42	54
Funds provided by regional public agencies	19	20
Other funds	39	14
Total	**100**	**88**
of which:		
funds with risk born by the government under Law 19 of 2/6/87	12	13

Other information relating to payables

Information regarding the distribution of deposits by geographical area, degree of liquidity and currency is reported in note (22).

(18) PROVISIONS

The provisions of the Group are detailed below:

(€/mil)

	12/31/01	12/31/00
Provisions for termination indemnities (caption 70)	734	743
Provision for risk and charges (caption 80)		
- pensions and similar commitments (caption 80a)	43	1,128
- taxation (caption 80b)	901	1,230
- other (caption 80c)		
- provisions for guarantees and commitments	63	52
- provisions for other risks and charges	1,016	1,154
- provisions for other personnel charges	448	259
Reserve for possible loan losses (caption 90)	41	35
Total	**3,246**	**4,601**

Provisions for termination indemnities (caption 70)

The following table shows changes in the reserve for termination indemnities during 2001.

(€/mil)

Opening balance - January 1, 2001	**743**
Increases	
- provisions	73
- employment contract acquisition	-
- other changes	-
Decreases	
- advances allowed under Law 297/82	7
- indemnities to employees leaving the Group	64
- transfers	-
- other changes (*)	11
Closing balance - December 31, 2001	**734**

(*) This refers mainly to the exclusion from the line-by-line consolidation of SIM BancoNapoli & Fumagalli Soldan S.p.A. and Datitalia S.p.A..

The following table shows changes in the reserve for termination indemnities during 2000.

	(€/mil)
Opening balance - January 1, 2000	**438**
Increases	
- provisions	42
- transfers	-
- other changes	295
Decreases	
- advances allowed under Law 297/82	8
- indemnities paid to employees leaving the Bank	21
- transfers	2
- other changes	1
Closing balance - December 31, 2000	**743**

Other increases include € 293 million of the contribution from the Banco di Napoli Group on its first-time consolidation.

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

The following table shows changes in the reserve for pensions and similar commitments during 2001.

	(€/mil)
Opening balance - January 1, 2001	**1,128**
Increases	
- provisions (1)	29
- other (2)	5
Decreases	
- utilisations	47
- other (3)	1,072
Closing balance - December 31, 2001	**43**

(1) This includes for € 26 million Banco di Napoli's provision relating to the period preceding the transfer of the balance to the provision for supplementary pension fund of its personnel.
(2) This amount refers to Banco di Napoli and concerns a reclassification from the provision for other personnel charges.
(3) This refers to the balance of Banco di Napoli's provision being transferred during the year to entity called " Fondo per la previdenza complementare dei dipendenti del Banco di Napoli" (Banco di Napoli Staff Pension Fund).

As of December 31, 2001, this provision refers entirely to funds provided by the Parent Bank to cover supplementary pension liabilities for former IMI S.p.A. personnel already in retirement. The adequacy of the technical reserves of the fund, which can be considered an "internal" pension fund, is calculated annually based on the valuations of an independent professional actuary. After the provision of € 3 million charged to the year by the Parent Bank, the technical reserves seem adequate to cover the estimated commitments.

The following table shows changes in the reserve for pensions and similar commitments during 2000

	(€/mil)
Opening balance - January 1, 2000	**62**
(-) adjustment for reclassification	(16)
Final balance	**46**
Increases	
- provisions	1
- other	1,085
Decreases	
- utilisations	4
Closing balance - December 31, 2000	**1,128**

As of December 31, 2000, the reserve is made up of provisions for supplementary pensions for the employees of the former IMI S.p.A. (€ 43 million) and for expenses to be incurred by Banco di Napoli (€ 1,085 million "Other increases").

The balance as of December 31, 2000 attributable to Banco di Napoli corresponds to the mathematical reserve covering present and future commitments of the Company, deriving from the obligation to ensure additional benefits foreseen by the internal system as updated in accordance with Decree Law 503/92, Law 335/1995, and union agreements of July '96 as well as the Budget Law for 1998. Values have been calculated based on an actuarial study which estimated the expenses to be incurred for a closed group of recipients of the benefits, as provided for in Law 218/90, based on the following parameters: an estimated inflation rate of 2% and a nominal discounting rate of 5%.

In addition, it is worth noting that Banco di Napoli did not provide for any provision against possible additional charges, deriving from outstanding legal disputes presented by certain retired employees, aimed at keeping the link between pension increments and the salary rises of current personnel in the equivalent positions, instead of the automatic equalisation laid down by law, and paid by Banco di Napoli on the basis of Decree 503 of December 30, 1992. This is because, in the opinion expressed and recently confirmed by the legal advisor who is representing Banco di Napoli in these pending disputes, it is reasonable to expect that the court will decide in favor of the bank. This conclusion already looked more likely on the basis of Law 335/95, which confirms that the legal equalisation system is to be applied to all employees and retired employees, whenever they retired. This conclusion now appears to be definitively confirmed by Law 449/1997, which suppressed any so-called "Golden Clauses" that still existed and confirmed the previous legal interventions abolishing such clauses in individual pension plans and, therefore, also in the one managed by the bank. This valuation does not appear to have been overturned by the judgement of the Supreme Court of February 8, 2000, since it is valid only for one retired employee of the bank and, in any case, is founded on arguments which, according to the legal advisor, are not about to reverse the trend of interpretations inaugurated by the previous judgement of the same Court of July 10, 1998, already adopted by the court of Reggio Emilia in its judgement of January 21, 1999 and by the Milan court in its judgement of December 18, 1999. Again according to the bank's legal advisor, it is therefore likely that this trend will be confirmed by the joint Sections, which have already been appointed to resolve this disputed point of law.

The table below shows the assets that Banco di Napoli has taken a commitment with the trade unions to contribute by way of a better guarantee for the supplementary pension fund:

(€/mil)	12/31/00
-securities	1,023
-property	37
Total	**1,060**

As of July 30, 2001 the amount corresponding to the accounting value of the Banco's reserve was transferred to a newly constituted foundation called "Fondo di previdenza complementare per personale del Banco di Napoli" (Banco di Napoli Staff Pension Fund).

Taxation (caption 80.b)

The following table shows changes in the reserve for taxation during 2001.

Changes in the reserve for taxation during the year 2001 *(€/mil)*

	Current tax liabilities	Deferred tax liabilities	Total
Opening balance - January 1, 2001	**996**	**234**	**1,230**
Increases			
- provisions for income taxes	345	93	438
- transfer from the reserve for deferred taxation	48	-	48
- other changes (*)	10	8	18
Decreases			
- payment of income taxes	720	-	720
- transfer to current taxes	-	48	48
- other changes	49	16	65
Closing balance - December 31, 2001	**630**	**271**	**901**

(*) Other changes include exchange adjustments to reserves denominated in currencies other than the Euro.

The taxation reserve is to cover current income taxes and actual and potential fiscal disputes (€ 630 million), including local taxes payable by foreign branches, as well as deferred taxes (€ 271 million).

As regards fiscal disputes, it should be noted that the subsidiary Fideuram Vita is in dispute with the tax authorities regarding the years from 1985 to 1987. The years 1988, 1989 and 1990 have been settled thanks to the favourable verdict pronounced by the Regional Tax Commission regarding disputed items in those years. The verdict was deposited on July 27, 2000 and the tax authorities did not appeal against it before the legal deadline.

Regarding the years 1985, 1986 and 1987, the company obtained a favourable judgement in the first degree, but decisions that were substantially unfavourable in the subsequent two degrees. However, Fideuram Vita has appealed to the Supreme Court, as it is still confident that the case can be won. If, on the other hand, the current adverse trend is confirmed, the potential liability for the company would be minimal, but it would become significant (albeit covered by existing reserves) if subsequent open years (from 1996 onwards) were also contested for the same reason. Based on expert opinions, and taking into account the positive evolution of the dispute and the fact that the case involves a practice that is universally applied by the whole of the insurance industry, the subsidiary has not made any specific provision for this risk.

Deferred tax assets and liabilities recorded in the consolidated financial statements relate to timing differences between the accounting and fiscal value of assets and liabilities accrued in 2001 and in prior years for which it is deemed likely that a tax liability will be incurred in the future (in the case of deferred tax liabilities) or which will most likely be recovered (in the case of deferred tax assets). Deferred taxation has been estimated by each Group company and it has also been estimated on preparation of the consolidated financial statements for the tax effect of those entries typical of the consolidation process.

Different tax rates for each Group company have been applied to the tax effect caused by the timing differences.

The following table shows changes in the reserve for taxation during 2000.

Changes in the reserve for taxation during the year 2000 *(€/mil)*

	Current tax liabilities	Deferred tax liabilities	Total
Opening balance - January 1, 2000	**759**	**270**	**1,029**
Increases			
- provisions for current income taxes	749	63	812
- transfer from the reserve for deferred taxation	73	-	73
- other changes (*)	86	5	91
Decreases			
- payment of income taxes	649	-	649
- transfer to current taxes	-	73	73
- other changes	22	31	53
Closing balance - December 31, 2000	**996**	**234**	**1,230**

(*) Other increases are made up of € 63 million of the contribution by Banco di Napoli on its first-time consolidation and exchange differences for funds denominated in currencies other than the Euro.

The following tables about deferred tax liabilities and deferred tax assets are available for the year 2001 and 2000.

Detail of deferred tax liabilities *(€/mil)*

	12/31/01	12/31/00
Deferred tax liabilities charged to the statement of income:	121	81
- on the earnings of subsidiary companies (*)	7	51
- other	114	30
Deferred tax liabilities charged to shareholders' equity:	150	153
- on Parent Bank reserves:	139	143
Reserve for general banking risks	*110*	*114*
Other reserves - Reserves ex Law 169/83	*4*	*4*
Other reserves - Reserves ex Legislative Decree 213/98	*25*	*25*
- on reserves of other subsidiaries	11	10
Total	**271**	**234**

(*) The item relates to the tax charge to be borne at the moment of distribution or realization of the earnings from subsidiaries

Changes in deferred tax liabilities charged to the statement of income

The following tables show changes in deferred tax liabilities charged to the statement of income during 2001 and 2000.

Changes in deferred tax liabilities charged to the statement of invcome (Bank of Italy instructions dated 08/03/99) *(€/mil)*

1.Opening balance - January 1, 2001	**81**
2. Increases	
2.1 Deferred tax liabilities arising during the year	93
2.2 Other increases	7
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	44
3.2 Other decreases	16
4. Closing balance - December 31, 2001	**121**

"Deferred tax liabilities arising during the year" relate principally to:

- deferred taxes of the Parent Bank on dividends booked in accordance with the new principle of accruing the extra amounts compared with the tax credits recognized on the dividends themselves (€ 21 million). This difference is equal to the estimated portion of the limited tax credits on dividends from Italian companies that is considered unrecoverable, as well as the deferred taxes on foreign dividends;
- provisions relating to net deferred taxes on capital gains taxable in more than one year (€ 44 million);
- deferred taxes relating to provisions recorded solely for fiscal purposes by subsidiaries and reversed in the consolidated financial statements (€ 21 million).

Changes in deferred tax liabilities charged to the statement of invcome (Bank of Italy instructions dated 08/03/99) *(€/mil)*

1.Opening balance - January 1, 2000	**73**
2. Increases	
2.1 Deferred tax liabilities arising during the year	63
2.2 Other increases	5
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	59
3.2 Other decreases	1
4. Closing balance - December 31, 2000	**81**

Changes in deferred tax liabilities charged to shareholders' equity

The following table shows changes in deferred tax liabilities charged to shareholders' equity during 2001.

Changes in deferred tax liabilities (Bank of Italy instructions dated 08/03/99)	*(€/mil)*
1.Opening balance - January 1, 2001	**153**
2. Increases	
2.1 Deferred tax liabilities arising during the year	-
2.2 Other increases	1
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	4
3.2 Other decreases	-
4. Closing balance - December 31, 2001	**150**

"Deferred tax liabilities reversing during the year" relate to the utilization by the Parent Bank of the reserve for deferred taxation on the reserve for general banking risks to cover loan losses incurred during the year, but which are not immediately deductible for tax purposes.

The following table shows changes in deferred tax liabilities charged to shareholders' equity during 2000.

Changes in deferred tax liabilities (Bank of Italy instructions dated 08/03/99)	*(€/mil)*
1.Opening balance - January 1, 2000	**197**
2. Increases	
2.1 Deferred tax liabilities arising during the year (1)	-
2.2 Other increases	-
3. Decreases	
3.1 Deferred tax liabilities reversing during the year (2)	14
3.2 Other decreases (3)	30
4. Closing balance - December 31, 2000	**153**

(1) Relates to the taxation of merger differences arising following the company reorganizations effected by the subsidiary Banque Sanpaolo
(2) Relates to the utilization of the reserve for deferred taxation relating to the reserve for general banking risks to cover losses recorded by the Parent Bank during the year, which cannot be deducted for tax purposes.
(3) Relates to deferred tax liabilities on the portion of the reserve ex Law 169/83 pertaining to the Parent Bank, which was reduced due to the real estate spin off

The deferred tax liabilities that reversed during the year relate for € 34 million to the release of the reserve set up in prior years for the distribution within the Group of subsidiaries' reserves with the related tax charge. Additional € 6 million are due to the utilization by the Parent Bank of the reserve for deferred taxation on the reserve for general banking risks to cover loan losses incurred during the year, but which are not immediately deductible for tax purposes.

Detail of deferred tax assets

	12/31/01	12/31/00
		(€/mil)
Deferred tax assets credited to the statement of income:		
- adjustments to the value of loans	436	617
- provisions for future charges	472	485
- adjustments to the value of securities, equity investments and property	551	48
- tax losses to be carried forward	191	97
- other	31	23
Total	**1,681**	**1,270**

Changes in deferred tax assets credited to the statement of income

The following table shows changes in deferred tax assets credited to the statement of income during 2001.

Changes in deferred tax assets (Bank of Italy instructions dated 08/03/99)	*(€/mil)*
1.Opening balance - January 1, 2001	**1,270**
2. Increases	
2.1 Deferred tax assets arising during the year	843
2.2 Other increases	-
3. Decreases	
3.1 Deferred tax assets reversing during the year	414
3.2 Other decreases (*)	18
4. Closing balance - December 31, 2001	**1,681**

(*) Other decreases include changes due to estimates of future tax rates, often due to amendments to tax regulations introduced during the year, which, among other things, froze as of June 30, 2001 the calculations based on the Dual Income Tax (DIT) mechanism.

The following table shows changes in deferred tax assets credited to the statement of income during 2000.

Changes in deferred tax assets (Bank of Italy instructions dated 08/03/99)	*(€/mil)*
1.Opening balance - January 1, 2000	**558**
2. Increases	
2.1 Deferred tax assets arising during the year	191
2.2 Other increases (*)	660
3. Decreases	
3.1 Deferred tax assets reversing during the year	129
3.2 Other decreases	10
4. Closing balance - December 31, 2000	**1,270**

(*) Other increases include € 642 million of the contribution by the Banco di Napoli Group on its first-time consolidation.

Information pursuant to Consob Communication 1011405 dated February 15, 2001 – Par. A: preliminary observations by the European Commission concerning tax benefits under Decree Law 153 of 5/17/99 (Ciampi Law)

Decree Law 153 of May 17, 1999 – known as the "Ciampi Law" - on the concentration of banks and banking groups, provides for tax at a reduced rate of 12.50% on income allocated to a special reserve up to a maximum amount of 1.2% of the difference between receivables and payables of all of the banks taking part in such operations and the equivalent figures of the largest bank involved in the concentration. The resulting figure then has to be spread over five years.

In March 2000, the European Commission asked the Italian Government for explanations on the tax relief provided under the Ciampi Law, as it suspected that it might involve State aid not permitted under the Treaty of Rome; and in the mean-time, the Commission asked for the benefits to be suspended.

In a letter dated October 25, 2000, the European Commission informed the Italian Government that it had launched a for-mal enquiry (currently in progress) and also published the news in the Official Gazette of the European Community on February 10, 2001.

In addition to the Italian Government, the main banks, including SANPAOLO IMI, also sent the European Commission their observations defending the "Ciampi Law", explaining why it does not involve illegal State aid and confirming that the tax measures introduced fully respect EC regulations.

When approving the 1999 financial statements, SANPAOLO IMI allocated to the Ciampi" reserve income of € 260 million, which was the portion of income which could benefit from this law in connection with the merger between Sanpaolo and IMI in 1998.

In line with the above, when paying income taxes for that year, SANPAOLO IMI used the tax relief deriving from the "Ciampi Law" for € 260 million, thus lowering the tax burden by around € 60 million. However, this lower disbursement did not result in better results in the statement of income as under the prudence principle, given the uncertainty caused by the intervention of the European Commission, the Bank's 1999 annual report included a tax provision equal to the benefit received to cover any additional tax liability if the law turned out to be inapplicable.

As for the2000 financial statements, SANPAOLO IMI allocated to the "Ciampi" reserve income of € 381 million, equal to the portion of income that can benefit from this law in connection with the merger between Sanpaolo and IMI, as well as the acquisition of Banco di Napoli during the course of 2000.

In line with the above, when paying income taxes for that year, SANPAOLO IMI will be able to use the tax relief deriving from the "Ciampi Law" on the amount of € 381 million, lowering the tax burden by around € 93 million.

However, as in the previous year, this lower payment of tax does not result in better results in the statement of income under the prudence principle, even if we are convinced that the Ciampi Law complies with EC principles, the Bank has made a provision of € 93 million to cover any additional tax liability if the law turned out to be inapplicable. Deferred taxes have been calculated using the average tax rate without considering the tax relief mentioned above.

In December 2001, the European Commission informed the Italian Government of its decision C (2001) 3955, declaring the tax benefits under the Ciampi Law incompatible with Community principles. The Italian Government has appealed against this decision to the European Court of Justice; in coordination with the Government, ABI (the Italian Bankers' Association), together with the banks concerned, also approached the first level of the Tribunal.

The tax benefit in question was suspended, with effect from the financial year 2001, with the provision approved by the Council of Ministers on April 11, 2002. Thus, current and deferred taxes have been determined without taking account of the reliefs concerned.

Provisions for risks and charges - Other provisions (caption 80.c)

The following table shows changes in caption 80.c "Provisions for risks and charges - Other provisions" during 2001.

Analysis of caption 80.c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.) *(€/mil)*

	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance - January 1, 2001	**52**	**1,118 (1)**	**295 (1)**	**1,465**
Increases				
- provisions	14	113	215 (2)	342
- other	-	10	23 (3)	33
Decreases				
- revaluation of guarantees	2	-	-	2
- coverage of charges deriving from legal disputes and other	-	59	4	63
- used to cover long-service bonuses and other payments	-	-	32	32
- other	1	166	49 (4)	216
Closing balance - December 31, 2001	**63**	**1,016**	**448**	**1,527**

(1) With respect to figures as of December 31, 2000 a reclassification of € 36 million from the "provision for other risks and charges" to the "provision for other personnel charges" has been made based on a better specification of the type of risk.
(2) This caption mainly reflects provisions made by the Parent Bank (€ 49 million) and by Banco di Napoli (€ 163 million). The provision by Banco di Napoli includes (€ 114 million) the posting, classified among extraordinary expenses, taken against an updated revision of the total estimate for risks and charges which could arise at Banco di Napoli concerning supplementary pensions. The updated revision of the amount of the potential charges provided for has been determined by Banco di Napoli in the light of available information, the complicated legal situation and the procedures which may be adopted. The provision concerned is made against the probability of confirmation of negative events connected to the guarantee extended by the Banco to the supplementary pension Fund against possible resources required, possible compensation amounts to be made when the charges of the Banco for personnel in pension after January 1, 1999 are determined (in addition to the amounts set aside in previous years) and, finally, the sentence of the Court of Cassazione in July 2001 concerning the disputs, in course in previous years, which originated from the amendment, after D.Lgs. 503/1992.
(3) The other changes, made solely by the Parent Bank, relate to the reclassification to the provision for risks and charges of possible liabilities for staff bonuses (€ 17 million), for self-insurance of accidents to the staff (€ 1 million) and for other potential charges that could arise in the future (€ 5 million).
(4) The other decreases include € 24 million for the supplementary pensions of the personnel transferred during the year to the Banco di Napoli Staff Pension Fund.

Provisions for guarantees and commitments, € 63 million, cover expected losses in respect of guarantees and, more generally, the contingencies associated with the Group's guarantees and commitments.

Other provisions for risks and charges amounting to € 1,016 million include:

- the Parent Bank for:

  ✓ € 117 million of possible charges in connection with the renegotiation of mortgage loans, by way of a specific provision calculated on the basis of the parameters currently available;
  ✓ € 163 million of provisions against estimated losses on legal disputes and, more specifically, on claims from bankruptcy liquidators. They also cover possible charges in connection with guarantees given on the sale of equity investments, and those connected with the commitment to support the Interbank Deposit Guarantee Fund and with other potential liabilities;

- Banco di Napoli for:

  - ✓ € 330 million relating to the bank reorganization;
  - ✓ € 184 million of provisions against estimated losses on legal disputes and, more specifically, on claims from bankruptcy liquidators;
  - ✓ € 19 million, for potential charges deriving from the possible renegotiation of mortgage loans as a specific provision, as well as to strengthen other provisions against possible losses, in particular charges which could arise following the dispute for the renegotiation of interest rates and conditions on mortgages according to the recent instructions issued on these matters;
  - ✓ € 46 million of other expenses;

- other subsidiaries for € 157 million, mainly due to risks, also of a commercial or operational nature, connected with the distribution of financial products.

The provision for other personnel charges, € 448 million, includes:

- the Parent Bank for:

  - ✓ € 112 million relating to provisions made by the Parent Bank, on the basis of independent actuarial appraisals, to cover the technical deficit of its supplementary pension fund, an independent entity, which integrates the compulsory pension fund;
  - ✓ € 25 million for staff bonuses authorized by the Board of Directors, including the discretionary portions of the productivity bonus;
  - ✓ € 16 million provided to the technical reserves, determined on the basis of mathematical and actuarial criteria, designed to cover long-service bonuses to the Bank's employees;
  - ✓ € 17 million of other provisions made for personnel provisions by the Parent Bank, in favour of personnel (€ 7 million), leaving incentives (€ 9 million) and possible contributions for personnel taken on as the result of a merger (€ 1 million);

- Banco di Napoli for:

  - ✓ € 145 million relating to charges and provisions to supplementary pensions;
  - ✓ € 80 million referring to work disputes;
  - ✓ € 25 million referring to bonuses for employees;
  - ✓ € 16 million of other contractual charges;

- € 12 million of provisions of other subsidiaries.

The following table shows changes in caption 80.c "Provisions for risks and charges - Other provisions" during 2000.

Analysis of caption 80.c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.) *(€/mil)*

	Guarantees and commitments	**Other risks and charges**	**Other personnel charges**	**Total**
Opening balance - January 1, 2000	**40**	**231**	**137**	**408**
Increases				
- provisions	13	237	18	**268**
- other (*)	6	738	123	**867**
Decreases				
- revaluation of guarantees	2	-	-	**2**
- coverage of charges deriving from legal disputes and other	-	24	12	**36**
- payments of long-service bonuses	-	2	-	**2**
- other	5	26	7	**38**
Closing balance - December 31, 2000	**52**	**1,154**	**259**	**1,465**

(*) Increases include € 863 million of the contribution from the Banco di Napoli Group on its first-time consolidation. The increase is split as follows: € 6 million against guarantees and commitments, € 734 million against other provisions for risks and charges and € 123 million against other personnel charges.

Provisions for guarantees and commitments, € 52 million, cover expected losses in respect of guarantees and, more generally, the contingencies associated with the Group's guarantees and commitments.

Other provisions for risks and charges amounting to € 1,154 million include:

- € 105 million, provisions of the Parent Bank against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;
- € 207 million provided by the Parent Bank to cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Bank's commitment to support the Interbank Deposit Guarantee Fund and with other potential liabilities.
- € 409 million provided by Banco di Napoli S.p.A. for restructuring costs and staff severance incentives (€ 382 million), as well as organisational improvements (€ 27 million);
- € 232 million of provisions of Banco di Napoli against estimated losses on legal disputes and, more specifically, on claims from bankruptcy liquidators;
- € 20 million of Banco di Napoli provisions as a specific reserve against potential expenses deriving from possible renegotiations of mortgage loans;
- € 36 million of expenses provided for by Banco di Napoli against the insurance positions of employees no longer in force since January 1, 1991;
- € 35 million of other expenses provided for by Banco di Napoli;
- € 110 million relating to provisions of the remaining subsidiaries (€ 97 million) mainly against risks connected with the placement and management of financial products geared to households.

The provisions for other personnel charges, € 259 million, include:

- € 105 million relating to provisions made by the Parent Bank, on the basis of independent actuarial appraisals, to cover the technical deficit of its supplementary pension fund, an independent entity, which integrates the compulsory pension fund;
- € 13 million provided to the technical reserves, determined on the basis of mathematical and actuarial criteria, designed to cover long-service bonuses to the Bank's employees;
- € 5 million relating to other provisions by the Parent Bank;
- € 123 million referring to provisions of Banco di Napoli S.p.A., attributable for € 75 million to work disputes, for € 24 million to supplementary pensions and employees involved in tax collection, for € 19 million to bonuses for employees and for € 5 million for leave still to be taken;
- € 13 million of provisions of other subsidiaries, essentially attributable to Banque Sanpaolo S.A. (€ 12 million).

Information as per Consob Communication 1011405 of February 15, 2001.

Low-interest mortgage loans

Law 133/99, implemented by Ministerial Decree 110/2000 (against which there is an appeal outstanding before the Regional Administrative Tribunal of Lazio, as well as before the equivalent tribunals in the other regions involved) obliged banks to revise their interest rates, on the request of the borrowers or loan sponsoring entities, on mortgages paid totally or partially by the public sector.

Given that this rule does not prescribe a "threshold interest rate", art. 145. 62 of the Budget Law 2001 made it clear that the renegotiation interest rate "is to be intended as the actual average overall rate on home mortgage loans currently being repaid". The Treasury Ministry issued guidelines on identifying the types of loans to be analysed to establish a renegotiation interest rate and the Bank of Italy issued instructions on how these guidelines should be applied.

This analysis has now been completed, while the regulatory process is not yet ended with the expected Treasury decree establishing the renegotiation interest rate.

Given that the general picture still has to be defined, we have taken account of the Bank of Italy's instructions and estimated the potential cost at € 126 million (€ 108 million for the Parent Bank) of which: € 82 million for the period July 1, 1999 – December 31, 2000 (€ 70 million for the Parent Bank) and € 44 million for 2001 (€ 38 million for the Parent Bank), which is adequately covered by the provision for other risks and charges. In the years after 2001 the negative impact on the statement of income will progressively decline following the expiry of outstanding mortgage loans.

Low-interest agricultural mortgage loans

Art. 128 of Law 388/2000 (Budget Law 2001) gave borrowers the possibility to renegotiate outstanding repayments at the current rates on interest-assisted loans, which are now more favourable. Renegotiation is subject to a ministerial decree with the rules on implementation, which has still not been issued.

Fixed-rate unsubsidized mortgage loans (usury)

On February 27, 2001 the Decree 394 of 12/29/00 concerning usury has been converted into law. This provision concerning fixed-rate unsubsidized mortgage loans, which is applicable to instalments expiring after January 2, 2001, laid down an obligation to renegotiate outstanding loans on the basis of a “substitute rate” set at 9.96% for mortgage loans of households and companies, reduced to 8% for mortgage loans up to 150 million lire for the purchase of the primary residence (provided it is not considered a luxury home).

During 2001, steps were taken to adjust the rate on all loans affected by this law automatically to 9.96%. As regards mortgage loans of up to 150 million lire to buy a non-luxury first home, the renegotiated rate was reduced even further to 8% on the basis of autocertification produced by the borrowers. The expenses for 2001 were booked as a reduction to net interest income for € 21 million (of which € 18 million attributable to the Parent Bank); in addition, € 3 million of the provision for other risks and charges remains against mortgage loans still potentially renegotiable at 8%, for which the related documentation has still not been submitted.

The latest intervention on this matter was by the Constitutional Court: on February 25, 2002 it passed sentence declaring that art. 1.1 of Decree Law 394/2000 was unlawful in the part where it laid down that the new interest rate was to be applied to the instalments that fell due after January 2, 2001, rather than to those that fell due on the day that the Decree Law came into effect (December 31). The higher charge deriving from the renegotiation of instalments expiring between December 31, 2000 and January 2, 2001 has been put at € 7 million (of which € 6 million pertaining to the Parent Bank), and has been provided for in the provision for other risks and charges.

Anatocism (interest on interest)

Judgement 425 of the Constitutional Court of October 17, 2000 established that the transitional rule laid down by art. 25 of the legislative decree 342/99, which declared clauses in bank contracts signed before the adjustments introduced by the decree permitting the capitalization of interest “valid and effective”, was unconstitutional.

However, such judgement did not discuss the legitimacy of quarterly capitalization, merely stating that capitalization was unconstitutional for formal reasons regarding the excess of power of attorney in contrast with art. 76 of the Constitution. In addition, the matter does not involve contracts stipulated after 04/22/2000, when the new instructions imposing the same calculation period for interest income and expense became effective.

In any event, the legal reasons of previously signed contracts remain unprejudiced, as fundamental for the legitimacy of the quarterly capitalization and aimed at contrasting the recent judgements of the Supreme Court which, by changing the previous consolidated law of the same Court, did not recognize the existence of a regulatory use in this matter, thus nullifying the clause in question.

The matter is still under debate and the outcome is uncertain: in fact, there are recent pronouncements which confirm the legality of quarterly capitalization clauses from various aspects, dissenting from the decisions of the Supreme Court. There have not been any significant changes in the legal situation compared with last year, so in general terms the overall value of the lawsuits that have arisen to date continues to be immaterial. In the light of current jurisprudence, and taking into account the current situation of lawsuits pending, no liability is foreseeable as of now. As of December 31, 2001, however, potential future risks on outstanding disputes are adequately covered by provisions.

Reserve for possible loan losses (caption 90)

This caption reflects provisions made by certain subsidiaries to cover lending risks - including risks deriving from derivatives transactions; these risks are only potential, so the reserve is not set off against asset balances.

Changes in the reserve for possible loan losses during 2001 and 2000 are analyzed below:

Changes during the year in "Reserve for possible loan losses" (table 7.2 B.I.)	*(€/mil)*
A.Opening balance - January 1,2001	**35**
B. Increases	
B1. provisions	11
B2. other changes	-
C. Decreases	
C1. releases	3
C2. other changes	2
D. Closing balance - December 31, 2001	**41**

Changes during the year in "Reserve for possible loan losses" (table 7.2 B.I.)	*(€/mil)*
A.Opening balance - January 1, 2000	**29**
B. Increases	
B1. provisions	8
B2. other changes	
C. Decreases	
C1. releases	1
C2. other changes	1
D. Closing balance - December 31, 2000	**35**

(19) CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

The Group interest in shareholders' equity is detailed below:

(€/mil)

	12/31/01	12/31/00
Shareholders' equity		
- capital (caption 150)	3,932	3,931
- additional paid-in capital (caption 160)	22	18
- reserves (caption 170)		
- legal reserve	793	793
- reserve for own shares	304	739
- other reserves	1,739	850
- reserve for general banking risks (100)	356	355
- negative goodwill arising on consolidation (caption 120)	-	-
- negative goodwill arising on application of the equity method (130)	118	63
- revaluation reserves (caption 180)	9	9
- net income for the year (caption 200)	1,203	1,292
Group interest in shareholders' equity	8,476	8,050
Own shares (asset caption 140)	304	739
including: own shares held by the Parent Bank (*)	*294*	*697*
Minority interests (caption 140)	698	715
Subordinated liabilities (caption 110)	5,607	5,158

(*) In the reclassified consolidated balance sheet, the Parent Bank's own shares are shown as an adjustment to the consolidated shareholders' equity, while other own shares are included in the dealing portfolio.

Group interest in consolidated shareholders' equity

Capital equity reserves and net income (captions 150, 160, 170 and 180)

Capital, additional paid-in capital, the legal reserve reflect the amounts reported in the financial statements of the Parent Bank; "Other reserves" comprise the remaining reserves of the Bank and the changes during the year in the Group's interest in the shareholders' equity of consolidated companies.

As part of the 1999/2001 stock option plan, 422,916 subscription options for new shares were exercised during the year. This brought a capital increase of € 1 million, booking additional paid-in capital of € 4 million. As of December 31, 2001 the share capital amounts to € 3,932,435,119.2 made up by 1,404,441,114 ordinary shares with a par value of € 2.8 each.

The "Reserve for own shares" was established by the Parent Bank and the subsidiary Banca d'Intermediazione Mobiliare IMI S.p.A. in relation to the year-end stock of SANPAOLO IMI shares. More specifically, own shares of the Parent Bank held by said subsidiary is mainly in connection with dealing activities, essentially to hedge FIB 30 futures and options. The reserve, formed using the portion of reserves specifically destined for this purpose, is offset by a matching balance in asset caption 140 "Own shares".

The "Revaluation reserves" reflect property revaluation carried out during 2000, pursuant to Law 342 of November 2001 21, by the subsidiary Banca Fideuram, net of € 3 million attributed to minority interests.

Reserve for general banking risks (caption 100)

The reserve for general banking risks reflects the reserve shown in the financial statements of the Parent Bank, € 336 million (€ 336 million as of December 2000), and the reserves set up by certain subsidiary companies, € 20 million (€ 19 million as of December 2000).

Positive goodwill arising on consolidation (asset caption 90)

Analysis of caption 90 "Positive goodwill arising on consolidation" (€/mil)

	12/31/01	12/31/00
Banco di Napoli	764	812
Financiere Fideuram (1)	69	77
Banque Privee Fideuram Wargny (2)	3	-
Banca Fideuram (3)	-	23
Sanpaolo IMI Asset Management S.g.r.	1	2
Finconsumo Banca	1	1
Total	**838**	**915**

(1) The company is the result of the merger between Financière Fideuram (formerly Wargny Associés) and Wargny Management.
(2) The consolidation difference arose on the acquisition by Financière Fideuram of the portion pertaining to the minority shareholders of Fideuram Wargny Société de Bourse (now merged by Banque Privée Fideuram Wargny).
(3) This goodwill has been eliminated following the sale of the investment.

Goodwill arising on consolidation of Banco di Napoli reflects the excess price paid with respect to its adjusted shareholders' equity, for the part not compensated by the negative goodwill arising on consolidation. Given the nature of the investment, amortization will be calculated over 10 years (see note (4)).

The goodwill arising on consolidation of Banco di Napoli, net of the portion offset in 2000 on first-time consolidation against pre-existing negative goodwill, saw the following changes during the year:

Changes in goodwill arising on consolidation of Banco di Napoli

	(€/mil)
A. Goodwill arisen as of January 1, 2001	812
B. Increases:	38
- residual takeover bid for ordinary shares (*)	37
- Other purchases	1
C. Amortization	86
- of the residual goodwill arising on consolidation at the beginning of the year	82
- of increases for the year	4
D. Goodwill arising on consolidation as of December 31, 2001	**764**

(*) The amount includes, for € 6 million, the cost of the exercise of the right of purchase pursuant to art. 111 of Decree 58/98 (so-called "squeeze out").

In addition, the line-by-line consolidation of the Wargny Group entailed positive goodwill arising on consolidation of € 78 million, which was recorded among consolidated assets and amortized over 10 years, given the nature of the investment (see Note (4)). This difference is shown net of the amortization charge for 2000 (€ 1 million).

Negative goodwill arising on consolidation (liability caption 120)

Analysis of caption 120 "Negative goodwill arising on consolidation" (€/mil)

	12/31/01	12/31/00
Negative goodwill arising on first time line by line consolidation	952	952
Goodwill arising on consolidation	(952)	(952)
- Banco di Napoli Group	*(854)*	*(854)*
- Cassa di Risparmio di Firenze (*)	*(98)*	*(98)*
Total	**-**	**-**

(*) To integrate the amount of € 75 million to offset all of the negative goodwill arising on first-time consolidation using the equity method (see the following table).

Negative goodwill arising on application of the equity method (liability caption 130)

Analysis of caption 130 "Negative goodwill arising on application of the equity method" (€/mil)

	12/31/01	12/31/00
Negative goodwill arising on first-time consolidation using the equity method	75	75
Goodwill arising on: Cassa di Risparmio di Firenze	(75)	(75)
Changes in the shareholders' equity after first time consolidation (*)	118	63
Total	**118**	**63**

(*) This caption represents the Group's portion of the increase in shareholders' equity of investments recorded after the first consolidation. It is mainly attributable to companies operating in the insurance segment.

Positive goodwill arising on application of the equity method (asset caption 100)

Analysis of caption 100 "Positive goodwill arising on application of the equity method" (€/mil)

	12/31/01	12/31/00
Cassa di Risparmio di Firenze	63	74
Cassa dei Risparmi di Forlì	121	-
Aeffe	31	-
Total	**215**	**74**

The goodwill arising on application of the equity method to Cassa di Risparmio di Firenze, net of the portion offset in 2000 on first-time consolidation against pre-existing negative differences, changed during the year because of the amortization charge for the year (€ 8 million) and of the decrease in the holding caused by the share capital increase not subscribed by SANPAOLO IMI (€ 3 million).

Goodwill arising on consolidation and on application of the equity method of the Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì is amortized over 10 years, given the strategic nature of these investments. The investment in Aeffe, acquired during the year within the ambit of private equity activities, will be amortized over five years.

Own shares (asset caption 140)

This caption represents SANPAOLO IMI shares held by the Parent Bank and by other Group companies. More specifically as of December 31, 2001, SANPAOLO IMI S.p.A. had 17,080,403 own shares in portfolio (total par value of € 48 million) carried at a cost of € 294 million (€ 17.2 per share with respect to an average price in the second half of 2001 of € 12.55).

As of December 31, 2000, SANPAOLO IMI S.p.A. had 39,345,982 own shares in portfolio (total par value of € 110 million) carried at a cost of € 697 million.

Own shares held by the Parent Bank are carried at cost as they are considered a long-term investment, also because of the main reason for which they have been purchased: namely for extraordinary financial transactions (mergers, spin-offs, share exchanges, etc.). In fact, all of the shares held at the end of 2001 will be used to service the share exchange involved in the merger with Cardine, in accordance with the merger prospectus, which establishes that SANPAOLO IMI can use own shares for this purpose up to a maximum of 70,000,000.

Taking account of the fact that the purpose of the exchange of own shares as part of the merger with Cardine represents for the Parent Bank a way of achieving a medium-term strategic objective, in line with the shares' inherent nature as a long-term financial investment, we decided that it was not necessary to write them down to market, as the difference is not considered a permanent impairment of value, also bearing in mind that the normal average yield on the shares foreseen by the Group is unlikely to change significantly.

It is also worth mentioning that under resolutions passed by the Board of Directors, the Parent Bank is expected to use own shares to service both the staff incentive plans and the stock option plan reserved for the Managing Directors and the Chairman. The own shares to be used for these purposes will be bought in subsequent years than the one to which these financial statements refer.

At the end of the year, another 815,564 SANPAOLO IMI S.p.A. shares were held in the portfolio of Banca IMI for dealing purposes, as mentioned earlier; they are therefore shown at their market value of € 10 million.

Deferred taxation on reserves in suspense for tax purposes

The deferred taxation that refers to shareholders' equity items was booked at the end of 1998 by the Parent Company to the following captions:

Reserve for General Banking Risks;
Reserve ex Law 169/83;
Reserve ex D.Lgs. 213/98;

As regards the Reserve for general banking risks, deferred taxes have been recorded in connection with the probability of loan losses, which given the fiscal nature of the reserve, would not be immediately deductible. This reserve is an equity item that would be taxable however it is used.

Deferred taxes have been charged on the Reserve ex Law 169/83 because of the various circumstances in which it can be taxed. This reserve is unrestricted for statutory purposes and would be taxed not only in the event of distribution, but also if used in certain other ways.

Deferred taxes have also been booked for the Reserve ex art. 21 of D.Lgs. 213/98. At the end of ’98, deferred taxes were calculated on the net exchange differences that arose on translation of the equity investments expressed in Euro-participating currencies.

The deferred taxation on these equity items has been booked to specific reserves. Movements and balances are shown in Note (18) “Provisions”.

For completeness sake, we would also point out that the other items in the Parent Bank's equity that are in suspense for tax purposes, namely the Share Capital (€ 631 million), the Legal Reserve (€ 268 million), the Reserve ex Law 218/90 (€ 80 million) and the Reserve ex D.Lgs. 124/93 (€ 3 million) and the Reserve ex Law 153/99 (€ 641 million) are taxable solely if distributed. Given the extent to which these items are restricted, no deferred taxes have been calculated on them, as the events that might give rise to them being taxed are not expected to take place in the foreseeable future.

Minority interests (liability caption 140)

As of December 31, 2001, the portion of minority interests totalling € 698 million (€ 715 million as of December 31, 2000) essentially relates to the quota attributable to minority shareholders of the Banca Fideuram, NHS - Nuova Holding SANPAOLO IMI and Banco di Napoli.

A statement of changes in consolidated shareholders’ equity is attached to these notes, together with a reconciliation of the Bank’s net income and shareholders’ equity and the corresponding consolidated amounts.

Subordinated liabilities (caption 110)

Loan	Amount in the Financial Statements as of 12/31/01 (€/mil)	Amount in Original currency (million)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 12/31/00 (€/mil)
Preferred Securities in Euro	1,000	1,000	8.126% (a)	10/11//00	(b)	1000
Total innovative capital instruments (tier 1)	*1,000*					*1,000*
Notes in Luxembourg francs (c)	-	1,000	7.63%	7/9/93	7/9/01	25
Notes in US dollars (c)	188	165	floating	7/12/93	7/30/03	178
Notes in US dollars (c)	101	89	floating	9/24/93	9/24/03	86
Notes in US dollars (c)	107	94	floating	11/30/93	11/30/05	101
Notes in Canadian dollars (c)	107	151	floating	11/10/93	11/10/03	108
Notes in Euro (c)	356	362	floating	6/30/94	6/30/04	356
Notes in Italian lire	17	35,725	floating	6/15/93	6/15/03	29
Notes in Italian lire	25	48,820	floating	10/15/93	10/15/03	36
Notes in Euro	146	150	5.75%	9/15/99	9/15/09	150
Notes in Euro (c)	27	27	floating	12/30/96	1/20/02	27
Subordinated loan in US dollars	113	100	floating	9/15/93	9/15/03	108
Subordinated loan in US dollars	-	10	floating	3/25/91	3/25/01	11
Subordinated loan in Italian lire	26	50,000	5.10%	6/1/98	6/1/03	39
Subordinated loan in Italian lire	62	120,000	5.30%	1/1/98	1/1/03	93
Subordinated loan in Italian lire	57	112,000	floating	2/1/98	2/1/03	87
Subordinated loan in Euro	500	500	6.38%	4/6/00	4/6/10	500
Subordinated loan in Euro	350	350	floating	4/6/00	4/6/10	350
Subordinated loan in Euro	1,000	1,000	floating	9/27/00	9/27/10	1,000
Subordinated loan in Euro	300	300	5.55%	7/31/01	7/31/08	0
Subordinated loan in Euro	200	200	5.16%	10/2/01	10/2/08	0
Subordinated loan in Euro	200	200	floating	10/1/99	10/1/09	200
Subordinated loan in Euro	106	150	floating	10/12/99	10/12/09	65
Subordinated loan in Euro	8	8	floating	12/22/00	12/22/10	8
Subordinated loan in Euro	1	1	3.75%	9/20/01	9/20/06	0
Total subordinated liabilities (Tier 2)	***3,997***					***3,557***
Subordinated loan in Euro	460	466	5.63%	10/3/00	4/3/03	456
Subordinated loan in Euro	150	150	floating	11/6/00	5/6/03	145
Total subordinated liabilities (Tier 3)	***610***					***601***
Total	**5,607**					**5,158**

(a) The remuneration of the preferred securities is fixed at 8.126% up to November 10, 2010. After that date, a floating coupon will be paid at 12 months Euribor increased by 350 b.p.
(b) The securities cannot be redeemed. Only SANPAOLO IMI has the right to redeem the Notes, totally or partially, and this right can be exercised after November 10, 2010.
(c) These are issues made on a fiduciary basis against deposits of the Parent Bank's Nassau branch.

During the year new subordinated loans have been issued for € 501 million, of which € 500 million by the Parent Bank under the form of Tier 2 subordinated loans to finance Group investments.

Subordinated liabilities not included in the calculation of regulatory capital amount to € 432 million, excluding Tier 3 subordinated loans.

Preferred Securities, which are attributable to Tier 1 capital, satisfy the following requirements:

- the securities are not redeemable, the issuer's redemption right, if any, cannot be exercised during the first 10 years after issuance; redemption has to be authorized in advance by the Bank of Italy;
- the contract provides for the possibility of suspending interest payments on the securities, even partially, if the Parent Company directly controlling the issuer did not distribute dividends during the previous year;
- dividends cannot be accumulated in subsequent years;
- in the event of the liquidation of SANPAOLO IMI, the holders of securities can only be reimbursed after all other subordinated and non-subordinated creditors have been paid.

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts lay down that:

- early redemption can only take place on the issuer’s initiative and with Bank of Italy authorization;
- the duration exceeds 5 years;
- in the event that the issuer is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

The Tier 3 subordinated loans meet the following conditions:

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

Other information on subordinated liabilities

See Note 22 for information regarding the distribution of subordinated liabilities by geographical area, currency and degree of liquidity.

Shareholders' equity for supervisory purposes

In accordance with Bank of Italy instructions on disclosure, the composition of regulatory capital and an analysis of the prudent supervisory requirements are given in the table below. The final estimates will be relayed to the Supervisory Body following approval of these financial statements:

(€/mil)

Category/value	12/31/01	12/31/00
A. Shareholders' equity for supervisory purposes		
A.1 Tier 1 capital	7.656	6.868
A.2 Tier 2 capital	3.552	3.257
A.3 Items to be deducted	(1,740)	(1,259)
A.4 Regulatory capital	9,468	8,866
B. Minimum regulatory requirements		
B.1 Lending risk	7.771	7.604
B.2 Market risk	642	647
including:		
- risks on dealing portfolio	595	607
- exchange risks	47	40
B.2.1 Tier 3 subordinated loans	610	601
B.3 Other minimum requirements	43	41
B.4 Total minimum requirements	8,456	8,292
C. Risk assets and capital-adequacy ratios		
C.1 Risk-weighted assets (*)	105,700	103,650
C.2 Tier 1 capital/risk weighted assets	7.2%	6.6%
C.3 Regulatory capital/risk weighted assets (**)	9.5%	9.1%

(*) Total regulatory requirements multiplied by the recovery of the minimum compulsory ratio for lending risk (12.5).

(**) In accordance with the Bank of Italy's letter no. 10155 of August 3, 2001, tier 3 subordinated loans are considered a component of overall capital for the purpose of calculating the total risk ratio.

(20) OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

(€/mil)

	12/31/01	12/31/00
Other liabilities (caption 50)	15,590	17,420
Accrued expenses and deferred income (caption 60)	2,162	3,114
Total	17,752	20,534

Other liabilities (caption 50)

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

(€/mil)

	12/31/01	12/31/00
Valuation of derivatives on interest rates and stockmarket indices	3,846	3,967
Unprocessed transactions	2,266	2,890
Counterparty of valuations of foreign currency derivatives contracts	1,874	714
Amounts available for third parties	1,755	3,024
Tax payments accounts	1,019	1,231
Amounts in transit with branches	803	986
Other items derivative contracts	700	1,275
Non-liquid balances from portfolio transactions	374	13
Due to the tax authorities	274	340
Premiums collected on options sold	259	322
Amounts due to employees	170	241
Deposits guaranteeing agricultural and construction loans	33	37
Items relating to securities transactions	31	17
Transactions by foreign branches	17	47
Amounts payable due to settlement value date	9	367
Other	2,160	1,949
Total	**15,590**	**17,420**

Accrued expenses and deferred income (caption 60)

Analysis of caption 60 "Accrued expenses and deferred income" (Table 9.2 B.I.) (€/mil)

	12/31/01	12/31/00
Accrued expenses		
- interest on securities issued	693	989
- charges on derivative contracts	681	977
- interest on amounts due to banks	162	253
- payroll and other operating costs	124	81
- interest on amounts due to customers	102	184
- other	49	271
Deferred income		
- income from derivative contracts	139	147
- interest on discounted notes	47	60
- other	165	152
Total	**2,162**	**3,114**

(21) GUARANTEES AND COMMITMENTS

Consolidated balance sheet captions 10 and 20, relating to guarantees and commitment that involve lending risk, are detailed as follows:

(€/mil)

	12/31/01	12/31/00
Guarantees given (caption 10)	16,016	15,670
Commitments (caption 20)	24,839	26,518
Total	**40,855**	**42,188**

Guarantees given in favour of third parties comprise:

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

(€/mil)

	12/31/01	12/31/00
(a) Commercial guarantees	9,907	12,173
(b) Financial guarantees	5,984	3,174
(c) Assets lodged in guarantee	125	323
Total	**16,016**	**15,670**

Commitments outstanding at year-end are as follows:

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

(€/mil)

	12/31/01	12/31/00
(a) Commitments to grant finance (certain to be called on)	8,794	8,260
(b) Commitments to grant finance (not certain to be called on)	16,045	18,258
Total	**24,839**	**26,518**

Firm commitments are detailed below:

(€/mil)	12/31/01	12/31/00
Purchase of securities not yet settled	3,631	3,918
Commitments certain to be called on for derivative contracts on loans	844	749
Other commitments certain to be called on	1,999	1,675
Undrawn lines of credit granted	11,641	13,537
Put options issued	682	2,226
Mortgage loans and leasing contracts to be disbursed	3,631	2,609
Deposits and loans to be made	1,826	1,141
Membership of Interbank Deposit Guarantee Fund	107	105
Other commitments not certain to be called on	478	558
Total	**24,839**	**26,518**

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)

(€/mil)	12/31/01	12/31/00
Portfolio securities lodged with third parties to guarantee repurchase agreements	7,781	10,119
Securities lodged with the clearing-house for transactions on the derivatives market	30	702
Securities lodged with central banks to guarantee advances	534	607
Securities lodged with the Bank of Italy to guarantee bankers' drafts	143	142
Securities lodged to guarantee promissory notes	39	51
Total	**8,527**	**11,621**

Unused lines of credit

The Group has unused lines of credit, excluding operating limits, as detailed below:

(Table 10..4 B.I.)

(€/mil)	12/31/01	12/31/00
a) Central banks	54	38
b) Other banks	215	71
Total	**269**	**109**

Forward transactions

Forward transactions as of December 31, 2001 and 2000, excluding dealing transactions on behalf of third parties, are detailed below:

(Table 10.5 B.I.)

(€/mil)

12/31/01	Hedging transactions	Dealing transactions(*)	Other transactions	Total
1. Purchase/sale of				
1.1 securities				
- purchases	-	3,631	-	3,631
- sales	-	1,958	-	1,958
1.2 currency				
- currency against currency	1,550	825	-	2,375
- purchases against Euro	11,699	4,717	-	16,416
- sales against Euro	5,842	5,173	-	11,015
2. Deposits and loans				
- to be disbursed	-	-	1,826	1,826
- to be received	-	-	3,711	3,711
3. Derivative contracts				
3.1 with exchange of capital				
(a) securities				
- purchases	-	2,253	-	2,253
- sales	421	2,809	-	3,230
(b) currency				
- currency against currency	290	144	-	434
- purchases against Euro	2,896	1,205	-	4,101
- sales against Euro	1,019	912	-	1,931
(c) other instruments				
- purchases	-	-	-	-
- sales	-	-	-	-
3.2 without exchange of capital				
(a) currency				
- currency against currency	30	-	-	30
- purchases against Euro	11	-	47	58
- sales against Euro	-	-	-	-
(b) other instruments (**)				
- purchases	37,762	156,437	150	194,349
- sales	17,356	153,120	4,282	174,758
Total	**78,876**	**333,184**	**10,016**	**422,076**

(*) Including derivative contracts hedging the dealing portfolio € 3,585 million.

(**) Including basis swaps, € 14,698 million, and other index swap derivatives, € 8 million, both in purchases and sales.

At year end, hedging contracts entered into by Group companies result in a potential net loss of € 553 million. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivatives contracts in question is to hedge interest and exchange rate risks with regard to funding activities (particularly deposit-taking transactions made via the issue of bonds with a structured yield) or lending activities. The above-mentioned contracts are in fact recorded on a consistent basis with those adopted for hedging transactions, booking accruals in the financial statements for the interest rate and/or exchange rate differential accruing up to the balance sheet date.

Derivatives contracts included under structured financial instruments amount to € 4,479 million, at nominal value.

Forward transactions outstanding as of December 31, 2001, presented in the table above, essentially reflect the activities of the Parent Bank and those subsidiaries operating in the stockbroking and credit intermediation sector.

See Note (26) on profits and losses on financial transactions for the results of the valuation of derivative contracts.

(Table 10.5 B.I.)

(€/mil)

12/31/00	Hedging transactions	Dealing transactions(*)	Other transactions	Total
1. Purchase/sale of				
1.1 securities				
- purchases	-	3,828	-	3,828
- sales	-	2,851	-	2,851
1.2 currency				
- currency against currency	2,707	3,949	-	6,656
- purchases against Euro	8,984	5,691	-	14,675
- sales against Euro	6,592	5,546	-	12,138
2. Deposits and loans				
- to be disbursed	-	-	2,947	2,947
- to be received	-	-	1,317	1,317
3. Derivative contracts				
3.1 with exchange of capital				
(a) securities				
- purchases	-	4,541	-	4,541
- sales	1,303	5,994	-	7,297
(b) currency				
- currency against currency	412	614	-	1,026
- purchases against Euro	1,717	972	-	2,689
- sales against Euro	971	1,282	-	2,253
(c) other instruments				
- purchases	-	-	-	-
- sales	-	-	-	-
3.2 without exchange of capital				
(a) currency				
- currency against currency	-	3	-	3
- purchases against Euro	295	-	-	295
- sales against Euro	28	-	-	28
(b) other instruments				
- purchases	22,253	108,598	-	130,851
- sales	20,116	105,576	3,481	129,173
Total (**)	**65,378**	**249,445**	**7,745**	**322,568**

(*) Including derivative contracts hedging the dealing portfolio € 1,107 million.

(**) Including basis swaps both in purchases, € 15,070 million, and in sales € 15,070 million.

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 for Bank Supervision, together with the International Organization of Securities Commissions (IOSCO).

The table below shows the notional nominal capital, by type, of forward purchase/sale of currency and derivative contracts on interest rates, exchange rates and stockmarket index for year 2001.

Notional amounts (€/mil)

12/31/01	**Interest rate related**	**Exchange rate related**	**Stockmarket index related**	**Other**	**Total**
OTC trading contracts					
-Forward (a)	10,996	7,134	-	-	18,130
-Swap (b)	175,256	987	-	-	176,243
-Option purchased	12,174	653	7,030	-	19,857
-Options sold	12,146	556	6,219	-	18,921
-Other derivative contracts	-	66	993	-	1,059
Exchange traded contracts					
-Futures purchased	1,257	-	24	-	1,281
-Futures sold	11,065	-	12	-	11,077
-Option purchased	3,550	-	531	-	4,081
-Options sold	7,540	-	53,171	-	60,711
-Other derivative contracts	-	-	-	-	-
Total trading contracts	233,984	9,396	67,980	-	311,360
Total non trading contracts	50,563	23,105	7,357	-	81,025
Total contracts (c)	**284,547**	**32,501**	**75,337**	**-**	**392,385**
-including OTC contracts	261,119	32,501	21,600	-	315,220

(a) Including FRAs and forward currency purchase/sale transactions.
(b) Mainly comprising IRS and CIRS contracts, and basis swaps.
(c) Including basis swaps amounting to € 14,698 million and other index swap derivatives for € 8 million, but excluding forward currency transactions with an original duration of less than 2 days, which total € 3,859 million.

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 for year 2000.

Notional amounts (€/mil)

12/31/00	**Interest rate related**	**Exchange rate related**	**Stockmarket index related**	**Other**	**Total**
OTC trading contracts					
-Forward (a)	2,768	9,574	-	-	12,342
-Swap (b)	167,145	1,521	-	-	168,666
-Option purchased	11,959	480	969	-	13,408
-Options sold	12,930	567	754	-	14,251
-Other derivative contracts	-	285	1,278	-	1,563
Exchange traded contracts					
-Futures purchased	6,117	-	-	-	6,117
-Futures sold	2,388	-	298	-	2,686
-Option purchased	1,434	-	506	-	1,940
-Options sold	2,921	-	617	-	3,538
-Other derivative contracts	-	-	1	-	1
Total trading contracts	207,662	12,427	4,423	-	224,512
Total non trading contracts	39,411	21,356	5,088	207	66,062
Total contracts (c)	**247,073**	**33,783**	**9,511**	**207**	**290,574**
-including OTC contracts	*233,315*	*33,783*	*8,089*	*207*	*275,394*

(a) Including FRAs and forward currency purchase/sale transactions.
(b) Mainly comprising IRS and CIRS contracts, and basis swap.
(c) Includes basis swaps amounting to € 15,070 million and does not include forward transactions on currency with original duration of less than 2 days which total € 5,981 million.

The following tables show the residual duration of the above OTC transaction for year 2001 and 2000.

Residual maturity of notional amounts underlying OTC derivative contracts *(€/mil)*

12/31/01	**Up to 12 months**	**Between 1 and 5 years**	**Beyond 5 years**	**Total**
Interest rate related	131,944	80,980	48,195	261,119
Exchange rate related	28,655	3,393	453	32,501
Stockmarket index related	5,809	11,869	3,922	21,600
Other contracts	-	-	-	-

Residual maturity of notional amounts underlying OTC derivative contracts				*(€/mil)*
12/31/00	**Up to 12 months**	**Between 1 and 5 years**	**Beyond 5 years**	**Total**
Interest rate related	94,330	87,859	51,126	233,315
Exchange rate related	29,152	4,112	519	33,783
Stockmarket index related	2,271	5,538	280	8,089
Other contracts	-	207	-	207

The following tables report the credit risk equivalent related to OTC contracts broken down into their various components: positive market value and add on for year 2001 and 2000.

Notional amounts, market values and similar add on					*(€/mil)*
12/31/01	**Interest rate related**	**Exchange rate related**	**Stockmarket index related**	**Other**	**Total**
Notional amounts	**261,119**	**32,501**	**21,600**	**-**	**315,220**
A. Market value of OTC trading contracts					
A.1 positive market value	3,523	171	329	-	4,023
A.2 negative market value	-3,211	-117	-102	-	-3,430
B. Add on	828	116	614	-	1,558
C. Market value of OTC non-trading contracts					
C.1 positive market value	640	638	377	-	1,655
C.2 negative market value	-1,071	-458	-283	-	-1,812
D. Add on	184	358	267	-	809
Credit risk equivalent (A.1+ B+C.1+D)	5,175	1,283	1,587	-	8,045

Notional amounts, market values and similar add on *(€/mil)*

12/31/00	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	**233,315**	**33,783**	**8,089**	**207**	**275,394**
A. Market value of OTC trading contracts					
A.1 positive market value	3,688	446	120	-	4,254
A.2 negative market value	-3,420	-423	-161	-	-4,004
B. Add on	870	171	152	-	1,193
C. Market value of OTC non-trading contracts					
C.1 positive market value	646	894	591	-	2,131
C.2 negative market value	-865	-958	-308	-	-2,131
D. Add on	216	299	412	19	946
Credit risk equivalent (A.1+ B+C.1+D)	5,420	1,810	1,275	19	8,524

Market values of hedging and dealing transactions arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the credit risk of off-balance sheet items for solvency ratio purposes. The market values identified in the table above derive from applying such criteria. In particular, such market values include 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 following tables show the breakdown of credit risk equivalent on OTC contracts by type of counterparty for year 2001 and 2000..

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

12/31/01	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks	10	-	10
Banks	4,802	2,046	6,848
Other operators	866	321	1,187
Total	5,678	2,367	8,045

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days.

Credit quality of OTC derivative contracts, by counterparty			*(€/mil)*
12/31/00	**Positive market value**	**Add on**	**Credit risk equivalent (a) (current value)**
Governments and central banks	7	-	7
Banks	6,015	1,793	7,808
Other operators	363	346	709
Total	6,385	2,139	8,524

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days.

The above transactions are not backed by secured or personal guarantees. No losses were incurred during the year on loans linked to derivatives and there are no outstanding derivative contracts matured, but not settled.

Derivative contracts on loans

Transactions in derivatives on loans carried out by the Group as of December 31,2001 and as of December 31, 2000 are analysed below:

(table 10.6.B.I) *(€/mil)*

12/31/01	**Negotiation**	**Other transaction**	**Total**
Categories of operations			
1. Hedging purchases			
1.1 With exchange of capital			
- credit default swap	55	368	423
2. Hedging sales			
2.1 With exchange of capital			
- credit default swap	47	797	844
2.2 Without exchange of capital			
- credit default swap	-	-	-
Total	102	1,165	1,267

(table 10.6.B.I) *(€/mil)*

12/31/00 Categories of operations	Negotiation	Other transaction	Total
1. Hedging purchases			
1.1 With exchange of capital			
- credit default swap	-	166	166
2. Hedging sales			
2.1 With exchange of capital			
- credit default swap	-	931	931
2.2 Without exchange of capital			
- credit default swap	-	54	54
Total	-	1,151	1,151

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in Note (22), while forward transactions related to dealing on behalf of third parties are described in Note (23).

(22) CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as "significant exposures" by the Bank of Italy in compliance with EC guidelines. For this purpose, the positions are considered significant if the overall exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Bank's regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk, which takes into account the nature of the counterparty and the guarantees received.

(Table 11.1 B.I.)

	12/31/01	**12/31/00**
(a) Amount (€/mil)	9,236	10,318
(b) Number	4	6

Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

(Table 11.2 B.I.) (€/mil)

	12/31/01	**12/31/00 (*)**
(a) Governments	5,342	5,093
(b) Other public entities	7,193	7,663
(c) Non-financial businesses	51,737	52,507
(d) Financial institutions	13,669	14,765
(e) Family businesses	3,240	3,388
(f) Other operators	15,875	15,290
Total	**97,056**	**98,706**

(*) 2000 figures are shown on the same basis as those of 2001.

Distribution of loans to resident non-financial and family businesses

The distribution of loans to non-financial and family businesses resident in Italy is detailed below, by industry:

(Table 11.3 B.I.) (€/mil)

	12/31/01	**12/31/00 (*)**
(a) Other services for sale	6,583	7,570
(b) Commerce, salvage and repairs	6,099	6,286
(c) Energy products	4,768	4,405
(d) Construction and public works	3,832	3,901
(e) Transport	2,682	2,735
(f) Other sectors	20,062	20,738
Total	**44,026**	**45,635**

(*) 2000 figures are shown on the same basis as those of 2001

Distribution of guarantees given, by category of counterparty

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

(Table 11.4 B.I.) (€/mil)

	12/31/01	12/31/00
(a) Governments	23	6
(b) Other public entities	27	132
(c) Banks	975	800
(d) Non-financial businesses	13,090	12,820
(e) Financial institutions	1,421	1,455
(f) Family businesses	114	115
(g) Other operators	366	342
Total	**16,016**	**15,670**

Geographical distribution of assets and liabilities

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

(Table 11.5 B.I.) (€/mil)

	12/31/01				**12/31/00**			
	Italy	**Other EU countries**	**Other countries**	**Total**	**Italy**	**Other EU countries**	**Other countries**	**Total**
1. Assets								
1.1 due from banks	8.717	11.207	1.647	21.571	9.861	6.826	2.432	19.119
1.2 loans to customers	80,618	10,122	6,316	97,056	81,607	10,210	6,889	98,706
1.3 securities	15.105	3.834	3.178	22.117	16.794	3.772	4.392	24.958
Total	**104,440**	**25,163**	**11,141**	**140,744**	**108,262**	**20,808**	**13,713**	**142,783**
2. Liabilities								
2.1 due to banks	6.774	12.645	8.503	27.922	7.406	10.451	11.739	29.596
2.2 due to customers	53.312	8.886	3.647	65.845	49.967	9.312	5.439	64.718
2.3 securities issued	25,151	10,529	5,159	40,839	27,808	7,392	4,138	39,338
2.4 other accounts	3.699	1.008	1.000	5.707	3.222	1.023	1.000	5.245
Total	**88,936**	**33,068**	**18,309**	**140,313**	**88,403**	**28,178**	**22,316**	**138,897**
3. Guarantees and commitments	21,201	8,078	11,576	40,855	19,345	8,802	14,041	42,188

Maturities of assets and liabilities

The residual maturities of assets and liabilities for year 2001 are detailed in the following table:

(Table 11.6 B.I.) (€/mil)

	Specified duration								Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years		Unspecified duration	
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
1. Assets									
1.1 Treasury bonds eligible for refinancing	41	969	2.481	2.250	1.579	985	1.068	-	9.373
1.2 due from banks	3.994	12.770	3.410	234	265	73	37	788	21.571
1.3 loans to customers	15.262	17.984	11.842	13.601	16.482	8.508	12.030	1.347	97.056
1.4 bonds and other debt securities	30	775	3.012	2.053	2.724	1.003	1.619	-	11.216 -
1.5 off-balance sheet transactions	28.585	118.295	76.566	43.014	4.073	27.653	883	-	299.069
Total assets	**47,912**	**150,793**	**97,311**	**61,152**	**25,123**	**38,222**	**15,637**	**2,135**	**438,285**
2. Liabilities									
2.1 due to banks	3,237	14,798	4,257	887	2,315	407	2,021	-	27,922
2.2 due to customers	48,400	14,485	1,485	351	196	660	268	-	65,845
2.3 securities issued:									-
- bonds	463	902	4,215	7,809	8,633	3,456	2,217	-	27,695
- certificates of deposit	402	5,660	1,795	435	37	17	-	-	8,346
- other securities	661	4,008	129	-	-	-	-	-	4,798
2.4 subordinated liabilities	-	87	494	157	1.058	2.146	1.665	-	5.607
2.5 off-balance sheet transactions	30.093	115.783	77.886	43.074	3.364	28.369	500	-	299.069
Total liabilities	**83,256**	**155,723**	**90,261**	**52,713**	**15,603**	**35,055**	**6,671**	**-**	**439,282**

The residual maturities of assets and liabilities for year 2000 are detailed in the following table:

	Specified duration								Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years		Unspecified duration	
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
1. Assets									
1.1 Treasury bonds eligible for refinancing	111	474	1.588	1.652	3.218	1.039	886	-	8.968
1.2 due from banks	3.687	11.778	2.696	209	289	125	42	293	19.119
1.3 loans to customers	14.824	20.594	13.291	13.063	15.345	8.464	11.522	1.603	98.706
1.4 bonds and other debt securities	54	1.255	1.546	2.587	4.227	2.733	1.585	-	13.987
									-
1.5 off-balance sheet transactions	11.862	108.529	74.436	43.927	3.225	30.151	1.532	-	273.662
									-
Total assets	**30,538**	**142,630**	**93,557**	**61,438**	**26,304**	**42,512**	**15,567**	**1,896**	414,442
2. Liabilities									
2.1 due to banks	4,839	15,614	4,232	990	1,687	405	1,829	-	29,596
2.2 due to customers	44,794	13,613	3,852	928	539	773	219	-	64,718
2.3 securities issued:									-
- bonds	355	1,437	2,606	8,678	6,655	4,307	2,551	-	26,589
- certificates of deposit	146	4,450	2,783	870	623	-	16	-	8,888
- other securities	753	2,600	439	69	-	-	-	-	3,861
2.4 subordinated liabilities	-	71	57	650	1.122	1.650	1.608	-	5.158
2.5 off-balance sheet transactions	11.549	108.088	72.596	45.937	2.290	32.205	927	-	273.592
Total liabilities	**62,436**	**145,873**	**86,565**	**58,122**	**12,916**	**39,340**	**7,150**	**-**	**412,402**

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the Euro-zone as of December 31, 2001 and as of December 31, 2000 are broken down as follows:

(Table 11.7 B.I.) *(€/mil)*

	12/31/01	12/31/00
(a) Assets		
1. due from banks	3,094	5,547
2. loans to customers	10,349	11,543
3. securities	3,397	5,247
4. equity investments	92	147
5. other accounts	33	33
Total assets	**16,965**	**22,517**
(b) Liabilities		
1. due to banks	10,551	11,333
2. due to customers	7,310	10,034
3. securities issued	9,573	5,771
4. other accounts	616	616
Total liabilities	**28,050**	**27,754**

Taking into consideration the effects of currency swap transactions for specific and generic hedging of transactions in foreign currency, the currency short position shown above is substantially offset.

Securitization transactions

Group securitization transactions

As of December 31, 2001, the SANPAOLO IMI Group carried out the following securitization transaction:

- *Sanpaolo Leasint S.p.A.* - In 1997 the subsidiary made a non-recourse assignment of performing loans under leasing contracts as per Law no. 52/91 for a total book value of € 503.5 million. No revolving assignments were carried out during 2001 on the basis of the securitization operation to ensure that the assets initially securitized would remain the equivalent of the securities issued up to the contractual date for redemption of the securities. This transaction was carried out in order to free up part of the loan portfolio, generating sources of additional liquidity and benefiting at the same time from the possibility to reduce lending risk. Junior securities are included in the investment securities portfolio at their original cost of € 50.4 million. Note that, during the course of the operation, these securities act as the financial instrument for recognition of the spread differential (the so-called "excess spread") between the cash flows generated by the loan portfolio assigned and the securities issued. The assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, factoring company, vehicle company and trustee) with a detailed explanation of the state of the loans and of collections during the period. The servicer requires the separate administration, management and collection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. As of December 31, 2001 loans to be collected amounted to € 94.6 million.

- *Finconsumo Banca S.p.A.*[1] - This bank is carrying out two securitization transactions without recourse as per Law 130/99 of performing consumer loans due from households resident in Italy. As part of these programmes, in 2001 the bank sold without recourse € 502.9 million of performing loans to household resident in Italy, of which: a) € 192.4 million represent revolving assignments carried out on the basis of the first securitization (Golden Bar I, completed in December 2000 for an initial amount of € 361.5 million) so as to ensure that the assets initially securitized would remain the equivalent of the securities issued up to the contractual date for redemption of the securities; b) € 310.6 million (€ 258.3 million as initial assignment and € 52.3 as revolving assignment) on the basis of the second operation (Golden Bar II, completed in June 2001). These transactions were carried out in order to free up part of the loans portfolio, generating sources of additional liquidity and optimizing use of capital also from a regulatory point of view. The investment securities portfolio includes junior securities that arose from the securitization exercises carried out in 2000 and 2001, of € 2.0 million and € 1.3 million respectively. Note that, during the course of the operation, these securities act as the financial instrument for recognition of the spread differential (the so-called "excess spread") between the cash flows generated by the loan portfolio assigned and the securities issued. The assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, vehicle company and trustee) with a detailed explanation of the state of the loans and of collections during the period. The servicer requires the separate administration, management and collection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. As of December 31, 2001 there were still loans to be collected from the two outstanding assignments of € 365.4 million and € 238.0 million respectively.

[1] The company is jointly controlled (SANPAOLO IMI holds 50%). The information on securitizations concerns the whole amount, although the effects on the consolidated financial statements of the SANPAOLO IMI Group are proportional (50%).

Securities in portfolio representing third party securitizations

As of December 31, 2001, the Group holds investment and dealing securities that came from third party securitizations, as shown in the following table:

(€/mil)

Type of underlying activities	Credit quality	"Senior" securities	"Mezzanine" securities	"Junior" securities	Total
		book value			
Investment securities portfolio					
Building mortgage loans	Performing	47	-	-	47
Credit cards	Performing	144	23	-	167
Leasing	Performing	36	-	-	36
Securities portfolio	Performing	23	-	-	23
SACE loans to foreign public sector debtors	Performing	14	-	-	14
Health care receivable	Performing	11	-	-	11
Other loans	Performing	132	14	-	146
		407	37	-	444
Dealing securities portfolio					
Building mortgage loans (1)	Performing	48	4	1	53
	Non-performing loans	3	-	-	3
Commercial / industrial / agricultural	Performing	7	3	-	10
mortgage loans	Non-performing loans	7	3	-	10
Leasing	Performing	6	-	-	6
Health care receivable (2)	Performing	24	-	6	30
Public real estate	-	309	-	-	309
Social security contributions	Problem loans	33	-	-	33
Other loans	Performing	115	23	-	138
	Non-performing loans	5	-	-	5
		557	33	7	597
		964	70	7	1,041

(1) The amount of € 1 million refers to junior securities issued against some € 21 million of securitized assets.
(2) The amount of € 6 million refers to junior securities issued against some € 142 million of securitized assets.

The investment securities portfolio is shown net of adjustments for a total of € 9.5 million, of which € 8.9 carried out during the period.

(23) ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales of securities on behalf of third parties during the year are summarized below:

(Table 12.1 B.I.) (€/mil)

	12/31/01	12/31/00
(a) Purchases		
1. settled	113,763	153,776
2. not settled	473	116
Total purchases	**114,236**	**153,892**
(b) Sales		
1. settled	112,594	146,355
2. not settled	542	359
Total sales	**113,136**	**146,714**

Transactions on behalf of third parties include € 49,049 million of purchases and € 49,049 million of sales involving derivative contracts.

Portfolio management

The total market value of portfolios managed on behalf of customers is detailed below:

(Table 12.2 B.I.) (€/mil)

	12/31/01	12/31/00
Asset management (*)	34,942	33,113

(*) In accordance with specific Bank of Italy instructions, this information refers solely to personalized portfolio management on behalf of customers, excluding those offered by third parties and distributed by the Group. The figure does not include either the Group's mutual funds, € 70,618 million (€ 79,376 million as of December 31, 2000), or the technical reserves of the insurance subsidiaries consolidated at equity, € 16,267 million (€ 12,418 million as of December 31, 2000).

Custody and administration of securities

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

(Table 12.3 B.I.) *(€/mil)*

	12/31/01	12/31/00
(a) Third-party securities held on deposit	240,440	211,964
(b) Third-party securities deposited with third parties	156,178	134,350
(c) Portfolio securities deposited with third parties (a)	21,304	22,259

(a) Excluding securities deposited with third parties to secure repurchase agreements which, as required, are already included in table 10.3 B.I.- Assets lodged to guarantee the Group's liabilities.

Collection of receivables on behalf of third parties debit and credit adjustments

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

(Table 12.4 B.I.) (€/mil)

	12/31/01	12/31/00
a) Debit adjustments		
1. current accounts	588	741
2. central portfolio	31	102
3. cash	-	-
4. other accounts	37	19
b) Credit adjustments		
1. current accounts	40	90
2. transferors of notes and documents	606	757
3. other accounts	15	15

Other transactions

Reserve for Research Grants

From January 2000 the Ministry of Education, Universities and Research has taken over direct management of the Reserve for Research Grants, while SANPAOLO IMI continues to manage applications arrived before December 31, 1999.

As of December 31, 2001 there is a balance of loans granted for € 615 million and loans still to be granted for € 1,140 million under contracts already stipulated, in addition to those to be stipulated for € 343 million.

On the subject of R&D Incentives, SANPAOLO IMI continued to operate in 2001 as a bank authorized by the Ministry to evaluate and supervise the implementation of industrial research projects and training programmes for researchers; it also initiated cooperation with the Ministry of Productive Activities with a view to financing development projects out of the "Technology Innovation Fund".

The Parent Bank received 350 applications for R&D funding worth a total of € 1,420 million, and commissions of more than € 14 million were earned.

Guarantee Fund for small and medium-sized enterprises in Southern Italy (Law 341/95)

By the Convention dated December 21, 1995 between the Italian Treasury and the Bank, as approved and activated by Decree of the Director-General of the Treasury dated January 5, 1996, SANPAOLO IMI has been granted the concession to this Fund established under Law 341/95.

The purpose of Law 341/95 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 financing designed to convert short-term bank borrowing into long-term loans, to the granting of supplementary guarantees on participating loans, for the purchase of equity investments and for the debt consolidation described above.

As of December 31, 2001, 3,900 applications are outstanding for € 1,590 million broken down as follows:

- € 1,432 million relating to the consolidation of short-term debt (of which € 1,428 million already being paid and € 4 million waiting for the final documentation);
- € 158 million for participating loans;

Management activities carried out on behalf of the Treasury were recompensed with commission totalling € 0.9 million.

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Bank for third parties without a representation mandate totalled € 795 million at year end (€ 901, million in 2000).

Notes for collection and tax collection services

The nominal value of third parties' receivables for which the Group was appointed to handle collection as part of portfolio transactions amounts to € 8,926 million.

In addition, through the subsidiaries Banco di Napoli, Sanpaolo Riscossioni Genova and Sanpaolo Riscossioni Prato, the Group handles the collection of tax rolls with or without the obligation to advance amounts not collected for a total of € 20,077 million including mandates received from other tax collectors).

Asset management services rendered by third parties

The amount of asset management services offered to customers through Group companies as of December 31, 2001 came to € 4,150 million broken down as follows: € 587 million of mutual funds, € 648 million of fund-based portfolio management schemes, € 352 million of portfolio management schemes and € 2,563 million of insurance policies.

(24) INTEREST

Interest income and expense and similar revenues and charges, detailed below, are reported in captions 10 and 20 of the consolidated statement of income:

(€/mil)

	12/31/01	12/31/00	12/31/99
Interest income and similar revenues (caption 10)	8,016	7,622	5,966
including the contribution of the Banco di Napoli group	*1,583*	*943*	-
Interest expense and similar charges (caption 20)	5,326	5,123	3,934
including the contribution of the Banco di Napoli group	*827*	*539*	-

Interest income and similar revenues (caption 10)

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

	12/31/01	12/31/00	12/31/99
(a) On amounts due from banks	900	991	715
including:			
- deposits with central banks	*63*	*50*	*24*
(b) On loans to customers	5,999	5,501	4,324
including:			
- loans using public funds	-	-	-
(c) On debt securities	1,026	1,006	915
(d) Other interest income	91	87	12
(e) Net differential on hedging transactions (*)	-	37	-
Total	**8,016**	**7,622**	**5,966**

(*) This balance represents the net effects of hedging derivative differentials.

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

	12/31/01	12/31/00	12/31/99
a) On assets denominated in foreign currency	506	552	870

"Interest income and similar revenue" on assets denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

Interest expense and similar charges (caption 20)

Analysis of caption 20 "interest expense and similar charges" (Table 1.2 B.I.)

(€/mil)

	12/31/01	12/31/00	12/31/99
(a) On amounts due to banks	1,428	1,522	992
(b) On amounts due to customers	1,600	1,401	892
(c) On securities issued	1,961	2,038	1,834
including:			
– certificates of deposit	*336*	*436*	*480*
(d) On public funds administered	-	-	-
(e) On subordinated liabilities	241	162	81
(f) Net differential on hedging transactions (*)	96	-	135
Total	**5,326**	**5,123**	**3,934**

(*) This balance represents the net effects of hedging derivative differentials.

Detail of caption 20 "interest expense and similar charge" (Table 1.4 B.I.)

(€/mil)

	12/31/01	12/31/00	12/31/99
a) On liabilities denominated in foreign currency	921	762	839

"Interest expense and similar charges" on liabilities denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

(25) COMMISSION

Commission income and expense, detailed below, is reported in captions 40 and 50 of the consolidated statement of income:

(€/mil)

	12/31/01	12/31/00	12/31/99
Commission income (caption 40)	3,312	3,452	2,587
including the contribution of the Banco di Napoli group	338	*182*	-
Commission expense (caption 50)	714	817	530
including the contribution of the Banco di Napoli group	15	*9*	-

The following tables have been prepared on the basis of the new reporting format required by the Bank of Italy in its letter no. 14815 dated November 21, 2001. In the interests of comparability, the 2000 figures have also been reclassified on the basis of this new format. Figures for 1999 are not available in the new format.

Commission income (caption 40)

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

(€/mil)

	12/31/01	12/31/00
(a) Guarantees given	68	49
(b) Derivative contracts on loans	3	1
(c) Management, dealing and advisory services		
1. dealing in securities	131	148
2. dealing in currency	35	36
3. portfolio management:		
3.1 individual	196	179
3.2 collective	1,476	1,747
4. custody and administration of securities	60	43
5. custodian bank	138	127
6. placement of securities	59	65
7. acceptance of instructions	84	186
8. advisory services	38	40
9. distribution of third party services:		
9.1 portfolio management:		
a) individual	12	-
b) collective	12	4
9.2 insurance products	137	114
9.3 other products	4	2
(d) Collection and payment services	239	219
(e) Servicing for securitisation transactions	1	1
(f) Tax collection services	83	52
(g) Other services	536	439
Total	**3,312**	**3,452**

Subcaption (g) “Other services” comprises, in particular:

(€/mil)

	12/31/01	12/31/00
Loans granted	175	145
Deposits and current account overdrafts	215	178
Current accounts	82	66
Loan-arrangement activities	7	6
Other services	57	44
Total	**536**	**439**

Commission income by distribution channel is broken down as follows:

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

(€/mil)

	12/31/01	12/31/00
(a) At own branches:		
1. portfolio management	1,028	1,236
2. placement of securities	43	52
3. distribution of third-party services and products	77	50
(b) Door-to-door:		
1. portfolio management	644	690
2. placement of securities	16	13
3. distribution of third-party services and products	88	68

Commission expense (caption 50)

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

		(€/mil)
	12/31/01	**12/31/00**
(a) Guarantees received	7	5
(b) Derivative contracts on loans	-	-
(c) Management, dealing and advisory services		
1. dealing in securities	34	44
2. dealing in currency	2	1
3. portfolio management:		
3.1 own portfolio	-	-
3.2 third party portfolio	102	38
4. custody and administration of securities	28	29
5. placement of securities	12	8
6. door-to-door sales of securities, financial products & services	430	582
(d) Collection and payment services	65	60
(e) Other services	34	50
Total	**714**	**817**

Subcaption (e) “Other services” comprises, in particular:

		(€/mil)
	12/31/01	**12/31/00**
Loan-arrangement activities	12	2
Loans obtained	2	7
Intermediation in financing transactions	3	8
Other services	17	33
Total	**34**	**50**

In order to provide figures also for 1999, the following tables have been prepared according to the old reporting format.

Commission income (caption 40)

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

(€/mil)

	12/31/01	12/31/00	12/31/99
(a) Guarantees given	68	46	44
(b) Collection and payment services	239	247	177
(c) Management, dealing and advisory services			
1. dealing in securities	131	153	106
2. dealing in currency	35	36	31
3. asset management	196	180	123
4. custody and administration of securities	60	40	39
5. placement of securities	119	113	199
6. advisoy services	38	40	36
7. “door-to-door” sales of securities and financial products and services	101	120	108
8. acceptance of instructions	84	186	110
9. management of mutual funds	1,476	1,683	1,107
(d) Tax collection services	83	52	32
(e) Other services	682	556	475
Total	**3,312**	**3,452**	**2,587**

Subcaption (e) “Other services” comprises, in particular:

(€/mil)

	12/31/01	12/31/00	12/31/99
Loans granted	175	145	143
Deposits and current account overdrafts	215	172	109
Banking functions in relation to mutual funds deposited	138	127	108
Current accounts	82	66	61
Loan-arrangement activities	11	3	1
Other services	61	43	53
Total	**682**	**556**	**475**

Commission expense (caption 50)

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

(€/mil)

	12/31/01	12/31/00	12/31/99
(a) Collection and payment services	65	60	50
(b) Management and dealing services			
1. dealing in securities	34	44	42
2. dealing in currency	2	1	1
3. portfolio management	3	2	-
4. custody and administration of securities	28	29	16
5. placement of securities	12	8	1
6. "door-to-door" sales of securities and financial products and services	430	582	369
7. management of mutual fund	100	36	18
(c) Other services	40	55	33
Total	**714**	**817**	**530**

Subcaption (c) "Other services" comprises, in particular:

(€/mil)

	12/31/01	12/31/00	12/31/99
Loan-arrangement activities	12	9	2
Guarantees received	7	5	1
Intermediation in financing transactions	3	7	12
Loans obtained	2	1	8
Other services	16	33	10
Total	**40**	**55**	**33**

(26) PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

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

(€/mil)

	12/31/01	12/31/00	12/31/99
Profits (losses) on financial transactions (caption 60)	105	165	103
including the contribution of the Banco di Napoli group	*24*	*9*	-

Profits (losses) on financial transactions (caption 60)

Profits and losses comprise, for years 2001, 2000 and 1999:

Analysis of caption 60 "Profits (losses) on financial transactions (Table 3.1 B.I.)

(€/mil)

12/31/01	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	238	-	1,490	1,728
A2. Writedowns	(138)	-	(3,081)	(3,219)
B. Other profits and losses	(387)	40	1,943	1,596
Total	**(287)**	**40**	**352**	**105**
including:				
1. on government securities	78			
2. on other debt securities	45			
3. on equities	(153)			
4. on security derivatives	(257)			

(Table 3.1 B.I.) *(€/mil)*

12/31/00	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	476	-	6,515	6,991
A2. Writedowns	(426)	-	(8,384)	(8,810)
B. Other profits and losses	100	57	1,827	1,984
Total	**150**	**57**	(42)	**165**
including:				
1. on government securities	13			
2. on other debt securities	30			
3. on equities	114			
4. on security derivatives	(7)			

(Table 3.1 B.I.) *(€/mil)*

12/31/99	**Security transactions**	**Currency transactions**	**Other transactions**	**Total**
A1. Revaluations	402	-	4,217	4,619
A2. Writedowns	(461)	-	(4,175)	(4,636)
B. Other profits and losses	(77)	5	192	120
Total	**(136)**	**5**	**234**	**103**
including:				
1. on government securities	(204)			
2. on other debt securities	65			
3. on equities	284			
4. on security derivatives	(281)			

Current legislation on financial statements requires separate identification of the effects of an integrated hedged treasury portfolio, comprising shares and other securities (in lira and foreign currencies, sensitive to interest rate flotation) and derivatives (futures, options, IRS, interest rate/cross currency and other instruments). The result of the caption “profits and losses from financial transactions” should therefore be read together with the effects shown under dividends on shares as part of net and other banking income.

(27) ADMINISTRATIVE COSTS

Administrative costs, detailed below, are reported in caption 80 of the consolidated statement of income:

(€/mil)

	12/31/01	12/31/00	12/31/99
Payroll costs (caption 80.a)	2,221	1,929	1,534
including the contribution of the Banco di Napoli group	*562*	*309*	-
including the contribution of the Wargny group	*20*	-	-
Other administrative costs (caption 80.b)	1,379	1,147	932
including the contribution of the Banco di Napoli group	270	115	-
including the contribution of the Wargny group	*18*	-	-
Total	**3,600**	**3,076**	**2,466**

Payroll costs (caption 80.a)

The following table sets out the detail of the payroll costs.

(€/mil)

	12/31/01	12/31/00	12/31/99
Wages and salary	1,600	1,380	1,097
Social security charges	471	425	365
Termination indemnities	109	97	69
Pension and similar commitments	41	27	3
Total	**2,221**	**1,929**	**1,534**

The following table sets out the average number of employees by category

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

	12/31/01	12/31/00	12/31/99
(a) Executives	673	439	338
(b) Supervisors	11,638	5,046	4,388
(c) Other employees	23,172	24,339	19,490
Total	**35,483**	**29,824**	**24,216**
of which: of companies consolidated under the proportional method	*182*	*154*	*N.A*

The split between executives and supervisors as of December 31, 2001 takes into account the category changes contained in the collective national labour contract for banks; so the equivalent figures as of December 31, 2000 are not directly comparable.

The average number of employees in 2000 includes half of the Banco di Napoli Group employees as of December 31, 2000 as laid down by law.

Other administrative costs (caption 80.b)

(€/mil)

	12/31/01	12/31/00	12/31/99
IT costs	**340**	**228**	**207**
Software maintenance and upgrades	118	71	83
Maintenance of operating assets	66	50	41
Data transmission charges	52	41	28
External data processing	54	48	25
Database access charges	34	11	16
Equipment leasing charges	16	7	14
Property management expenses	**237**	**205**	**157**
Rented property:	152	125	95
- rental of premises	*142*	*117*	*88*
- maintenance of leasehold premises	*10*	*8*	*7*
Property owned:	23	27	18
- maintenance of properties owned by the Bank	*23*	*27*	*18*
Security services	34	30	24
Cleaning of premises	28	23	20
General expenses	**202**	**186**	**144**
Postage and telegraph charges	51	41	38
Office supplies	28	21	16
Transport and counting of valuables	14	11	11
Courier and transport services	10	11	10
Payroll costs for personnel on secondment	1	-	-
Other expenses	98	102	69
Professional and insurance fees	**203**	**171**	**130**
Consultancy services	128	112	84
Legal and judiciary expenses	40	31	24
Investigation/commercial information costs	17	16	11
Insurance premiums - banks and customers	18	12	11
Utilities	**69**	**69**	**58**
Energy	35	33	26
Telephone	34	36	32
Promotion, advertising and marketing expenses	**65**	**47**	**30**
Advertising and entertainment	58	41	24
Contributions and membership fees to trades unions and business associations	7	6	6
Indirect payroll costs	**64**	**52**	**37**
Indirect personnel expenses	64	52	37
Total	**1,180**	**958**	**763**
Indirect duties and taxes			
- stamp duties	145	133	120
- substitute tax (Pres. Decree 601/73)	15	18	13
- local property taxes	10	8	10
- tax on stock exchange contracts	7	5	1
- non-recoverable VAT on purchases	4	6	11
- other	18	19	14
Total	**199**	**189**	**169**
Total other administration costs	**1,379**	**1,147**	**932**

(28) ADJUSTMENTS, WRITEBACKS AND PROVISIONS

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

(€/mil)

	12/31/01	12/31/00	12/31/99
Adjustments to intangible and tangible fixed assets (caption 90)	543	389	293
including the contribution of the Banco di Napoli group	*106*	*63*	-
Provisions for risks and charges (caption 100)	136	323	81
including the contribution of the Banco di Napoli group	*34*	*74*	-
Adjustments to loans and provisions for guarantees and commitments (caption 120)	636	647	664
including the contribution of the Banco di Napoli group	*93*	*67*	-
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	278	417	361
including the contribution of the Banco di Napoli group	*30*	*14*	-
Provisions to reserves for possible loan losses (caption 140)	11	8	10
including the contribution of the Banco di Napoli group	-	-	-
Adjustments to financial fixed assets (caption 150)	235	36	89
including the contribution of the Banco di Napoli group	*9*	*1*	-
Writebacks of adjustments to financial fixed assets (caption 160)	2	15	2
including the contribution of the Banco di Napoli group	-	-	-

Adjustments to intangible and tangible fixed assets (caption 90)

(€/mil)

	12/31/01	12/31/00	12/31/99
Adjustments to intangible fixed assets			
- amortization of start-up and capital increase expenses	2	1	1
- amortization of goodwill	1	18	18
- amortization of merger differences	27	27	37
- amortization of software costs	125	114	47
- software permanent writedown	8	-	-
- amortization of other deferred charges	45	17	29
- amortization of goodwill arising on consolidation	96	13	4
- amortization of goodwill arising on application of the equity method	25	32	25
Adjustments to tangible fixed assets			
- depreciation of property	66	59	59
- depreciation of furniture and installations	148	108	73
Total	**543**	**389**	**293**

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the provision of accelerated depreciation.

Provisions for risks and charges (caption 100)

Provisions for risks and charges, € 136 million, made during the year ended December 31, 2001 reflect the consolidation of the corresponding provision of the Parent Bank (€ 30 million) and provisions made by subsidiary Banco di Napoli (€ 34 million). The remainder refers essentially to provisions made by the subsidiaries operating in the placement and management of financial products against the risks involved in such activities.

The provision made by the Parent Bank is allocated as follows:

- € 13 million for potential charges deriving from renegotiated mortgage loans, option transactions and other potential liabilities;
- € 14 million designed to increase the coverage of the reserve for other payroll costs, pension and similar commitments, including € 6 million to cover long-service bonuses to the Bank's employees, € 6 million to integrate the provisions established to balance the technical deficit of the Bank’s employee pension fund and € 2 million for other liabilities;
- € 3 million to increase supplementary pension liabilities for former IMI S.p.A. personnel already in retirement.

The provision made by Banco di Napoli is allocated as follows:

- € 13 million to increase the reserve for other risks and charges against lawsuits, above all claims from bankruptcy liquidators;
- € 11 million for other risks and charges.
- € 10 million to increase the reserve for other payroll costs;

The provisions made by other subsidiaries relate to prudent provisions made by subsidiaries operating in the area of financial services for households for risks involved in the marketing financial products.

Provisions for risks and charges, € 323 million, made during the year ended December 31, 2000 reflect the consolidation of the corresponding provision of the Parent Bank (€ 201 million) and provisions made by subsidiary Banco di Napoli (€ 74 million). The remainder refers essentially to provisions made by the subsidiaries operating in the placement and management of financial products against the risks involved in such activities.

The provision made by the Parent Bank is allocated as follows:

- € 188 million for lawsuits, above all claims from bankruptcy liquidators and other potential liabilities;
- € 13 million designed to increase the coverage of the reserve for other payroll costs, pension and similar commitments, including € 6 million to cover long-service bonuses to the Bank's employees, € 6 to integrate the provisions established to balance the technical deficit of the Bank’s employee pension fund and € 1 million to cover other potential pension charges.

The provision made by Banco di Napoli in the second half of the year is split as follows:

- € 21 million to increase the reserve for other payroll costs;
- € 18 million to strengthen the reserve for risks involved in potential disputes on the renegotiation of interest rates and conditions;

- € 15 million to increase the reserve for other risks and charges against lawsuits, above all claims from bankruptcy liquidators and other potential liabilities;
- € 13 million against costs in connection with the renegotiation of mortgage loans;
- € 7 million for other risks and charges.

The provisions made by other subsidiaries relate to prudent provisions made by subsidiaries operating in the area of financial services for households for risks involved in the marketing financial products.

Provisions for risks and charges, € 81 million, made during the year ended December 31, 1999 reflect the consolidation of the corresponding provision of the Parent Bank (€ 57 million) and provisions made by subsidiary companies (€ 24 million).

Provisions for risks and charges, € 57 million, recorded during the year by the Parent Bank, include the following:

- € 41 million designed to increase the coverage of expected losses from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers, as well as other likely charges;
- € 16 million designed to increase the coverage of the reserve for pension and similar commitments, including € 6 million to cover long-service bonuses to the Bank's employees, € 6 million to integrate the provisions established to balance the technical deficit of the Bank’s employee pension fund, € 3 million to cover other potential pension charges and € 1 million of potential costs connected with the reorganization of the New York and Frankfurt offices.

Adjustments to loans and provisions for guarantees and commitments (caption 120)

The following table sets out the analysis of caption 120 “Adjustments to loans and provisions for guarantees and commitments”.

Analysis of caption 120 “Adjustments to loans and provisions for guarantees and commitments” (table 5.1 B.I.)

(€/mil)

	12/31/01	12/31/00	12/31/99
(a) Adjustments to loans	622	634	663
of which:			
- general adjustments for country risk	*13*	*16*	*56*
- other general adjustments	*184*	*114*	*11*
(b) Provisions for guarantees and commitments	14	13	1
of which:			
- general provisions for country risk	-	-	-
- other general provisions	*3*	*8*	-
Total	**636**	**647**	**664**

In addition to the above adjustments, default interest of € 142 million (€ 142 million in 2000 and € 176 million in 1999) due during the year has been reversed from interest income.

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

(€/mil)

	12/31/01	12/31/00	12/31/99
Revaluation of loans previously written down	132	107	134
Revaluation of loans previously written off	2	1	3
Revaluation of provisions for guarantees and commitments	2	2	1
Collection of loan principal previously written down	72	200	116
Collection of loan principal and interest previously written off	35	46	65
Collection of default interest previously written down	35	61	42
Total	**278**	**417**	**361**

Provisions to reserves for possible loan losses (caption 140)

Provisions to reserves for possible loan losses represent in 2001, 2000, and 1999 the provisions made by certain subsidiary companies and do not adjust risks which are only potential.

Adjustments to financial fixed assets (caption 150)

(€/mil)

	12/31/01	12/31/00	12/31/99
Adjustments to investment securities	11	16	14
Adjustments to equity investments	224	20	75
Total	**235**	**36**	**89**

Adjustments to investment securities mainly refer to the writedown of an investment security of Banco di Napoli in relation with the reorganization of the New York branch.

Adjustments to investment securities in 2000 refer to the writedown made by the Parent Bank of debt securities issued by "Countries at risk", to take account of market trends, in compliance with art. 18 of D.Lgs 87/92.

Adjustments to investment securities made by the Parent Bank in 1999, € 14 million, reflect the writedown of certain unsecured securities issued by residents of Russia. This follows an increase in the writedown rate from 60% to 85%, in view of the continuing debt servicing difficulties experienced by that country.

Adjustments to equity investments (€ 224 million) relate to the writedown of holdings in the following non-consolidated companies:

	(€/mil)
	12/31/01
Santander Central Hispano	80
Fiat S.p.A.	72
Olivetti S.p.A.	19
Hutchinson 3G Italy S.p.A.	19
Banca Popolare di Lodi S.c.r.l.	6
Enel S.p.A.	4
Blixer S.p.A.	4
Euromedia Venture Belgique S.A.	3
AEM Torino S.p.A.	3
Cartiere Fedrigoni S.p.A.	2
AC.E.GA.S S.p.A.	2
Davide Campari S.p.A.	2
Engineering Ingegneria Informatica S.p.A.	1
Kiwi II Ventura - Serviços de Consultoria S.A.	1
ACEA S.p.A.	1
Convergenza S.C.A.	1
Banca Mediocredito S.p.A.	1
Giraglia Immobiliare S.p.A.	1
Filos S.p.A.	-
Elsacom N.V.	-
Other minor equity investments	2
Total	**224**

	(€/mil)
	12/31/00
Elsacom N.V.	8
Blixer S.p.A.	4
Banca Popolare di Lodi S.C.R.L.	3
Filos S.p.A.	2
Other minor equity investments	3
Total	**20**

	(€/mil)
	12/31/99
Beni Stabili S.p.A.	58
Inter Europa Bank Rt	4
Milano Assicurazioni S.p.A.	3
Snia BPD S.p.A.	2
Rimoldi Necchi S.p.A.	1
Sanità S.p.A.	1
Other minor equity investments	6
Total	**75**

Writebacks of adjustments to financial fixed assets in 2001 (€ 2 million) refer to equity investments for € 1 million and to dealing securities for € 1 million.

Writebacks of adjustments to financial fixed assets in 2000 (€ 15 million) mainly refer to writebacks to the investment in Montedison S.p.A. (€ 14 million) by NHS - Nuova Holding Sanpaolo IMI S.p.A.

(29) OTHER CONSOLIDATED STATEMENT OF INCOME CAPTIONS

	12/31/01	12/31/00	12/31/99
			(€/mil)
Dividends and other revenues (caption 30)	397	231	250
including the contribution of the Banco di Napoli group	*5*	*4*	-
Other operating income (caption 70)	280	250	224
including the contribution of the Banco di Napoli group	*53*	*31*	-
Other operating expenses (caption 110)	36	31	40
including the contribution of the Banco di Napoli group	*8*	*6*	-
Extraordinary income (caption 190)	660	451	367
including the contribution of the Banco di Napoli group	*123*	*38*	-
Extraordinary expense (caption 200)	269	55	73
including the contribution of the Banco di Napoli group	*160*	*11*	-
Income taxes for the year (caption 240)	318	785	685
including the contribution of the Banco di Napoli group	*74*	*(10)*	-

Consolidated statement of income captions 70, 110, 190, 200, and 240, not discussed above, comprise:

Other operating income (caption 70)

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

	12/31/01	12/31/00	12/31/99
			(€/mil)
Expenses recovered from customers			
- stamp duties	112	122	115
- other taxes	44	20	16
- legal costs	7	14	14
- other recoveries	43	19	15
Income from merchant banking activities	14	11	28
Income from IT companies	14	10	-
Reimbursement of services rendered to third parties	7	7	14
Rent and other income from property	4	4	5
Other income from leasing activities	3	2	3
Other income	32	41	14
Total	**280**	**250**	**224**

Other operating expenses (caption 110)

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

(€/mil)

	12/31/01	12/31/00	12/31/99
Real Estate Leasing charges	3	3	3
Other charges on leasing transactions	16	17	16
Charges from IT companies	8	6	-
Losses from merchant banking activities	3	-	2
Other expenses	6	5	19
Total	**36**	**31**	**40**

Extraordinary income (caption 190)

Analysis of caption 190 "Extraordinary income" (Table 6.3 B.I.)

(€/mil)

	12/31/01	12/31/00	12/31/99
Out-of-period income			
- use of reserves in excess	16	6	1
- other out-of-period income	57	74	33
Amounts not payable	28	5	2
Out-of-court settlements by Banco di Napoli (1)	66	-	
Price review on sale of equity investment (2)	7	-	
Insurance reimbursements for bank robberies	2	1	
Gains on:			
- equity investments (3)	280	122	327
- investment in line-by-line consolidated companies	152	137	
- investment securities	12	14	1
- own shares in portfolio	30	83	-
- tangible and intangible fixed assets	10	9	3
Total	**660**	**451**	**367**

(1) It includes the reversal of € 42 million from the provision for risks and charges, which became excessive following a settlement relating to a bankruptcy claim in connection with a sizeable loan, as well as the out-of-court settlement of various law suits for € 23 million.
(2) This is a contractual benefit in favour of SANPAOLO IMI following the final agreement of a settlement between Crediop and one of its subsidiaries.
(3) The detail of gains on investments is shown in Note (14)

Out-of-period income includes € 1.3 million, which is the estimated realizable value of the receivable involved in the sentence passed by the Rome Court of Appeal on September 11, 2001. This sentence condemned Consorzio Bancario Sir S.p.A. (in liquidation) to reimburse to the Bank the sum of € 506 million (as well as interest at the legal rate) previously paid by IMI (as it then was) to the heirs of Nino Rovelli as compensation for damages, in accordance with the sentence passed by the Rome Court of Appeal on November 26, 1990. This sentence sustained the request for indemnity presented by the Consorzio vis-à-vis Primarosa Battistella (Nino Rovelli's heir) and Eurovalori S.p.A., obliging them to protect the Consorzio from having to pay this amount.

A recourse to the Supreme Court has been filed against the Court of Appeal's sentence with a request for its annulment; so even though the sentence is enforceable, it is not definitive.

In preparing the financial statements, the value of the receivable deriving from the sentence of the Rome Court of Appeal, quantified at € 596 million - taking account of the nominal value of the receivable (€ 506 million), legal interest accruing up to December 31, 2001 (€ 73 million) and the tax payable on registration of the sentence (€ 17 million) which can be claimed back from the loser - has been calculated in accordance with national and international accounting standards for contingent assets and revenue recognition, as confirmed by authoritative opinions, on the basis of its estimated realizable value.

Indeed, based on expert opinions regarding the type of recovery measures that could be taken and the probability of them being successful, the Bank decided that the estimated realizable value of this receivable should be within the bounds of the Consorzio's ability to pay, namely its book net equity as shown in its financial statements as of December 31, 2000, the latest that are available. In fact, the Consorzio's net equity as of December 31, 2000 amounts to € 1.3 million; the only asset in the Consorzio's financial statements is an investment in SIR Finanziaria S.p.A., which is carried at a book value of zero, based on a valuation of the consolidated net worth of the SIR Group; this is due to a considerable amount of litigation, above all with the tax authorities, involving numerous companies of the SIR Group in relation to which the Consorzio does not exclude that there could be additional charges, even of a substantial amount, over and above the provisions that have already been made.

In support of its decision, the Bank has above all considered the opinion of the Bank's legal defense team, namely that (among other things):

- the sentence of the Court of Appeal allows the Bank to take action only against the Consorzio;
- the chances of recovering the receivable are limited to the assets of the Consorzio, which is in liquidation, with prospects that would certainly not improve if it went bankrupt;
- the Consorzio has a claim against Primarosa Battistella and Eurovalori S.p.A. (though it is not clear if this is a right to indemnity or merely a right to reimbursement). In this connection, the sentence merely ascertains that there is an obligation, without pronouncing a sentence that requires payment to be made.

As further support for the approach taken, the Bank also considered particularly significant the affirmations made on various occasions by the board and management of the Consorzio, both in correspondence with the Bank, which took place between October 2001 and the present day, and at the Shareholders' Meeting of the Consorzio held on December 20, 2001 regarding its economic and financial situation. In these documents, the Consorzio affirms that it is "without personnel and practically without resources" and it is "in no way able to cope with the consequences of the sentence, even if provisional and reversible. Similar statements are made in the reports contained in the Consorzio's financial statements of recent years, in which the liquidator (report as of 12/31/2000) affirms that: "…once again this year it was decided not to make any provisions for the dispute in question (litigation with the former IMI) in connection with - among other things - well-known amounts of such a size that not even the whole of the Consorzio's net worth would be able to cover a reasonable portion of them."

Therefore, given that this sentence is of uncertain outcome, also because it is not definitive, involving a receivable due by an entity that is in effect insolvent, it was decided to value the receivable within the limits of its estimated realizable value, as explained above. Taking a consistent approach, the investment held in the Consorzio was written down to zero.

The approach taken in booking the receivable was also applied in calculating current and deferred taxes.

Extraordinary expense (caption 200)

Analysis of caption 200 "Extraordinary expense"

	12/31/01	12/31/00	12/31/99
			(€/mil)
Provisions for disputes concerning the Banco di Napoli supplementary pension (1)	114	-	-
Amounts not collectible	18	5	1
Settlement of civil disputes of Banco di Napoli	6	-	-
Restructuring expenses (2)	10	-	-
Registration tax on the IMI - SIR sentence	17	-	-
Expenses for bank robberies	5	4	-
Severance bonus incentive for voluntary redundancy	31	7	22
Losses on:			
- investment securities	-	5	-
- equity investments	6	2	4
- other financial fixed assets	9	-	-
- tangible fixed assets	-	1	1
Other out-of-period expenses	53	31	45
Total	**269**	**55**	**73**

(1) This provision has been made against risks and charges that could arise for Banco di Napoli with respect to supplementary pensions, in the light of available information, complex legal situations that have arisen to date and on the types of approach that could be taken. The provision in question is to cover the probability of additional charges as a result of the guarantee given by the Banco to the Staff Pension Fund to meet its funding requirements, possible adjustments that may be needed when the definitive amounts to be paid by the Banco for the staff put into retirement after January 1, 1991 (in addition to the amounts set aside in previous years), and, finally, the sentence of the Court of Cassazione in July 2001 concerning the dispute, in course in previous years, which originated from the amendment, after D.Lgs. no. 503/1992, concerning the company supplementary pension fund.
(2) Restructuring expenses are mainly for organizational changes made by the subsidiary IMIWEB Bank.

Income taxes for the year (caption 240)

Breakdown of caption 240 "Income taxes for the year" (B.I instruction dated 08/03/99) (€/mil)

	12/31/01	12/31/00	12/31/99
1. Current incom taxes	691	883	696
2. Change in defered tax assets	(409)	(88)	(28)
3. Change in deferred tax liabilities	36	(10)	17
4. Income taxes	318	785	685

Structurally, SANPAOLO IMI's tax rate is lower than the theoretical rate in force in Italy. The different tax treatment (compared to the theoretical situation) has been determined by the rates charged on consolidated revenues in EU countries with rates lower than the domestic rate (see Note 30). In 2001 the Group tax rate was 19.6%, down on the 36.6% in 2000.

This was due essentially to:

- recovery by subsidiaries of previous tax losses for which the corresponding prepaid taxes were not posted in preceding years because there was not a stable recovery in profit capacity (a reduction of nine percentage points in the rate);
- extraordinary tax savings connected to rationalization of the Group structure in Italy and abroad (with a reduction of seven percentage points in the rate).

(30) OTHER INFORMATION REGARDING THE CONSOLIDATED STATEMENT OF INCOME

Geographical distribution of revenues

The geographical distribution of revenues, based on the location of the Group's companies and their branches for years 2001, 2000, 2000 Restated and 1999, is as follows:

(Table 7.1 B.I.) (€/mil)

	12/31/01				12/31/00 (*)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	6.658	729	629	8.016	5.840	922	823	7.585
Dividends and other revenues	368	29	-	397	216	15	-	231
Commission income	2.209	1.072	31	3.312	2.349	1.077	26	3.452
Profits (losses) on financial transactions	19	84	2	105	138	27	-	165
Other operating income	258	21	1	280	349	(209)	110	250
Total revenues	**9,512**	**1,935**	**663**	**12,110**	**8,892**	**1,832**	**959**	**11,683**

(*) The details relating to caption "other operating income" are consistently shown with last year.

(Table 7.1 B.I.) (€/mil)

	12/31/99			
	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	4.708	894	364	5.966
Dividends and other revenues	220	30	-	250
Commission income	1,958	611	18	2,587
Profits (losses) on financial transactions	98	(12)	17	103
Other operating income	194	30	-	224
Total revenues	**7,178**	**1,553**	**399**	**9,130**

(31) OTHER INFORMATION

DIRECTORS AND STATUTORY AUDITORS

Remuneration

The remuneration of Directors, including the variable component, and Statutory Auditors for the performance of their duties on behalf of the Parent Bank and subsidiary companies is as follows:

(Table 1.1 B.I.) *(€/mil)*

	12/31/01	12/31/00	12/31/99
Directors	5	5	3
Statutory Auditors	1	1	1

A detailed analysis of Stock option plans and emoluments paid to Directors, Statutory Auditors and General Managers are reported in the next pages.

Compensation paid to Directors, Statutory Auditors and General Managers (pursuant to Article 78 of Consob Resolution 11971 of May 14, 1999)

Directors, Statutory Auditors and General Managers in office

Surname and name	Office		Compensation (€/thousands)			
	Description of office	Period in office	Remuneration for the office	Non monetary benefits	Bonuses and other incentives (1)	Other compensation (2)
ARCUTI Luigi	Chairman (3) (5)	1/1/01 - 4/30/01	125		2744 (6)	13
MASERA Rainer Stefano	Chairman (3)	5/1/01 - 2003	437	6	441	(a)
	Managing Director	1/1/01 - 4/30/01	79			
	General Manager	1/1/01 - 4/30/01	159	7		
SALZA Enrico	Deputy Chairman (3)	5/1/01 - 2003	95		162	25
IOZZO Alfonso	Managing Director (3)	5/1/01 - 2003	436		441	(b)
MARANZANA Luigi	Managing Director (3)	1/1/01 - 2003	513		441	(c)
	General Manager	1/1/01 - 4/30/01	257	1		
CARMI Alberto	Director	1/1/01 - 2003	47		22	-
FONTANA Giuseppe	Director	1/1/01 - 2003	59		152	53
GALATERI DI GENOLA Gabriele	Director (3)	1/1/01 - 2003	95		130	25
GARDNER Richard	Director	5/1/01 - 2003	34		-	-
MANULI Mario	Director	5/1/01 - 2003	34		-	-
MARRONE Virgilio	Director	1/1/01 - 2003	(d)		(d)	-
MATUTES Abel	Director	5/1/01 - 2003	34		-	-
MIHALICH Iti	Director (3)	1/1/01 - 2003	101		152	25
OTTOLENGHI Emilio	Director	1/1/01 - 2003	54		152	93
VERMEIREN Remi François	Director	1/1/01 - 2003	45		-	-
ALBANI CASTELBARCO VISCONTI Carlo	Director	1/1/01 - 4/30/01	19		152	-
BOTIN Emilio	Director	1/1/01 - 4/30/01	13		33	-
INCIARTE Juan Rodriguez	Director (3)	1/1/01 - 4/30/01	23		130	12
MASINI Mario	Director (3)	1/1/01 - 4/30/01	28		162	12
PREDA Stefano	Director	(4)	-		98	-
SCLAVI Antonio	Director (3)	5/25/99 - 4/30/01	21		141	12
VERCELLI Alessandro	Director	6/22/99 - 4/30/01	13		141	-
PAOLILLO Mario	Chairman of Statutory Auditors	1999 / 2001	92		-	133
BENEDETTI Aureliano	Statutory Auditor	1999 / 2001	63		-	109
DALLOCCHIO Maurizio	Statutory Auditor	1999 / 2001	64		-	-
MIGLIETTA Angelo	Statutory Auditor	1999 / 2001	61		-	49
RAGAZZONI Ruggero	Statutory Auditor	1999 / 2001	64		-	52

(1) This includes the bonuses for the Directors for the year 2000 (€ 1,938,263), 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 2000. For 2001, the members of the Board of Directors may expect a total bonus of € 1,203,000, calculated according to Group results. The allocation to individual members will be made following the approval of the financial statements for 2001 and similarly to last year: this bonus will thus be reported in the table attached to the financial statements for 2002.
(2) Compensation from subsidiaries.
(3) Members of the Executive Committee.
(4) Member of the Board of Directors stepping down from office in 2000 for which only the portion relating to the bonus for 2000 is shown.
(5) The Board of Directors has moved to appoint Dr. Arcuti as a consultant for three years. The compensation for 2001 was € 172,152.

(6) The amount includes a special emolument, voted by the Board of Directors, of € 2,582,284, to recognize his extraordinary contribution to the development of the Group. The Shareholders' Meeting of 30 April 2001 approved the nomination of Dr. Arcuti as Honorary Chairman.
(a) € 39,466 to SANPAOLO IMI SpA.
(b) € 21,563 to SANPAOLO IMI SpA.
(c) € 70,773 to SANPAOLO IMI SpA.
(d) € 71,680 in emoluments of office and € 151,596 in bonus and other incentives to IFI SpA.

Stock option plans

The Shareholders' Meeting held on July 31, 1998 authorized the Board of Directors to introduce stock option plans in favour of Group managers, making use of paid increases in capital for up to € 40 million, as subsequently defined, equal to 14,285,714 shares.

In accordance with this mandate, as explained in greater detail in the 2000 Annual Report, the Board of Directors:

- at the meeting held on February 9, 1999 launched a first plan, assigning to the Managing Directors, as General Managers, and 56 other top managers a total of 6,772,000 rights, a third of which could be exercised from 2000, a third from 2001 and the other third from 2002 and not beyond March 31, 2003, at a subscription price of 12.396 € per share;
- at the meeting held on June 27, 2000, launched a second plan, assigning to the Managing Directors, as General Managers, and 122 other top managers a total of 3,378,270 rights, which could be exercised from 2003 and not beyond March 31, 2005, at a subscription price of 16.45573 € per share;

On December 18, 2001 the Board of Directors approved a third stock option plan, which is structured as follows:

- beneficiaries: 171 Group top managers, around 40 of whom are employed by subsidiaries, depending on the position that they fill;
- rights assigned: 4,030,000 residual rights not yet assigned from the 14,285,714 rights included in the mandate granted by the Shareholders' Meeting to the Board of Directors;
- exercising rights: after payment of the dividend for 2003 and not beyond March 31, 2006; it is possible to exercise these rights in four periods during the year, each of 25 days, following approval of the Group's quarterly results;
- subscription price: € 12.7229, which is the SANPAOLO IMI stock's average price for the month prior to the resolution approving the plan;
- restrictions: exercising rights are subject to restrictions and cancellations, which are detailed in the stock option plan regulations; such restrictions relate to the transferability of the rights and the role of the beneficiaries in the organization.

The rights exercised during the course of 2001 entailed an increase in capital of € 1 million and the booking of a share premium reserve of € 4 million, as a result of the subscription of 422,916 shares at a price of € 12.396 each. It should be noted that the rights exercised up to December 31, 2000 had entailed an increase in capital of € 5 million and in the share premium reserve of € 18 million. If the rights assigned and not yet exercised were to be exercised, this would entail further increases in capital of € 33 million and the booking of share premium reserve of € 127 million.

In accordance with CONSOB Resolution 11971 of May 14, 1999, it is worth noting that with reference to the 1999-2001 stock option plan, Mr. Rainer Stefano Masera exercised 123,416 rights on the Bank's shares during the year at a price of € 12.396.

It should also be remembered that on March 5, 2002 the Board of Directors decided to repeat this initiative regarding management incentive plans by gradually including up to 250-300 top managers of the new Group that will result from the merger between SANPAOLO IMI and Cardine Banca, thus maintaining the structure of the Group's "total management compensation" in line with current best practice in the banking industry. To implement the stock option plan, whose working characteristics will be established by the Board from time to time, maintaining that the assignment price will be equal to the "normal fiscal value", paid increases in capital will be used, as for the other plans previously launched. A specific point is included to this end in the agenda for the Extraordinary Shareholders' Meeting.

Note that from May 1, 2001, the Bank's organizational structure no longer envisages the role of the General Managers. In accordance with a resolution passed by the Board of Directors on April 30, 2001 in connection with the pre-existing stock option plans, Mr. Masera's shift from Managing Director and General Manager to Chairman, and Mr. Maranzana's shift from Managing Director and General Manager to Managing Director have not had any effect on the rights assigned to them.

Lastly, note that with separate resolutions the Board of Directors has:

- decided in accordance with art. 15 clause 9 of the Articles of Association that the remuneration of the Chairman, Mr. Rainer Masera, and of the Managing Directors, Mr. Alfonso Iozzo and Mr. Luigi Maranzana, should be supplemented by means of a stock option plan assigning to each of them 450,000 fixed rights for the three years of their term of office (2001-2003), plus another 150,000 rights on condition that the SANPAOLO IMI stock reach a price of € 20 by the end of the three-year period;
- decided, also in accordance with art. 15 clause 9 of the Articles of Association, on the appointment of Mr. Pio Bussolotto as Managing Director, that his remuneration should be supplemented by means of a stock option plan assigning him 300,000 fixed rights for the two years of his term of office (2002-2003), plus another 100,000 rights on condition that the SANPAOLO IMI stock reach a price of € 20 by the end of the two-year period;
- approved a voluntary bonus issue of shares to employees of the Bank for an amount varying according to the individual's level of remuneration, linked to the productivity bonus. The shares will be assigned during 2002, at the time that the 2001 productivity bonus is paid.

To implement this stock option plan, a proposal will be made to the Shareholders' Meeting called to approve the 2001 Annual Report, to authorize the purchase of own shares, as foreseen in a next point on the agenda. The assignment price will be the "normal value" of the shares calculated according to current tax regulations.

Development of stock option plans in 2001

	Number of shares	**Average exercize price (€)**	**Market price (€)**
(1) Rights existing as of January 1, 2001	8,227,020	14.06305	17.269 (a)
(2) New rights assigned in 2001	4,030,000	12.7229	11.860 (b)
(3) Rights exercized in 2001	-422,916	12.396	15.675 (c)
(4) Rights lapsed in 2001 (d)	-180,000	-	-
(5) Rights existing as of December 31, 2001	11,654,104	13.66497	12.041 (e)
(6) Of which: exercizable on December 31, 2001 (f)	-	-	-

(a) Reference market price on December 29, 2000
(b) Reference market price on December 19, 2001, first day after the date of the resolution of the Board of Directors
(c) Average market price weighted for amounts exercized during market days during the “2001 exercizing periods”
(d) Rights no longer exercizable because holders no longer work for the Bank
(e) Reference market price on December 28, 2001
(f) No rights were exercizable on December 31, 2001 in that the date is not included in the infra-annual periods when rights may be exercized. On December 31, 2001, 2,048,501 residual rights for exercize (at a price of € 12.396) in 2001 existed; these rights will again be exercizable from 2002

Details of rights by exercize price and remaining validity

Exercize price (€)	Rights assigned at 12/31/01					Incl.: exercizable at 12/31/01
	Minimun remaining contractual validity					
	February 02 - March 03	May 03 - May 04	May 04 - March 06	Total	Total	Average remaining contractual validity
12.396	4,305,834	-	-	4,305,834	-	-
16.45573	-	3,318,270	-	3,318,270	-	-
12.7229	-	-	4,030,000	4,030,000	-	-
Total	**4,305,834**	**3,318,270**	**4,030,000**	**11,654,104**	**-**	**-**

Loans and guarantees given

(Table 1.2 B.I.)			*(€/mil)*
	12/31/01	**12/31/00**	**12/31/99**
Directors	44	6	10
Statutory Auditors	-	1	1

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors, € 0.1 million, and to companies and banks identified pursuant to article 136 of the Consolidated Banking Act, € 44.4 million, including the drawdown against credit lines granted to the latter.

(32) SIGNIFICANT DIFFERENCES BETWEEN ITALIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As described in Note 1, the Consolidated Financial Statements of the SANPAOLO IMI Group are presented in accordance with generally accepted accounting principles prescribed by Italian law as supplemented by the accounting principles established or adopted by the Italian Accounting Profession (collectively "Italian GAAP") that vary in certain respects from generally accepted accounting principles in the United States of America ("U.S. GAAP").

(32.1) SIGNIFICANT VALUATION AND INCOME RECOGNITION PRINCIPLES UNDER ITALIAN AND U.S. GAAP

The following summary of significant valuation and income recognition differences between Italian GAAP and U.S. GAAP has been revised in 2001 to more clearly illustrate the nature of the differences, and to more closely link the differences to the amounts reported in the U.S. GAAP reconciliation within Note 32.2 below.

The amount reported in 2000 relating to "Business Combinations" has been revised to exclude the tax effect of the adjustment. This amount is now recorded within the adjustment line "Deferred tax on U.S. GAAP adjustments". Furthermore, certain minor reclassifications have been made within the numbers reported in the US GAAP reconciliation for the previous years.

ITALIAN GAAP	U.S. GAAP
(a) Business Combinations – Method of accounting and Goodwill	
Neither the law nor local accounting principles provide guidance to determining the appropriate accounting treatment for a business combination. . Certain significant mergers within the Group have been accounted for using the "pooling of interest" method in accordance with the legal structure of the transaction and Italian fiscal requirements, while under US GAAP these business	Until June 30, 2001 both the "purchase method" and the "pooling of interests method" were acceptable methods of accounting for a business combination. A business combination that met certain specified conditions should be accounted for using the pooling of interest method, while all other business combinations should have been accounted for using the purchase method.

combination would have been accounted for using the "purchase method". Where the company has applied the purchase method of accounting for a business combination, goodwill is capitalized and amortized over its useful life which should not exceed 20 years. Business combinations undertaken within the Group which have been accounting for using the pooling of interest method result in a reserve within stockholders' equity (referred to as "negative goodwill" within the Italian GAAP financial statements) which is used to offset positive amounts of goodwill arising from subsequent business combinations. There is no requirement for value to be placed upon a retail depositor relationship when a financial institution is acquired.	For all business combinations initiated after June 30, 2001, the purchase method must be used since the pooling method is no longer permitted Goodwill is capitalized and amortized over its estimated useful life, which should not exceed 40 years. In practice, the Group amortizes goodwill over periods up to 20 years. Any negative goodwill is initially allocated to reduce proportionately the values assigned to non-current assets until those assets are reduced to zero. Any remainder of the excess is recorded as a deferred credit and amortized to income over its useful life. Certain identifiable intangible assets representing the value of retail depositor relationships ("core deposit intangibles") must be recognized when a financial institution is acquired. This is capitalized separately and amortized over the estimated average life of the retail depositor relationship.

ITALIAN GAAP	U.S. GAAP
(b) Investments in Debt and Equity Securities	
Debt and equity securities held for investment or trading purposes are accounted for as follows: • Held to maturity and permanent investment securities are stated at amortized cost less any write-down for permanent diminution in value; the original value of investment is reinstated if the reason for any write-downs cease to apply. The accretion or amortization of discount or premium, respectively, are recorded in the income statement in the period incurred; • Marketable debt securities and equity securities held for trading (treasury or dealing) purposes and all other securities held without a particular identifiable purpose are classified as trading securities. These securities are recorded at market value, with the related unrealized gains and losses recognized in the income statement; • Debt and equity securities held for sale by the Group's insurance subsidiaries are recorded at the lower of cost or market value, with any related losses recognized in the income statement.	Debt and marketable equity securities are classified according to management's intent into one of the following categories: held to maturity, available for sale or trading. • Held to maturity securities are held at amortized cost; • Available for sale securities are held at fair value, with unrealized gains and losses excluded from the income statement and recorded as a net amount directly to a separate component of equity until realized, at which time the gain or loss is reclassified to earnings; • Trading securities are held at fair value with unrealized gains or losses recognized in the income statement.

Permanent investments in companies where the Group owns less than 20% of the voting shares are stated at cost, less any write-down for permanent diminution in value; the original value of investment is reinstated if the reason for any write-downs cease to apply.	Other than temporary impairments in value of held to maturity and available for sale securities are reflected in the income statement. Reversals of impairments are not permitted. Non-marketable equity investments of 20% or less are accounted for under the cost method, reduced through write-downs to reflect other than temporary impairments in value. Reversals of impairments are not permitted.

ITALIAN GAAP	U.S. GAAP
(c) Revaluation of Premises	
Premises are stated in the financial statements at acquisition cost, adjusted in some cases by the application of specific Italian monetary revaluation laws. Depreciation is charged on properties based on the revalued amount.	Revaluations of fixed assets are not permitted. Depreciation is charged on all properties based on cost.

ITALIAN GAAP	U.S. GAAP
(d) Treasury Shares	
Treasury shares purchased by the Parent back are recognized on the balance sheet as assets and carried at cost. Shares of the parent bank purchased by subsidiaries for normal dealing purposes are also recognized on balance sheet as assets, but are carried at fair value.	Treasury shares are classified as treasury stock and shown as a deduction from stockholders' equity at cost.

ITALIAN GAAP	U.S. GAAP
(e) Advertising Costs	
Advertising costs are deferred and amortised over five years.	Advertising costs are expensed as incurred.

ITALIAN GAAP	U.S. GAAP
(f) Derivatives and Hedging Activities	
The accounting for derivatives is dependent on whether the derivative is entered into and is qualifying, as a hedge of an asset, liability or firm commitment. Derivatives not qualifying as hedge are recorded at fair value with changes in fair value recognized in the income statement. Derivatives qualifying as a hedge are generally not reflected in the financial statements until the corresponding impact of the hedged transaction is	The Bank adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 133 ("Statement 133") as of 1 January 2001. Statement 133 requires that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

recognized in earnings. Embedded derivatives are separated from the underlying host contract but are held at cost.	Under this Statement all derivatives are recognized as either assets or liabilities and measured at fair value. If the derivative is a hedge, changes in fair value of a designated derivative that is highly effective as a fair value hedge along with the change in fair value of the corresponding asset, liability or firm commitment attributable to the hedged risk, are included directly in earnings. Changes in fair value of a designated derivative that is highly effective as a cash flow hedge are included in equity and reclassified into earnings in the same period during which the hedged forecasted cash flow affects earnings. Ineffectiveness if any is reflected directly in earnings. Embedded derivatives are separated from the underlying hybrid contract at acquisition or issuance date and are subsequently held at fair value consistent with other freestanding derivatives. The Group has chosen not to adopt hedge accounting for all derivatives held for non-trading purposes under Statement 133 due to the operational cost of meeting the documentation and effectiveness requirements of the Standard. These are considered effective as economic hedges and continue to qualify for hedge accounting under Italian GAAP.

ITALIAN GAAP	**U.S. GAAP**
(g) Pension Plans	
Defined benefit pension plans have been granted to certain employees by separate legal entities. The Group is contingently liable in the future if the assets of the plans are insufficient to fund the future benefit payments to the plan participants. The liability and assets are estimated on a total service basis. As such, the Group has accrued amounts reflecting its contingent liability to the plan.	The liabilities and assets of the defined benefit pension plan are measured based on an “attribution period” defined under FAS 87, par. 40 (e.g. the portion of the liabilities accrued to date). The company has adopted an accounting policy to reflect the minimum required recognition of experience (gains)/losses as defined under FAS 87. An adjustment has therefore been recorded to reflect the differences described.

ITALIAN GAAP	**U.S. GAAP**
(h) Stock Option Plans	
There is no specific accounting principle or established method for accounting for stock option plans under Italian GAAP. Stock option plans are not recorded within the financial statements; only a narrative disclosure is provided within the management report. The Group	The Group applies APB No. 25 and related interpretations in accounting for stock option plans. The difference between the quoted market price of the stocks granted or awarded on the measurement day less the amount, if any, the employee is required to contribute is expensed as

records stock-based compensation such as awards of stock options as an issuance of stock when an employee exercises the options.	compensation cost during the vesting period. The measurement date is the first date at which both (1) the number of shares the employee is entitled to receive and (2) the option or the purchase price, if any, are known.
If the indexed part of the stock based compensation award be hedged by a linked derivative or other hedging instrument, fair value changes in both the hedged item and the hedging instrument are deferred until the maturity date of the plan.	The derivative is recognized on the balance sheet as an asset or liability at fair value. Changes in fair value of the derivative are reported through earnings. The estimated compensation cost of the award is recognized as a liability and subsequently adjusted for changes in the estimated cost through earnings.

ITALIAN GAAP	U.S. GAAP
(i) Employee Termination Cost	
A restructuring liability is accrued for the estimated cost of early retirement where a decision has been made and approved at the appropriate governance level to reduce personnel through the offering of early retirement compensation. The estimated liability is based on projections of the eligible employees that will accept the early retirement offer and the respective cost to be incurred upon their retirement.	Permissible accruals of employee termination cost relating to business combinations or restructuring are limited to the estimated cost of involuntary terminations. No accrual is permitted for voluntary terminations until the employee is eligible for the termination benefits and has accepted the termination offer.

ITALIAN GAAP	U.S. GAAP
(j) Deferred Taxes	
Deferred taxes are not calculated on reserves generated by either domestic and foreign group companies if those reserves will not be distributed.	Deferred taxes are calculated on reserves generated by domestic group companies irrespective of they will be distributed.
Deferred tax assets are only recorded when they are "reasonably certain" of occurring.	Deferred tax assets are recorded for all temporary differences. A valuation allowance is recorded against a deferred tax asset where it is "more likely than not" that some portion of the deferred tax asset will not be realized. These results in a larger net deferred tax assets balance being recorded under U.S. GAAP when compared to Italian GAAP.

ITALIAN GAAP	U.S. GAAP
(k) Allowance for General Bank Risks	
This reserve covers the general business risks of the Group and, as such, forms part of the stockholders' equity in compliance with international supervisory standards and Bank of Italy instructions. This reserve is accrued through a charge to income statement.	Allowances for general banking risks are only permitted if they represent a loss that is probable and can be reasonably estimable.

ITALIAN GAAP	U.S. GAAP

(m) Consolidation of Insurance Subsidiaries	
Insurance subsidiaries are included in the consolidated financial statements using the equity method even where the Group directly or indirectly, on a non-temporary basis, holds more than 50% of the voting share capital.	Entities should be consolidated when they are under the control of the reporting entity. This is presumed when the reporting entity is the majority owner, and therefore would include any insurance subsidiaries. Summarised financial information regarding these companies is reported in the Note 32.5 below.

ITALIAN GAAP	U.S. GAAP

(n) Deferred Acquisition Costs	
Acquisition costs for new insurance life contracts are expensed as incurred by the Group's life insurance companies.	Acquisition costs for new contracts are deferred and amortized over the useful life of the contracts. This adjustment is reported in the reconciliation within the item "insurance companies".

ITALIAN GAAP	U.S. GAAP

(o) Proportionate Consolidation	
Companies that are under joint control may be consolidated using the proportionate consolidation method.	Companies that are under joint control should be accounted for using the equity method. Summarized financial information regarding these companies is not provided as they are not significant.

ITALIAN GAAP	U.S. GAAP

(p) Earning Per Share	
There are no Italian GAAP or legal requirements to disclose earnings per share. SANPAOLO IMI discloses such information using U.S. GAAP guidance for determining the basic and diluted number of share used in the calculated.	Disclosure is required of a basic and diluted earnings per share measured, calculated in accordance with SFAS128 "Earnings Per Share".

RECENT ACCOUNTING DEVELOPMENTS

SFAS 141 'Business Combinations' and SFAS 142 'Goodwill and Other Intangible Assets'

In July 2001 the FASB issued SFAS 141 'Business Combinations' and SFAS 142 'Goodwill and Other Intangible Assets'. SFAS 141 is effective for business combinations initiated after 30th June 2001. SFAS 141 requires that all business combinations completed after its adoption be accounted for using the purchase method of accounting and establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS 142 will be effective for the Group from 1st January 2002 and primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. From 1st January 2002, goodwill will no longer be amortized and will be tested for impairment at least annually at the reporting unit level. The Group amortized ? 746 million of goodwill during 2001, as determined under US GAAP. The Group is currently assessing the impact of the new Standard and at June 25, 2002 had not yet determined whether it would have a material impact upon net income and stockholders' equity as determined under US GAAP if it was currently in force.

SFAS 143 'Accounting for Asset Retirement Obligations'

SFAS 143 requires a provision to be raised for the legal obligation in relation to the other-than-temporary removal of a tangible fixed asset, at fair value, when incurred. As required, the Group will adopt SFAS 143 on 1 January 2003. Adoption is not expected to have a material impact upon net income and stockholders' equity as determined under US GAAP if it was currently in force.

SFAS 144 'Impairment or Disposal of Long-Lived Assets'

SFAS 144 is effective for the Group from 1st January 2002 and addresses the financial accounting and reporting for the impairment of long-lived assets held and to be disposed of and for segments of a business to be disposed of. It supersedes, but retains the fundamental provisions of, SFAS 121 'Accounting for the impairment of long-lived assets and for long-lived assets to be disposed of'. It also supersedes the provisions of Accounting Principals Board Opinion 30, 'Reporting the results of operations', no longer permitting business segments to be disposed of to be measured at a value adjusted for future operating losses. Adoption is not expected to have a material impact upon net income and stockholders' equity as determined under US GAAP if it was currently in force.

SFAS 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections"

SFAS145 was issued in April 2002. The Statement rescinds certain pronouncements, and makes various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Group will adopt SFAS145 on 1 January 2003. Adoption is not expected to have a material impact upon net income and stockholders' equity as determined under US GAAP if it was currently in force. SANPAOLO IMI continues to monitor the additional effect, if any, that the adoption of the above standards will have on the net income and stockholders' equity as determined under US GAAP.

(32.2) NET INCOME AND STOCKHOLDERS' EQUITY RECONCILIATION BETWEEN ITALIAN AND U.S. GAAP

The following is a summary of the most significant adjustments to consolidated net income and to consolidated stockholders' equity which would be required if U.S. GAAP had been applied to the accompanying Consolidated Financial Statements.

Net income

	Year ended December 31,		
	2001	2000	1999
		(€/mil)	
Net income after minority interest as reported under Italian GAAP	1,203	1,292	1,050
Business Combinations:			
Allocation to Goodwill	(268)	(215)	(163)
Allocation to Assets and liabilities	(494)	(196)	(232)
Investments in Debt and Equity Securities	49	(10)	46
Revaluation of premises	44	64	50
Treasury shares	(15)	(89)	-
Advertising cost	2	(6)	-
Derivatives and hedging activities	(2)	-	-
Implementation of FAS 133 (net of tax effect)	(19)	-	-
Pension Plan	6	6	6
Derivatives on Stock Based Compensation Plan	(137)	144	-
Stock Based Compensation Plan	127	(109)	-
Stock Option Plan	(2)	(3)	(3)
Employee Termination Cost	(79)	-	-
Deferred Tax on Equity reserves	(94)	9	-
Deferred tax on US GAAP adjustments	269	102	71
Allowance for general banking risks (Other)	1	(2)	1
Companies:			
deferred acquisition cost (n)	(46)	(19)	24
Investment in debt and equity securities (b)	20	55	3
Revaluation of premises (c)	-	-	-
Deferred tax on US GAAP adjustment (j)	6	(15)	(11)
Deferred tax on equity reserves (j)	(2)	(5)	-
Implementation of FAS 133 net tax effect (f)	-	-	-
Derivatives and hedging activities (f)	2	-	-
Net income after minority interest in accordance with U.S. GAAP	571	1,003	842
Basic earnings per share (in Euro)	0.412	0.738	0.6
Diluted earnings per share (in Euro)	0.411	0.737	0.6
Comprehensive income			
Net income after minority interest in accordance with U.S. GAAP	571	1,003	842
Gross change in unrealized gain/loss on AFS securities	(248)	306	110
Less: reclassification adjustments (for realized gains/losses on sales of AFS securities previously included in comprehensive ncome)	(148)	(130)	(59)
Net change in unrealized gain/loss on AFS securities	(396)	176	51
Change in foreign currency translation adjustments	-	4	6
Amortization of cash flow hedge reclassified as earnings/costs (FAS 133)	4	-	-
Cumulative effect of change in accounting principle, net of related tax effect	(13)	-	-
Tax effect	111	(56)	(24)
Other comprehensive income	(294)	124	33
Comprehensive income	277	1,127	875
Tax effect of other comprehensive income components			
Tax effect of gross gain/loss on AFS securities	58	(112)	(52)
Tax effect of reclassification adjustments	53	56	28
Tax effect of net change in unrealized gain/loss on AFS securities	111	(56)	(24)
Tax effect of foreign currency translation adjustments	-	-	-
	111	(56)	(24)

Stockholders'equity

		Year ended December 31, 2001	Year ended December 31, 2000
		(€/mil)	
	Stockholders' equity in accordance with Italian GAAP	8,476	8,050
a)	Business Combinations:		
	Allocation to Assets and Liabilities	997	1,355
	Allocation to Goodwill	3,469	3,876
b)	Investments in Debt and Equity Securities	73	373
c)	Revaluation of premises	(503)	(547)
d)	Treasury shares	(304)	(738)
e)	Advertising cost	(4)	(6)
f)	Derivatives and hedging activities	(2)	-
f)	Implementation of FAS 133 (net of tax effect)	(34)	-
g)	Pension Plan	112	105
h)	Stock Based Compensation Plan	22	(109)
h)	Derivatives on Stock Based Compensation Plan	2	144
I)	Employee Termination Cost	(79)	-
j)	Deferred Tax on Equity reserves	(433)	(341)
j)	Deferred tax on US GAAP adjustments	(150)	(538)
m)	Insurance companies:		
	deferred acquisition cost (n)	2	47
	Investment in debt and equity securities (b)	29	73
	Revaluation of premises (c)	(3)	(6)
	Deferred tax on US GAAP adjustment (j)	(20)	(55)
	Deferred tax on equity reserves (j)	(46)	(44)
	Implementation of FAS 133 net tax effect (f)	1	-
	Derivatives and hedging activities (f)	2	-
	Stockholders' equity in accordance with U.S. GAAP	11,607	11,639

(32.3) SIGNIFICANT PRESENTATION DIFFERENCES BETWEEN ITALIAN AND U.S. GAAP

In addition to the differences in valuation and income recognition principles disclosed in Note No. 32.1 and 32.2, other differences exist between Italian and U.S. GAAP relating to the presentation of financial statements. These differences do not result in differences between Italian and U.S. GAAP reported net income and Stockholders' equity, but only in the presentation of the consolidated financial statements.

The following is a summary of the significant classification differences between U.S. GAAP formats – as set forth in Regulation S-X of the Securities and Exchange Commission of the United States of America – and the formats required by the Italian Law (Decree 87 of January 27,1992). Furthermore, in paragraph 32.4 are reported the balance sheet and the income statement in accordance with the format required by US GAAP. However, these statements are prepared on the basis of the financial information included in the Italian financial statements prepared in accordance with Italian GAAP; hence before the US GAAP adjustments indicated in the table reported in paragraph 32.2

Balance Sheet

(A) Treasury bills and similar bills eligible for refinancing with central banks are presented as a separate item (caption No. 20) in the Italian balance sheet. Under U.S. GAAP such investments are presented under "Trading account assets" and "Investment securities".

(B) The item "Interest-bearing deposits in other banks" is presented for Italian purposes under the caption "30 Due from banks" for the portion related to the interest-bearing deposit due from banks..

(C) The items "Federal funds sold and securities purchased under resale agreements or similar arrangements" to banks and other customers are presented for Italian purposes in captions "30 Due from banks" and "40 Loans to customers", respectively.

(D) Amounts under caption "30 Due from banks", for the portion related to the medium and long term loan due from banks, and "40 Loans to customers", except those indicated in (C) and (B), are presented under "Loans" in the U.S. GAAP balance sheet.

(E) Investments in securities shown under captions "50 Bonds and other debt securities" and "60 Shares and other equities" are presented under "Trading account assets", "Available for sale securities" and "Held to maturities" according to classification of SFAS No. 115.

(F) Investments in affiliated companies are presented under "70 Equity investments" and "80 Equity Investments in Group companies". Under U.S. GAAP such investments are presented under "Investments in affiliated companies".

(G) Goodwill arising on application of the equity method is shown as a separate item in the Italian balance sheet (caption No. 100), while according to U.S. GAAP it is presented under "Investments in affiliated companies".

(H) Amounts under "120 Tangible fixed assets" have been shown under "Premises and equipment" in the U.S. consolidated balance sheet.

(I) Amounts under caption "140 Own shares" are included in the item "Other stockholders' equity" under U.S. GAAP Format.

(J) The following captions of the asset side of the Italian balance sheet are presented under "Other assets" according to U.S. GAAP formats: "90 Goodwill arising on consolidation", "110 Intangible fixed assets", "150 Other assets", "160 Accrued income and prepaid expenses".

(K) “Securities sold under repurchase agreements” to banks and other customers are presented for Italian purposes in captions “10 Due to banks” and “20 Due to customers”, respectively.

(L) Deposits to banks, customers and deposits in security form are presented respectively under captions “10 Due to banks”, “20 Due to customers” and “30 Securities issued” while according to U.S. GAAP they are included under the separate caption “Deposits”.

(M) Short-term borrowings presented under caption “30 Securities issued” are reported in a separate caption in the U.S. GAAP balance sheet. They consist primarily of commercial paper.

(N) Amounts under captions “10 Due to banks”, “20 Due to customers”, “30 Securities issued”, “40 Public funds administered” and “110 Subordinated liabilities” with maturity greater than one year are presented under the caption “Long term debt” in U.S. GAAP.

(O) The following captions of the Italian balance sheet are presented under “Other liabilities” according to U.S. GAAP: “50 Other liabilities”, “60 Accrued expense and deferred income”, “70 Provision for termination indemnities”, “80 Provision for risks and charges”.

(P) Minority interest (caption No 140) is presented in the same named caption “Minority interest in consolidated subsidiaries” and the amount under “150 Capital” is presented under caption “Capital stock”.

(Q) Captions “100 Reserve for general banking risks”, “120 Negative goodwill arising on consolidation”, “130 Negative goodwill arising on application of the equity method”, “160 Additional paid-in capital”, “170 Reserves”, “180 Revaluation reserves” and “200 Net income for the year” are presented under caption “Other stockholders’ equity” under U.S. GAAP.

(R) Acceptances are not reported on the Italian balance sheet, but rather as a commitment in Caption “Guarantees and commitments”. Under U.S. GAAP, acceptances and the related customer liabilities are recorded on the balance sheet.

Statements of Income

(R) “Interest earnings on deposits and loans to credit institutions”, “Interest on investment securities” and “Trading account interest” are reported under caption “10 Interest income and similar revenues” in the Italian statement of income. Under U.S. GAAP such amounts are under separate captions.

(S) The captions of U.S. statements of income “Interest Expense - Borrowings from credit institutions”, “Interest Expense - Borrowings from non-credit institutions”, “Interest Expense - Securities and commercial paper” and “Net effect of off-balance sheet instruments” are presented under caption “20 Interest expense and similar charges” according to Italian GAAP.

(T) Amounts presented in caption “Loans and lease to credit institution” under U.S. GAAP are included in captions “10 Interest income and similar revenues”, “40 Commission income” and “140 Provision to the reserve for possible loan losses” under Italian GAAP according to the nature of such income.

(U) “Net write-offs and provision for loan losses” are shown for Italian purposes under “120 Adjustments to loans and provisions for guarantees and commitments” and “130 Write-backs of adjustments to loan and provisions for guarantees and commitments”.

(V) The caption “30 Dividends and other revenues – b) from investments” in the Italian statements of income is reported in caption “Dividends” under U.S. GAAP.

(W) “Commission and fees from fiduciary activities”, “Commissions, brokers' fees and markups on securities underwriting and other securities activities” shown as separate captions under U.S. GAAP are classified in caption “40 Commission income”.

(X) Amounts under caption “Fees for other customer services” in statements of income under U.S. GAAP are presented in caption “40 Commission income” and “70 Other operating income” (for the refunds of expenses) under Italian GAAP.

(Y) The following captions in the Italian GAAP statements of income are presented in caption “Profit or loss on transactions in securities in dealer trading account” under U.S. GAAP: “30 Dividends and other revenues – a) from shares and other equities” and “60 Profits (losses) on financial transactions”.

(Z) The caption “Equity in (loss) earnings of unconsolidated subsidiaries” in U.S. GAAP is reported in the caption “170 Income (losses) from investments carried at equity” under Italian GAAP.

(AA) The amounts shown in caption “Income or loss in affiliated, other companies and investments securities” under U.S. GAAP are presented primarily in “150 Adjustments to financial fixed assets”, “160 Write-backs of adjustments to financial fixed assets” “190 Extraordinary income” and “200 Extraordinary expenses”.

(BB) The captions “Goodwill amortization” and “ Amortization of intangibles” in the U.S. GAAP are reported in caption “90 Adjustments to intangible and tangible fixed assets”.

(CC) Salaries and employee benefits are presented under caption “80 Administrative costs – a) payroll” in Italian statements of income.

(DD) In the caption “Net occupancy expenses of leased premises” under U.S. GAAP are presented net costs of not owned premises (e.g. rentals payable, costs of routine maintenance). They are shown in different captions in Italian statements of income: “70 Other operating income”, “80 Administrative costs – b) other”, “90 Adjustment to intangible and tangible fixed assets” and “110 Other operating expenses”.

(EE) In the caption “Net premises and equipment expenses” under US GAAP are presented net costs of owned premises. They are recorded in different caption under Italian GAAP format: “ 70 Other operating income”, “90 Adjustment to intangible and tangible fixed assets”,“190 Extraordinary income”, “200 Extraordinary expenses”.

(FF) “Income tax expense” is presented in the caption “240 Income tax” according to Italian GAAP format.

(GG) “Minority interest in income of consolidated subsidiaries” is shown in caption “250 Minority interests” in Italian statements of income.

(HH) The remaining amounts - not reported in the above illustrated items – are shown in “Other income” and “Other expenses” in the U.S. statement of income.

(32.4) CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated balance sheet and statement of income show the impact of applying U.S. GAAP presentation requirements to amounts determined under Italian GAAP. Excluding the adjustment for own shares in the balance sheet, the following tables do not reflect the US GAAP adjustments indicated in table in paragraph 32.2.

Consolidated Balance Sheets

	At December 31,	
	2001	**2000**
	(€/mil)	
ASSETS		
Cash and due from banks	818	708
Interest-bearing deposits in other banks	12,789	11,576
Federal funds sold and securities purchased under resale agreements or similar arrangements	10,482	7,883
Trading account assets	18,814	15,077
Investment securities		
Held to maturity	411	2,492
Available for sale securities	2,892	7,389
Loans, net of allowance for loan losses of Euro 3,312 million and Euro 3,666 million in 2001 and 2000, respectively	95,315	98,366
Premises and equipment	1,726	1,793
Investments in affiliated companies	4,912	3,647
Other assets	21,981	23,128
TOTAL ASSETS	170,140	172,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	72,123	71,725
Short-term borrowings	6,311	5,379
Securities sold under repurchase agreements	14,469	13,111
Other liabilities	20,957	25,135
Long-term debt	47,410	48,683
Total Liabilities	161,270	164,033
Commitments and Contingencies (Note 20)		
Minority Interest in Consolidated Subsidiaries	698	715
Capital stock (consisting of 1,402,184,948 issued and outstanding Share, par value Euro 2,8 per Share)	3,932	3,931
Other stockholders' equity	4,240	3,380
Total Stockholders' Equity	8,172	7,311
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	170,140	172,059

Consolidated Statement of Income

	Year ended December 31,		
	2001	2000	1999
		(€/mil)	
Interest Income:			
Interest earnings deposits and loans to credit institutions	918	1,019	715
Loans and leases to non-credit institutions	6,072	5,560	4,326
Interest on investment securities	283	292	69
Trading account interest	743	713	846
Total Interest Income	8,016	7,584	5,956
Interest Expense:			
Borrowings from credit institutions	(1,476)	(1,568)	(992)
Borrowings from non-credit institutions	(1,643)	(1,438)	(892)
Securities and commercial paper	(2,112)	(2,117)	(1,915)
Total Interest Expense	(5,231)	(5,123)	(3,799)
Net effect of off-balance sheet instruments	(96)	38	(135)
Net Interest Income	2,689	2,499	2,022
Net write-offs and provision for loan losses	(357)	(225)	(302)
Net Interest Income after provision for loan losses	2,332	2,274	1,720
Non Interest Income:			
Dividends	134	62	102
Commission and fees from fiduciary activities	1,673	1,863	1,230
Commissions, broker's fees and markups on securities underwriting and other securities activities	333	452	415
Fees for other customer services	1,391	1,220	1,034
Profit or loss on transactions in securities in dealer trading account	368	333	251
Equity in (loss) earnings of unconsolidated subsidiaries and associated companies	79	87	118
Income (loss) in affiliated, other companies and investments securities, net	217	261	211
Other income	383	317	161
Total Non Interest Income	4,578	4,595	3,522
Non Interest Expense:			
Salaries and employee benefits	(2,221)	(1,929)	(1,534)
Net occupancy expenses of leased premises	(158)	(370)	(284)
Goodwill amortization	(150)	(90)	(59)
Net premises and equipment expenses	(301)		
Amortization of intangibles	(165)	(127)	(77)
Other expenses	(2,293)	(2,167)	(1,491)
Total Non Interest Expense	(5,288)	(4,683)	(3,445)
Income Before Income Tax Expense	1,622	2,186	1,797
Income Tax Expense	(318)	(784)	(685)
Net Income	1,304	1,402	1,112
Minority interest in income of consolidated subsidiaries	(101)	(110)	(62)
Net Income after Minority Interest	1,203	1,292	1,050
Basic earnings per share (in Euro)	0.8681	0.932	0.75
Diluted earnings per share (in Euro)	0.8675	0.930	0.75

(32.5) ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP

(a) Consolidated Statement of Cash Flows

The following consolidated statement of cash flows is presented in accordance with SFAS 95 "Statement of Cash Flows". The amounts included within the statement are determined under Italian GAAP.

	2001	2000	1999
		(€/mil)	
Cash Flows from Operating Activities			
Net income after minority interest………………………...…………………………….	1,203	1,292	1,050
Adjustment to reconcile net income to cash provided by operating activities:			
Amortization and depreciation……………………………..…………………………….	543	326	265
Net realized loss (gain) on sale of securities……………………..………………………….	375	(107)	76
Net realized loss (gain) on sale of tangible fixed assets………….…………………….	(10)	(7)	(2)
Net realized (gain) on sale of investments in affiliated and other companies………..	(437)	(268)	(349)
Net unrealized loss (gain) on valuation of securities …………………...…………….	(77)	128	(145)
Net unrealized loss (gain) on valuation of fixed assets ………………….…………….	8	(15)	-
Net unrealized loss on valuation of investments in affiliated and other companies…	223	7	75
Net loss (gain) from investments carried at equity…………..……………..………….	(79)	(87)	(118)
(Increase) decrease in other assets…………………………………......…………………………..	1,236	3,033	(4,151)
(Decrease) increase in other liabilities………………………………………………….…………….	(4,137)	(2,520)	1,130
Net cash provided by operating activities…………………………………….………	(1,152)	1,782	(2,169)
Cash Flows from Investing Activities			
Purchase of tangible fixed assets………………………………………………………….	(377)	(341)	(197)
Proceeds from sale of tangible fixed assets……………………………………………….	24	30	12
Purchase of investments in affiliated companies…………………………………………	(108)	(97)	(152)
Proceeds from sale of investments in affiliated conmpanies……………………………	-	-	219
Purchase of investments in other companies…………………………………………….	(1,703)	(1,745)	(2,002)
Proceeds from sale of investments in other companies………………………………	493	846	584
Consideration paid for the acquisition of Banco di Napoli……………………………..	-	(2,048)	-
Purchase of securities………………………………………………………………………….	(481,117)	(291,793)	(380,910)
Proceeds from sale and redemption of securities……………………………………….	484,232	292,968	387,703
Decrease (increase) in interest-bearing deposits……………………………………….	(1,213)	(190)	(3,050)
Decrease (Increase) in federal funds sold and reverse repo's…………………………..	(2,599)	(29)	5,183
Net decrease (increase) in loans, net………………………………………………………	3,010	(1,352)	(2,025)
Net cash provided by investing activities………………………………………………	642	(3,751)	5,365
Cash Flows from Financing Activities			
(Decrease) increase in deposits, net………………………………………………………	397	(4,732)	5,049
(Decrease) increase in short-term borrowing, net………………………………………..	932	2,584	1,189
(Decrease) increase in repurchase agreements, net…………………………………….	1,358	915	(4,487)
Increase (decrease) in long-term debt…………………………………………………	(1,273)	4,363	(4,280)
Dividends paid……………………………………………………………………………	(787)	(724)	(652)
Other changes of shareholders' equity……………………………………………………	10	(465)	(302)
Increase (decrease) of minority interest………………………………………………..	(17)	43	394
Net cash (used in) provided by financial activities……………..………………………	620	1,984	(3,089)
Net (decrease) increase in cash and cash equivalents…………..……………………..	110	15	107
Cash and Cash Equivalents, beginning of year………………………………………….	708	693	421
Cash and Cash Equivalents, end of year…………………………………………………	818	708	528

(b) Summarized financial information of companies accounted for using the equity method that under US GAAP would be fully consolidated.

The financial information reported below provides summarized financial information for those companies accounted for using the equity method under Italian GAAP and which would have been fully consolidated under U.S. GAAP. This information is provided on the basis of the Italian GAAP.

	Exercise 2001			
ASSETS	**Loans**	**Securities**	**Other Assets**	**Total**
San Paolo Vita SpA and San Paolo Life	21	4,518	5,642	10,181
Fideuram vita SpA	407	3,994	2,533	6,934
Fideuram Assicurazioni SpA	4	23	13	40
total	432	96,179	8,188	17,155

	Exercise 2001				
LIABILITIES AND STOCKHOLDERS' EQUITY	**Technical Reserve**	**Other liabilities**	**Subordinated loans**	**Stockholders' equity**	**Total**
San Paolo Vita SpA and San Paolo Life	4,363	5,535	35	248	10,181
Fideuram vita SpA	4,391	2,257	-	286	6,934
Fideuram Assicurazioni SpA	25	2	-	13	40
total	8,779	7,794	35	547	17,155

	Exercise 2001		
INCOME STATEMENT	**Operating income**	**Exstraordinary income**	**Net income (Loss)**
San Paolo Vita SpA and San Paolo Life	81	-3	53
Fideuram vita SpA	-5	-3	5
Fideuram Assicurazioni SpA	3	-	2
total	79	-6	60

	Exercise 2000			
ASSETS	**Loans**	**Securities**	**Other Assets**	**Total**
San Paolo Vita SpA and San Paolo Life	46	2790	4,132	6,968
Fideuram vita SpA	333	4139	1,708	6,180
Fideuram Assicurazioni SpA	4	22	13	39
total	383	99132	5,853	13,187

	Exercise 2000				
LIABILITIES AND STOCKHOLDERS' EQUITY	**Technical Reserve**	**Other liabilities**	**Subordinated loans**	**Stockholders' equity**	**Total**
San Paolo Vita SpA and San Paolo Life	2,749	4,060	30	129	6,968
Fideuram vita SpA	4,523	1,357	-	300	6,180
Fideuram Assicurazioni SpA	24	3	-	12	39
total	7,296	5,420	30	441	13,187

	Exercise 2000		
INCOME STATEMENT	**Operating income**	**Exstraordinary income**	**Net income (Loss)**
San Paolo Vita SpA and San Paolo Life	36	-	26
Fideuram vita SpA	52	1	45
Fideuram Assicurazioni SpA	4	-	2
total	92	1	73

INCOME STATEMENT	Exercise 1999		
	Operating income	Exstraordinary income	Net income (Loss)
San Paolo Vita SpA and San Paolo Life	41	0	26
Fideuram vita SpA	-10	72	53
Fideuram Assicurazioni SpA	3	0	2
total	34	72	81

Attachments

Statement of changes in consolidated shareholders’ equity

Shareholders’ equity as per financial statements

(€/mil)

	Capital	Reserves and retained earnings	Reserve for general banking risks	Goodwill arising on consolidation and on the application of the equity method	Net income	Total
Shareholders' equity as of December 31, 2000	**3,931**	**2,409**	**355**	**63**	**1,292**	**8,050**
Allocation of 2000 net income:						
- to reserves	-	418	-	87	(505)	-
- to shareholders	-	-	-	-	(787)	(787)
Reclassifications between reserves	-	32	-	(32)	-	-
Change in the reserve for general bank risks	-	-	1	-	-	1
Exercise of stock options	1	4	-	-	-	5
Differences arising on the translation of foreign currency financial statements and other adjustments	-	4	-	-	-	4
Net income	-	-	-	-	1,203	1,203
Shareholders' equity as of December 31, 2001	**3,932**	**2,867**	**356**	**118**	**1,203**	**8,476**

Shareholders’ equity as per reclassified financial statements

	Capital and reserves	Net income	Total
			(€/mil)
Shareholders' equity as of December 31, 2000	6,758	1,292	8,050
- Own shares in the Parent Bank's portfolio as of December 31, 2000	(697)	-	(697)
Shareholders’ equity as per reclassified financial statements as of December 31, 2000	**6,061**	**1,292**	**7,353**
Changes in the Parent Bank's own shares during the year			
- purchases	(78)	-	(78)
- sales (*)	486	-	486
Other movements	510	(1,292)	(782)
Net income	-	1,203	1,203
Shareholders’ equity as per reclassified financial statements as of December 31, 2001	**6,979**	**1,203**	**8,182**

(*) Decreases are shown at cost

Reconciliation of the Parent Bank's financial statements and the consolidated financial statements for 2001

(€/mil)

	Net income	Capital and reserves	Share-holders' equity	Reserve for possible loan losses	*Total*
Financial Statements of the Parent Bank	**1,184**	**6,917**	**8,101**	**-**	**8,101**
Balance of subsidiary companies consolidated line-by-line	2,516	7,127	9,643	105	9,748
Consolidation adjustments:					
- book value of consolidated investments line-by-line	-	(6,681)	(6,681)	-	(6,681)
- dividends of consolidated companies	(2,709)	1,594	(1,115)	-	(1,115)
- amortization of goodwill arising on consolidation and on application of the equity method	(121)	(177)	(298)	-	(298)
- elimination of goodwill arising on consolidation and on application of the equity method	-	(1,263)	(1,263)	-	(1,263)
- elimination of gains on sale of investments	(1,461)	9	(1,452)	-	(1,452)
- valuation of investments at net equity	79	118	197	-	197
- writedowns of investments	1,777	-	1,777	-	1,777
- minority interests	(101)	(597)	(698)	-	(698)
- elimination of reserve for possible loan losses	58	6	64	(64)	-
- other	(19)	220	201	-	201
Consolidated Financial Statements	**1,203**	**7,273**	**8,476**	**41**	**8,517**

Pro-forma reclassified consolidated statement of income for 2000 (Not audited)

(€/mil)

	SANPAOLO IMI Group restated (1) (A)	Banco di Napoli S.p.A (B)	Wargny Group (C)	Effect of consolidating the companies belonging to the Banco di Napoli Group and of the adjustments to shareholders' equity (D)	Pro-forma adjustments (E)		SANPAOLO IMI Group (pro-forma) (F)=(A+B+C+D+E)
Net Interest Income	**2,168**	**788**	**-**	**3**	**(85)**	(2)	**2,874**
Net commissions and other net dealing revenues	2,469	312	48	23	-		2,852
Profits/(losses) from financial transactions and dividends on shares	255	31	5	5	-		296
Profits from companies carried at equity & dividends from shareholdings	159	8	-	(3)	(17)	(3)	147
Net Interest and other banking income	**5,051**	**1,139**	**53**	**28**	**(102)**		**6,169**
Administrative costs	(2,652)	(854)	(44)	(22)	-		(3,572)
· payroll	(1,620)	(594)	(22)	(20)	-		(2,256)
· other administrative costs	(859)	(226)	(22)	(2)	-		(1,109)
· indirect duties and taxes	(173)	(34)	-	-	-		(207)
Other operating income, net	187	56	-	4	-		247
Adjustments to tangible and intangible fixed assets	(237)	(90)	(1)	(2)	-		(330)
Operating Income	**2,349**	**251**	**8**	**8**	**(102)**		**2,514**
Adjustments to goodwill and merger and consolidation differences	(89)	-	(8)	(1)	(78)	(4)	(176)
Provisions and net adjustments to loans and financial fixed assets	(454)	(373)	1	187	-		(639)
Income before extraordinary items	**1,806**	**(122)**	**1**	**194**	**(180)**		**1,699**
Net extraordinary income	369	(398)	1	430	-		402
Income before taxes	**2,175**	**(520)**	**2**	**624**	**(180)**		**2,101**
Income taxes for the period	(795)	245	(2)	(255)	37	(5)	(770)
Change in reserve for general banking risks	2	367	-	(367)	-		2
(Income)/Loss attributable to minority interests	(90)	-	(2)	(10)	-		(102)
Pro-forma Net Income	**1,292**	**92**	**(2)**	**(8)**	**(143)**		**1,231**

(1) For simplicity's sake, the pro-forma reclassified consolidated statement of income for 2000 has been prepared starting from the consolidated statement of income of SANPAOLO IMI as of December 31, 2000, the so-called “restated” version. As explained in the notes to the consolidated financial statements for 2000, the "restated" version includes the Banco di Napoli Group consolidated at equity, so the investment was only reflected in the caption “profits of companies valued at equity” (€ 17 million, eliminated as part of the pro-forma adjustments in column “E”).

(2) It reflects the full-year financial charges for the innovative capital instruments and the subordinated liabilities connected with the investments, net of the part already included in the consolidated statement of income of SANPAOLO IMI for 2000.

(Euro/mil)

Innovative capital instruments and subordinated liabilities connected with the investments	Average rate	Financial charges	Part of the financial charges already included in SPIMI consolidated statement of income for 2000	Part of the financial charges included in pro forma adjustments
2,129	-5.54%	-118	-33	-85

(3) It represents the elimination of the effect of consolidation at equity of the Banco di Napoli group. In fact, for simplification, the pro forma reclassified consolidated statement of income for 2000 has been prepared on the basis of the consolidated statement of income of SANPAOLO IMI as of 31 December 2000 in the restated version, in which the Banco di Napoli group is consolidated at equity, and therefore the investment is reflected only in the caption "profits of companies valued at equity".

(4) It reflects the full-year amortization of goodwill arising on consolidation.

Goodwill arising on consolidation of the Banco di Napoli group in 2000	Part of goodwill which was offset with negative goodwill arising on first-time line-by-line consolidation	Part of goodwill to be amortized over 10 years	Full-year value adjustment on goodwill	Part of the value adjustment on goodwill included in SPIMI consolidated statement of income for 2000
1,670	854	816	-82	-4

Part of the value adjustment on goodwill included in pro forma adjustments
-78

(5) It reflects the full-year tax savings connected to the financial charges for the innovative capital instruments and the subordinated liabilities (see note 1)

(Euro/mil)

Part of the financial charges included in pro forma adjustments	Theoretical tax rate in force in Italy in 2000	Effect on income taxes for 2000
-85	42.4%	37

List as of December 31, 2001 of Equity Investments higher than 10% in voting shares in unlisted companies and in limited liability companies (Consob resolution 11715 of November 24, 1998) (1)

Name	Held by	%
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
BN Commercio e Finanza S.p.A.	Isveimer S.p.A. (in liq.)	100.00
BN Finproget S.p.A.	BN Commercio e Finanza	100.00
Calitri Denim Industries S.p.A.	Isveimer (in liq.)	14.29
Celeasing S.r.l.	Sanpaolo IMI	100.00
Centrale dei Bilanci S.r.l.	Sanpaolo IMI	7.22
	Banco di Napoli	3.33
		10.55
Centro Agroalimentare di Napoli S.c.p.a.	Banco di Napoli	15.82
Chateau Bolides	Immobiliare 21	49.00
Cifrali 8 (in liq.)	Banque Sanpaolo	18.30
Cifrali 9	Banque Sanpaolo	14.09
Cive S.p.A.	Sanpaolo IMI	68.97
Dulevo S.p.A. (bankrupt)	Sanpaolo IMI	16.30
Elvetia Edile S.r.l.	Sanpaolo IMI	100.00
Fata Group S.r.l.	NHS - Nuova Holding Sanpaolo IMI	13.17
Fides S.p.A. (bankrupt)	Isveimer (in liq.)	20.00
Finlombarda Leasing S.p.A. (in liq.)	Sanpaolo IMI	14.00
Fonti di Gaverina	Sanpaolo IMI	57.13
Giraglia Immobiliare S.p.A.	Sanpaolo IMI	17.15
Guiness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50
IAM Piaggio S.p.A.	Sanpaolo IMI	10.00
	Banca Fideuram	3.86
		13.86
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	57.00
Immobiliare Santa Caterina S.r.l.	Banco di Napoli	100.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Integrated Shipping Company S.p.A.	Sanpaolo IMI	100.00
Istituto per l'Enciclopedia della Banca e della Borsa S.p.A.	Sanpaolo IMI	8.27
	Banco di Napoli	3.40
	Banca Fideuram	0.34
		12.01
Isveimer S.p.A. (in liq.)	Banco di Napoli	65.22
Italpower S.p.A.	NHS - Nuova Holding Sanpaolo IMI	15.00
Ittica Ugento S.p.A.	Sanpaolo IMI	26.96
Kish Receivables	Tobuk	20.83
Kyle Receivables	Tushingham	11.11
Lillo S.p.A.	Sanpaolo IMI	50.00
Loseri S.p.A.	Sanpaolo IMI	18.40
Pantecna S.p.A. (bankrupt)	Sanpaolo IMI	15.50
Pragma S.r.l.	Sanpaolo IMI	100.00
S.A. Imm. De Construction de Monteclin (in liq.)	Banque Sanpaolo	11.30
S.T.C. Servizio Trasporti Combinati S.p.A.	Sanpaolo IMI	100.00
Sago S.p.A. (2)	Sanpaolo IMI	26.67
Sazic S. a r.l.	Societé Fonciere d'Investissement	99.00
	Societé Immobiliere d'Investissement	1.00
		100.00

Name	Held by	%
SCI Balcons Sainte Marie	Banque Sanpaolo	17.95
SCI Boissy Griselle 7	Societé Fonciere d'Investissement	99.00
	Societé Immobiliere d'Investissement	1.00
		100.00
SCI Boissy RER 5	Societé Fonciere d'Investissement	90.00
SCI Boissy RER 8	Societé Fonciere d'Investissement	99.00
	Societé Immobiliere d'Investissement	1.00
		100.00
SCI Boissy Saint Leger 94	Societé Fonciere d'Investissement	99.00
	Societé Immobiliere d'Investissement	1.00
		100.00
SCI La Source de Saint Hilarie (in liq.)	Societé Immobiliere d'Investissement	98.00
SCI Le Chevalier	Societé Immobiliere d'Investissement	99.00
	Societé Fonciere d'Investissement	1.00
		100.00
SCI Le Clos de Noyer (in liq.)	Banque Sanpaolo	15.00
SCI Les Jardin de Farnese (in liq.)	Uni Invest	11.11
Sci Plein Ciel	Banque Sanpaolo	12.00
Serit S.p.A. (in liq.)	Banco di Napoli	18.64
SIOA - Società Organismo di Attestazione S.p.A.	Sanpaolo IMI	14.30
Società Calabrese Imbottigliamento Bevande Gassate S.p.A.	Sanpaolo IMI	91.03
Società Barese Imbottigliamento Bevande Gassate S.r.l.	Sanpaolo IMI	100.00
Società Napoletana Imbottigliamento Bevande Gassate S.r.l.	Sanpaolo IMI	50.00
Sofimer S.p.A.	Isveimer (in liq.)	20.00
Sosib Industriale e Commerciale S.r.l.	Sanpaolo IMI	91.03
SSB - Società per I Servizi Bancari S.p.A.	Sanpaolo IMI	7.24
	Banco di Napoli	7.01
	Banca Fideuram	0.02
		14.27
Sogepi et Cie Le Fournas	Banque Sanpaolo	12.50
Sviluppo Finanza Mobiliare S.p.A.	Banco di Napoli	10.87
Tecnoalimenti S.p.A. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.32
Tecnocittà S.r.l.	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50
Tecnogen S.p.A. (2)	Sanpaolo IMI	29.96
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00
Torsyl S.A. (in liq.)	Sanpaolo IMI International	15.79
Zwalen & Mayr S.A.	Sanpaolo IMI International	12.96

(1) Excludes equity investments already listed in Note (14)
(2) Investments deriving from operations as per Law October 25, 1968, no. 1089 (Applied Research Fund).

ANDERSEN

Report of Indipendent Accountants

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino
www.andersen.com

To the Stockholders and the Board of Directors of
Sanpaolo IMI S.p.A.:

We have audited the balance sheets of Sanpaolo IMI Asset Management SGR S.p.A. (the "Company") as of December 31, 2001, and the related statements of income, of cash flows and of changes in stockholders' equity for the year then ended (all expressed in Euro). Such financial statements were previously provided to you and are not enclosed herewith. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sanpaolo IMI Asset Management SGR S.p.A. as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Italy, as provided by the Italian regulation governing financial statements.

Accounting principles generally accepted in Italy, as provided by the Italian regulation governing financial statements, vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income expressed in Euro for the year ended December 31, 2001 and the determination of stockholders' equity also expressed in Euro at December 31, 2001.

Turin, Italy
March 6, 2002

Arthur Andersen SpA

ANDERSEN

Report of Independent Accountants

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino
www.andersen.com

To the Stockholders and the Board of Directors of
Sanpaolo IMI S.p.A.:

We have audited the balance sheets of Banco di Napoli S.p.A. (the "Bank") as of December 31, 2001, and the related statements of income, of cash flows and of changes in stockholders' equity for the year then ended (all expressed in Euro). Such financial statements were previously provided to you and are not enclosed herewith. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco di Napoli S.p.A. as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Italy, as provided by the Italian regulation governing financial statements.

Accounting principles generally accepted in Italy, as provided by the Italian regulation governing financial statements, vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income expressed in Euro for the year ended December 31, 2001 and the determination of stockholders' equity also expressed in Euro at December 31, 2001.

Rome, Italy
April 5, 2002

Arthur Andersen SpA

ANDERSEN

Report of Independent Public Accountants

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino
www.andersen.com

To the Stockholders and the Board of Directors of
Sanpaolo IMI S.p.A.:

We have audited the accompanying consolidated financial statements of Sanpaolo IMI S.p.A. (the "Bank", formerly Istituto Bancario San Paolo di Torino Istituto Mobiliare Italiano S.p.A.) and Subsidiaries (collectively referred to as "Sanpaolo IMI" or the "Group") comprising the consolidated statements of condition of Sanpaolo IMI S.p.A. and Subsidiaries as of December 31, 2000 and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years ended December 31, 1999 and 2000. The preparation of these financial statements is the responsibility of Sanpaolo IMI's directors. Our responsibility is to express an opinion on these consolidated financial statements taken as a whole based on our audit. We did not audit the financial statements of Banca di Intermediazione Mobiliare IMI S.p.A., Banca Opi S.p.A., Banque Sanpaolo S.A. and other less significant subsidiaries which statements reflect, in 2000, total assets and total interest income and similar revenues of 26.1 percent and 17.6 percent of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 management, as well as evaluating the overall financial statements presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanpaolo IMI S.p.A. and Subsidiaries as of December 31, 2000 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2000, in conformity with generally accepted accounting principles in Italy applied on a consistent basis.

Accounting practices used by Sanpaolo IMI in preparing the consolidated financial statements referred to above conform with generally accepted accounting principles in Italy, but do not conform with accounting principles generally accepted in the United States. A description of these differences and the reconciliation of consolidated net income and stockholders' equity to U.S. generally accepted accounting principles is set forth in Note 32 to the above described consolidated financial statements.

Sede Legale
Milano
R.E.A.
Cod. Fisc.
Partita IVA
Capitale Sociale Euro 1.300.000 i.v.

For a better understanding of the consolidated financial statements, attention is drawn to the following information and matters, more fully described in the explanatory notes:

(a) In the course of the 1999, Sanpaolo IMI S.p.A. spun off a portion of property assets to Beni Stabili S.p.A. and conferred its merchant banking activity to NHS - Nuova Holding Subalpina S.p.A.

(b) Sanpaolo IMI S.p.A. has allocated a share of the net income for the years 1999 and 2000 to the reserve as provided for and in accordance to Law 461/98 and Legislative Decree 153/99 (the so-called "Ciampi reserve") in relation to the merger with IMI and acquisition of the Banco di Napoli Group. In the 1999 and 2000 consolidated financial statements, following the request of suspension of the incentives, Sanpaolo IMI S.p.A. has, for reason of prudence, appropriated to the tax provision the whole amount of the benefit rising out of the application of these incentives. As required by the CONSOB Recommendation dated February 15, 2001, Sanpaolo IMI S.p.A. has disclosed in the consolidated explanatory notes the effects on the consolidated statement of income and consolidated shareholders' equity of such incentives.

(c) In the course of the year 2000, Sanpaolo IMI S.p.A. acquired the Banco di Napoli Group and a significant investment in the Cassa di Risparmio di Firenze S.p.A.; the accounting treatment followed for the consolidation and the related effects on the consolidated statement of income and consolidated shareholders' equity are described in the explanatory notes.

Turin, Italy
April 2, 2001

Arthur Andersen SpA

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Banca d'Intermediazione Mobiliare IMI SpA

We have audited the balance sheet of Banca d'Intermediazione Mobiliare IMI SpA (the "Company") as of 31 December 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banca d'Intermediazione Mobiliare IMI SpA as of 31 December 2000, and the results of its operations and its cash flows for the year then ended in conformity with the Italian law governing financial statements and generally accepted accounting principles in Italy.

Milan, 27 March 2001

PricewaterhouseCoopers SpA

Fabrizio Piva

Fabrizio Piva
(Partner)

Sede legale: Milano 20124 Via Vittor Pisani 20 Tel. 0267821 Fax 0266981433 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta all'Albo Consob – Altri uffici: Ancona 60123 Via Corridoni 2 Tel. 0713680 1 – Bari 70125 Viale della Repubblica 110 Tel. 0805429863 – Bologna 40122 Via delle Lame 111 Tel. 051526611 – Brescia 25124 Via Cefalonia 70 Tel. 0302219811 – Firenze 50129 Viale Milton 65 Tel. 0554627100 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Milano 20122 Corso Europa 2 Tel. 0277851 – Napoli 80121 Piazza dei Martiri 30 Tel. 0817644441 – Padova 35137 Largo Europa 16 Tel. 0498762677 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 Viale Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38100 Via Manzoni 16 Tel. 0461237004 – Treviso 31100 Piazza Crispi 8 Tel. 0422542726 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 – Udine 33100 Via Marinoni 12 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel. 0458002561

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Banca OPI SpA (former IMI Lease SpA)

We have audited the balance sheet of Banca OPI SpA (the "Company") as of 31 December 2000, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banca OPI SpA as of 31 December 2000, and the results of its operations and its cash flows for the year then ended in conformity with the Italian law governing financial statements and generally accepted accounting principles in Italy.

Rome, 28 March 2001

PricewaterhouseCoopers SpA

Fabrizio Piva

Fabrizio Piva
(Partner)

Sede legale: Milano 20124 Via Vittor Pisani 20 Tel. 0267831 Fax 0266981433 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta all'Albo Consob – Altri uffici: Ancona 60123 Via Corridoni 2 Tel. 07136881 – Bari 70125 Viale della Repubblica 110 Tel. 0805429863 – Bologna 40122 Via delle Lame 111 Tel. 051526611 – Brescia 25124 Via Cefalonia 70 Tel. 0302219811 – Firenze 50129 Viale Milton 65 Tel. 0554627100 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Milano 20122 Corso Europa 2 Tel. 0277851 – Napoli 80121 Piazza dei Martiri 30 Tel. 0817644441 – Padova 35137 Largo Europa 16 Tel. 0498762677 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 V.le Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38100 Via Manzoni 16 Tel. 0461237004 – Treviso 31100 Piazza Crispi 8 Tel. 0422542726 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 – Udine 33100 Via Marinoni 12 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel. 0458002561

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SANPAOLO IMI S.p.A.

By: /s/ Carlo Angelini
Name: Carlo Angelini
Title: Senior Executive

Date: July 1, 2002

EXHIBIT INDEX

Exhibit Numbered	Description	Sequentially Numbered Page
1.1	Articles and by-laws of Sanpaolo IMI S.p.A.	
10.1	Consent of Arthur Andersen	
10.2	Letter of Sanpaolo IMI relating to Arthur Andersen	

EXHIBIT 1.1

SANPAOLO IMI S.p.A.

ARTICLES AND BY-LAWS

SANPAOLO IMI S.p.A.
A Company registered in the Register of Banks
Reporting Bank for Bank of Italy purposes of the SANPAOLO IMI Banking Group
registered in the Register of Banking Groups
Registered Office at Piazza San Carlo 156, Turin, Italy
Share capital of Euro 5,144,064,8000 wholly paid up
Tax code, V.A.T. number and Turin Company Register 06210280019
Italian Banking Association code number 1025-6
Member of the Interbank Deposit Guarantee Fund

Update as of June 1, 2002

CONTENTS

SECTION I
CONSTITUTION - REGISTERED OFFICE - LIFE AND PURPOSE OF THE COMPANY

ARTICLE 1

1.1 The Company is called “SANPAOLO IMI S.p.A.” and is established as a company limited by shares.

1.2 The Company is a Bank according to the terms of Legislative Decree 385 of September 1, 1993.

1.3 The Company can use in its corporate design the trademarks of the incorporating Company and of the incorporated companies as long as they are accompanied by their own name.

ARTICLE 2

2.1 The Company has its registered office at Piazza San Carlo 156, Turin, Italy and secondary offices, with permanent establishment, at Viale dell’Arte 25, Rome, and Via Farini 22, Bologna.

2.2 Within the observance of the regulations in force, it may open and close branches and representative offices in Italy and abroad.

ARTICLE 3

3.1 The life of the Company is fixed until December 31, 2100.

3.2 The extension of the life of the Company must be approved by the Extraordinary Meeting of Shareholders with a legal majority.

ARTICLE 4

4.1 The Company has as its purpose the collection of deposits from the public and the business of lending in its various forms, in Italy and abroad.

4.2 The Company may undertake, within the limits of the regulations in force, all banking and financial transactions and services as well as any other transaction in the way of business and in whatever way related to the achievement of its corporate objective.

4.3 The Company may also undertake all the activities which the Istituto Bancario San Paolo di Torino and the Istituto Mobiliare Italiano were authorised to carry out according to law or administrative regulations.

4.4 The Company - in its capacity as Reporting Bank for Bank of Italy purposes of the SANPAOLO IMI Banking Group according to the terms of Article 61 of Legislative Decree 385 of September 1, 1993 - issues, in the exercise of its function of management and coordination, instructions to the members of the Group for the execution of the instructions issued by the Regulatory Authorities in the interests of stability of the Group itself as a whole.

ARTICLE 5

5.1 The Company can issue bonds and other securities according to the regulations in force.

SECTION II
EQUITY CAPITAL AND SHARES

ARTICLE 6

6.1 The share capital is Euro 5,144,964,800 (five billion, one hundred and forty four million, nine hundred and sixty four thousand, eight hundred Euro) divided into 1,448,831,982 ordinary shares and 388,334,018 preference shares with a nominal unit value of Euro 2.8. The share capital may be increased through the issue of shares with rights different from those included in the shares already issued.

6.2 The preference shares are placed centrally in one or more deposits administered by the Company and the Company is the only authorised depositary. The sale of preference shares is to communicated without delay to the Company by the selling shareholder and triggers the automatic one for one conversion of the preference shares into ordinary shares, except in the case where it is disposed to a company whose capital is wholly controlled. On July 1, 2012, the preference shares will be converted one for one into ordinary shares with the same characteristics as the ordinary shares in circulation at that moment.

6.3 In the case of paid issues of capital, when there is no exclusion or limit on option rights, the holders of preference shares have option rights on preference shares with the same characteristics or, if not or differently, in order, preference shares with different characteristics, savings shares or ordinary shares.

6.4 The Board of Directors has the power to increase the share capital, in one or more issues, up to a maximum amount of Euro 7,500,000,000 (seven billion, five hundred million Euro) nominal value, and issue, on one or more occasions, convertible bonds and with or without warrants, up to the same amount but for a sum that on no occasion exceeds the limit provided for by the law. This power may be exercised before April 28, 2004.

6.4 The Board of Directors has also the power to increase the share capital by means of a paid up rights issue, in one or more issues, up to a maximum amount of Euro 40,000,000 (forty million Euro) nominal value, through the issue of ordinary shares reserved, according to Article 2441, par. 8, of the Civil Code and Article 134 of Legislative Decree 58 of February 24, 1998, to employees of the Company or also to employees of subsidiary companies according to Article 2359 of the Civil Code who participate in the share incentive schemes approved by the Board itself. This power may be exercised before July 28, 2003.

6.5 Following the deliberations of the Board of Directors on February 9, 1999, December 21, 1999, June 27, 2000 and December 18, 2001, on the basis of the preceding paragraph , the share capital may be increased up to a maximum nominal amount of Euro 39,284,756 (thirty nine million, two hundred and eighty four thousand, seven hundred and fifty six).

ARTICLE 7

7.1 In the case of an increase in the share capital, approved by the Shareholders' Meeting, the methods and the conditions related to the issue of new capital, the dates and the methods of payment, will be determined by the Board of Directors.

7.2 In the case of late payment, annual interest, set by the Board of Directors but in any case not exceeding 3% more than the official discount rate, will be applied. The legal consequences for any shareholder who does not execute the payments due and the responsibility of the assignors or endorsers of shares not released remain the same.

7.3 Delivery may be made against goods different from cash.

7.4 The Company can acquire its own shares within the limits and according to the procedures established by the laws in force.

SECTION III
SHAREHOLDERS' MEETING

ARTICLE 8

8.1 The Shareholders' Meeting is ordinary or extraordinary according to the terms of the law and can be called in Italy not necessarily at the registered office.

8.2 The ordinary Shareholders' Meeting is called at least once a year within four months of the end of the financial year or, when particular circumstances demand, within six months.

8.3 The extraordinary Shareholders' Meeting is called to approve matters reserved to it by law or by these articles of association.

8.4 Allowing for the faculty of summons established by specific legal requirements, the Shareholders' Meeting must be called by the Chairman of the Board of Directors or by his Deputy, within the terms and according to the procedures laid down by the current regulatory provisions.

ARTICLE 9

9.1 Participation and representation in the Shareholders' Meeting are governed by the regulations currently in force.

ARTICLE 10

10.1 Every ordinary share confers the right to one vote. Preference shares do not have voting right on ordinary shareholders' meetings.

ARTICLE 11

11.1 The validity of the Shareholders' Meeting, both ordinary and extraordinary, and both at the first call and at the second or third calls, as established by law, as also for the validity of related motions, is determined by the law.

11.2 For the nomination of the corporate officers a relative majority is sufficient. In the case of a tie, the older candidate will be elected. For the nominations to the Board of Statutory Auditors, the procedure follows that established by Article 19.

11.3 Deliberative majorities are calculated without taking account of abstentions.

ARTICLE 12

12.1 The Shareholders' Meeting, whose workings are governed by the relevant Regulation approved in the ordinary session, is chaired by the Chairman of the Board of Directors or by his Deputy.

12.2 The Shareholders' Meeting nominates, on the motion of the Chairman, when held appropriate, two or more scrutineers and a Secretary not necessarily shareholders.

12.3 The assistance of the Secretary is not necessary when the minutes of the Shareholders' Meeting are taken by a Notary Public. The Notary is designated by the Chairman of the Shareholders' Meeting.

12.4 It is the responsibility of the Chairman to control the right to speak, including proxies, to ascertain if the Shareholders' Meeting is properly constituted and the presence of the legal quorum to approve motions, to manage and regulate the proceedings of the Shareholders' Meeting, to fix the methods of voting and to announce the results of such votes.

12.5 If debate concerning the agenda of the day is not finished within the day, the Shareholders' Meeting can proceed to a further meeting on the following non-holiday day.

ARTICLE 13

13.1 The discussions of the Shareholders' Meeting must be recorded in the minutes signed by the Chairman, by the scrutineers, if nominated, and by the Secretary or Notary Public.

13.2 Copies of the minutes will be certified with the declaration of conformity, signed by the hairman and by the Secretary.

SECTION IV
DIRECTORS

ARTICLE 14

14.1 The Company is directed by a Board of Directors composed of a number of members between seven and 20 according to motions approved by the Shareholders' Meeting. The Shareholders' Meeting itself appoints one of them as Chairman.

14.2 The Directors' term of office is three years and they may be re-elected.

14.3 Termination, substitution, resignation and annulment on the part of the Directors are governed according to the law.

14.4 If, because of resignation or other reasons, there is no longer a majority of the Directors elected by the Shareholders' Meeting, the whole Board of Directors must give its resignation and proceed to call a Shareholders' Meeting as soon as possible for its re-election.

ARTICLE 15

15.1 The Board of Directors may appoint, from among its members, one or more Deputy Chairmen.

15.2 The Board of Directors nominates one or more Managing Directors, determining his or their roles, as well as the Executive Committee, laying down the number of its members, its authority, its duration, rules and powers. In the Executive Committee the Chairman and the Deputy Chairman or Deputy Chairmen sit *ex officio* as well as the Managing Director or Managing Directors.

15.2 15.3 The Board of Directors may also elect from among its members special Committees, with a consultative and deliberative role.

15.4 The General Manager or General Managers take part in the meetings of the Board of Directors and of the Executive Committee in a consultative role.

15.5 In the matter of extending loans and current management, powers can also be delegated to the General Manager or General Managers, to the Deputy General Manager or Deputy General Managers, to Central Management, to Top and Senior Management, individually or collectively in committees as well as to employees and other personnel within predetermined limits of responsibility.

15.6 For special and/or subsidized lending governed by specific regulations, powers of approval and drawdown can be delegated to the Group's banking subsidiaries within the limits and according to the criteria agreed between the parties.

15.7 The Board will determine the methods through which decisions taken by those delegated are brought to the attention of the Board itself.

15.8 The annual remuneration of the members of the Board of Directors as well as that of the Executive Committee is determined by the Shareholders' Meeting. The annual remuneration will be in part fixed and in part variable.

15.9 The remuneration of the executive directors with particular responsibilities according to the Articles of Association will be fixed by the Board of Directors, having heard the opinion of the Board of Statutory Auditors.

15.10 The Shareholders' Meeting may decide, in addition to the remuneration above, the payment to each executive director of a fixed sum for every attendance at the meetings; the Executive Directors have the further right to reimbursement of expenses incurred in the course of their duties and to the payment of daily allowances as decided by the Shareholders' Meeting.

ARTICLE 16

16.1 The Board of Directors has all powers to exercise the ordinary and extraordinary management of the Company except those expressly accorded by law or by the Articles of Association to the exclusive responsibility of the Shareholders' Meeting.

16.2 The following matters are the exclusive responsibility of the Board of Directors:

- approvals regarding general management direction, the approval and modification of general regulations regarding business relationships, investment and divestment of shareholdings which may modify the composition of the Banking Group, the nomination of responsibilities in accordance with paragraph 1 of Article 20;
- the establishment of the criteria for coordination and management of the Group's Companies and for the execution of instructions received from the Bank of Italy.

ARTICLE 17

17.1 The Board of Directors is convened whenever the Chairman considers it necessary or opportune and generally every two months, also to refer to the Board of Statutory Auditors on business carried out and transactions of greatest importance in economic, financial and equity capital terms undertaken by the Company and/or by subsidiary companies as well as, in particular, transactions with potential conflicts of interest.

17.2 Leaving those powers reserved by law to the Statutory Auditors, a meeting must also take place when at least three Directors or a Managing Director make a written request to the Chairman with an indication of their reasons.

17.3 Meetings of the Board of Directors are usually held at the registered office of the Company. The Board of Directors may also meet in any other place in Italy or abroad.

17.4 Notice of the meeting, with a summary agenda of the matters to be discussed, must be sent to the Directors and to the Statutory Auditors in office at least five days before that fixed for the meeting by registered post or telegram or telex or telefax. In cases of particular urgency, the meeting may be held with simple advance notice of 24 hours by any suitable means.

17.5 Meetings of the Board of Directors can be validly held by videoconference, provided that the precise identification of the persons qualified to participate can be validly ensured, as well as the possibility for all participants to take part, in real time, in the discussion about all the business on the agenda. However, at least the Chairman and the Secretary must be present in the location where the Board meeting has been called, wherever the same shall be considered held.

17.6 To approve the decisions of the Board a majority of the Directors in office must be present at the meeting. Decisions are taken according to absolute majority of the votes of the members present excluding abstentions. Decisions concerning the nomination of the Deputy Chairman or Deputy Chairmen, of the Executive Committee, of the Managing Director or Managing Directors are properly taken with a yes vote from half plus one of the Directors in office. In case of a tie, the Chairman's vote prevails.

17.7 The minutes of the meeting of the Board of Directors are edited and transcribed in the register of minutes by a Secretary designated by the Board.

17.8 Copies and abstracts of the minutes are certified with the declaration of conformity, signed by the Chairman and by the Secretary.

17.9 In meetings that the Board wishes to keep confidential, the duties of the Secretary will be carried out by the youngest Director present.

17.10 The agenda for the Board of Directors and for the Executive Committee are prepared by the Managing Director or Managing Directors according to the powers delegated to them.

17.11 In particular, the Managing Director or Managing Directors are responsible for the general management of the Company, for business and lending as well as personnel management.

ARTICLE 18

18.1 The Chairman is the legal representative of the Company in dealings with third parties.

18.2 Furthermore, the Chairman:

a) chairs the meetings of the Board of Directors and the Executive Committee;
b) prepares the agenda of the meetings of the Board of Directors and the Executive Committee, taking account also of the proposed agenda prepared by the Managing Director or Managing Directors;
c) authorises any legal, administrative and executive action in every competent court and in whatever level of jurisdiction with the ability to abandon it, to withdraw from proceedings and to accept similar withdrawals or relinquishments from other parties involved, with all subsequent powers and with the obligation to refer to the Executive Committee on the decisions taken;
d) takes, in agreement with the Managing Director, or with the respective Managing Director in the case of more than one Managing Director, whatever provisions may be urgent in the interests of the Company, referring them to the Board of Directors or the Executive Committee at their next meeting;
e) exercises the role of coordination of the business of the Company.

18.3 In the case of absence or other impediment of the Chairman, his powers in all respects will be taken on by the Deputy Chairman, or in the case of the nomination of more than one Deputy Chairman according to Article 15 above, the first nominated Deputy Chairman or, in case of the same date of nomination, the oldest in age. In the case of absence or other impediment of the same, the oldest by age will take his position.

18.4 When all the Deputy Chairmen are absent or disabled, the powers of the Chairman pass to the Managing Director or Managing Directors and, in order, to the other directors, according to the order of succession fixed by the Board of Directors.

SECTION V
BOARD OF STATUTORY AUDITORS

ARTICLE 19

19.1 The Shareholders’ Meeting elects the Board of Statutory Auditors, composed of five Statutory Auditors in office and two Alternate Statutory Auditors.

19.2 The Statutory Auditors are in office for three years - except for changes in law - and they may be re-elected.

19.3 At least two of the Statutory Auditors in office and at least one of the Alternate Statutory Auditors are chosen from among those registered in the register of accounting auditors who have carried out legal accounting audit work for a period of no less than three years.

19.4 Those Statutory Auditors who do not possess the requirement set out in the preceding paragraph are chosen from among those who have obtained a total experience of at least three years in:
1) administration or control or management duties in companies with equity capital of no less that two million Euro, or
2) professional activities or regular university teaching in law, economics, finance, banking, insurance or other subjects related to banking activities, or
3) management duties in public bodies or public administration operating in the banking, finance and insurance sectors.

19.5 The whole Board of Statutory Auditors is nominated on the basis of lists presented by the shareholders in which the candidates must be listed in numerical order.

19.6 To apply paragraphs 3 and 12 of the present article, when the list is composed of four or more candidates, the fourth candidate and at least one of the first three must have the requirements as in paragraph 3; when the list is composed of fewer than four candidates at least the first of them must have the same requirements.

19.7 The lists must be deposited at the registered office and published in at least two Italian daily newspapers with national distribution, of which one devoted to economic news, at least 10 days before the day fixed for the Shareholders' Meeting at first call.

19.8 Every shareholder can present or contribute to the presentation of only one list and each candidate can present himself in only one list or otherwise be declared ineligible.

19.9 Only those shareholders who themselves or together with other shareholders represent at least 1% of the shares with voting rights in the ordinary shareholders' meeting have the right to present lists. In order to prove their ownership of the number of shares necessary for the presentation of the lists, the shareholders must at the same time present, at the registered office, the certificates confirming their participation in the central securities management system.

19.10 Together with each list, and before the time of depositing the list at the registered office, the CurriculumVitae of each candidate must be deposited, undersigned by the same, and the declarations by which the individual candidates accept their candidature and affirm, at their own responsibility, that there are no reasons for ineligibility or conflict of interest as well as the existence of the necessary qualification required by the regulations in force to carry out the duties of Statutory Auditor.

19.11 Every shareholder having the right to vote may vote for only one list.
At the election of the Board of Statutory Auditors, the procedures are as follows:
a) from the list which obtains the majority of the votes by the shareholders, in the numerical order in which they are listed in the list, three Statutory Auditors in office and one Alternate Statutory Auditor;
b) the remaining two Statutory Auditors and one Alternate Statutory Auditor are taken from the other lists; in order to do this, the votes obtained by the lists themselves are divided successively by one, two and three. The quotients thus obtained are assigned in order to

the candidates of each of the said lists according to the order set respectively in each. The quotients thus attributed to the candidates on the various lists are then placed in a single descending order: the Statutory Auditors in office are those who have obtained the highest two quotients and the supplementary Statutory Auditor is the one who has obtained the highest third quotient.
In the case in which more than one candidate obtains the same quotient, the candidate from the list which has still not elected a Statutory Auditor will be elected; in the case in which none of the lists has yet elected a candidate, there will be a new vote of the whole Shareholders' Meeting and the candidate who obtains a simple majority of the votes will be elected.

19.13 For the nomination of Statutory Auditors not elected for whatsoever reason according to the aforesaid procedures, the Shareholders' Meeting will approve according to relative majority.

19.14 The chairmanship of the Board of Statutory Auditors is taken by the person indicated in the first place in the list which has obtained the majority of the votes. In case of his substitution the chairmanship falls, until the end of term of the Board of Statutory Auditors, on the next following person indicated in the same list.

19.15 In the case of the substitution of a Statutory Auditor taken from the list which has obtained the majority of the votes cast by the shareholders, the alternate will come from the same list; in the case of the substitution of a Statutory Auditor taken from the other lists, the alternate will be nominated according to the method set out in point (b) in this article. Whenever it may be necessary to keep up minimum number di Statutory Auditors in office with the requirements as per paragraph 3 of the present article, the alternate with the same requirements will in any case enter.

19.16 The nomination of Statutory Auditors to make up the Board of Statutory Auditors according to Article 2401 of the Civil Code is made by a relative majority of the Shareholders' Meeting.

19.17 The Shareholders' Meeting fixes the remuneration of the Statutory Auditors. The Shareholders' Meeting may also decide, in addition to the remuneration, the payment to each Statutory Auditor of a fixed sum for every attendance at the meetings; the Statutory Auditors have the further right to reimbursement of expenses incurred in the course of their duties and to the payment of daily allowances as decided by the Shareholders' Meeting.

19.18 The members of the Board of Statutory Auditors cannot be in office in more than five offices as Statutory Auditor in office in other quoted companies with the exception of companies controlled by SANPAOLO IMI S.p.A.

SECTION VI
MANAGEMENT

ARTICLE 20

20.1 The Board of Directors nominates one or more General Managers and one or more Deputy General Managers and determines their roles and the length of their term of office. Alternatively, the Board of Directors nominates a Central Management and determines the number of its members, establishing the assignment of responsibilities as well as the division of functions among the members.

20.2 The General Manager or General Managers, or the Central Management, report in the exercise of their responsibilities to the Managing Director or Managing Directors; they execute the decisions taken by the Board of Directors, by the Executive Committee, by the Chairman and by the Managing Director or Managing Directors; they manage all current business, supervise the structure and functioning of services, allocate responsibilities and positions to staff with the exclusion of Top Management. They may delegate, also internally and in continuity, their own powers to the Deputy General Managers, Top Management, Senior Management and other Personnel from Head Office, the regional organisation and the branches.

SECTION VII
LEGAL REPRESENTATION AND CORPORATE SEAL

ARTICLE 21

21.1 The legal representation of the Company, concerning third parties and in proceedings, and the corporate seal lie with the Chairman and, in the case of his absence or inability, with the Deputy Chairman or Deputy Chairmen, in order of length of service and age and, in their absence, with the Managing Director or Managing Directors separately. The Board may, for specific types of actions and business, delegate representative powers, with the ability to sign on behalf of the Company, to the Managing Director or Managing Directors, to individual Directors, to the General Manager or General Managers, to the Deputy General Manager or Deputy General Managers, to the staff of the Central Management, to Top and Senior Management and to other employees of the Company, determining the limits and the methods of use of such seal.

21.2 In cases in which the current Articles of Association allow substitutions for absence or impediment, the action of the substitute has legal force in dealings with third parties.

SECTION VIII
FINANCIAL RESULTS AND PROFITS

ARTICLE 22

22.1 The financial year closes at December 31 each year.

22.2 Of the net profits deriving from the financial results, an amount equal to 10% shall be transferred to the legal reserve until it amounts to one fifth of the equity capital.

22.3 A further share, equal up to 5% of the their nominal value, shall be reserved for preference shares.

22.4 The Shareholders' Meeting, on the proposal of the Board of Directors, will decide on the allocation of the remaining profit after provisions to the legal reserve and the allocation to preference shares.

22.5 The dividends will be allocated, equal up to the amount paid to preference shares, to ordinary shares and, then and equally to all shares.

22.6 When dividends of less than 5% are allocated to preference shares in any one year, the dividends will be cumulated in the following two years.

22.7 Dividends not claimed within five years following the day on which they are available, will be retained by the Company and placed to reserves.

22.8 The Board of Directors may approve the distribution of partial payments in advance of the dividends in the manner and within the limits set by the regulations in force at the time.

SECTION IX
STATUTORY OFFICES

ARTICLE 23

23.1 Current legislative, regulatory and supervisory rules concerning requirements of professional and honourable standards apply to the Offices established in the current Articles of Association.

SECTION X
WINDING UP

ARTICLE 24

24.1 Given any different law provisions, if there is a reason for winding up, the Shareholders' Meeting will establish the manner of liquidation, nominating one or more liquidators.

24.2 Preference shares, in the case of winding up or liquidation, will have the right to reimbursement of capital up to their nominal value.

EXHIBIT 10.1

ANDERSEN

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino
Tel 011 5597
Fax 011 544756

Sampaolo IMI S.p.A.
Piazza San Carlo, 156
10121 Torino

and

PriceWaterhouseCoopers
Largo Angelo Fochetti, 29
00154 Roma

June 28, 2002

Dear Sirs,

We hereby give our consent to the inclusion in the Annual Report pursuant to section 13 or 15(d) of the Securities Exhange Act of 1934 of Sanpaolo IMI S.p.A. (Form 20-F), of our auditors' report dated April 2, 2001 on the consolidated financial statements of Sanpaolo IMI S.p.A. and its subsidiaries as of December 31, 2000.

It should be noted that we have performed no audit procedures subsequent to April 2, 2001, the date of our report. Furthermore, we have not made an audit of any consolidated financial statements of Sanpaolo IMI S.p.A. and its subsidiaries as of any date or for any period subsequent to December 31, 2000, the date of the latest financial statements covered by our report.

This letter is given solely for the information of the persons to whom it is addressed and may not be relied upon by any other person.

Arthur Andersen SpA

Giulio Lubatti - Partner

EXHIBIT 10.2

SANPAOLO IMI

United States Securities and Exchange Commission
Washington, D.C. 20549.
United States of America

re: Representations by Arthur Andersen S.p.A.

Dear Sir or Madam:

In connection with Sanpaolo IMI S.p.A.'s ("Sanpaolo IMI") annual report on form 20-F for the year ended December 31, 2001 ("2001 20-F") and in accordance with Temporary Note 3T of Article 3 of Regulation S-X, we confirm the following with respect to the accountants' reports issued by Arthur Andersen S.p.A. and filed with Sanpaolo IMI's 2001 20-F ("Arthur Andersen Reports"):

Arthur Andersen S.p.A. has represented to Sanpaolo IMI that, with respect to each of the Arthur Andersen Reports:

- The corresponding audit was subject to Arthur Andersen's quality control system for the Italian accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards; and
- There was appropriate continuity of Arthur Andersen personnel working on audits, availability of national office consultation and availability of personnel at Arthur Andersen's Italian affiliate to conduct the relevant portions of the audit.

Very truly yours,

Carlo Angelini