

1999 Annual Report

SANPAOLO IMI
SOCIETÀ PER AZIONI

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN
SECONDARY REGISTERED OFFICE: VIALE DELL'ARTE 25, ROME
REGISTERED WITH THE TURIN COURT, COMPANY NO. 4382/91

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP
MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

SANPAOLO IMI

Board of Directors

Luigi Arcuti (*)	<i>Chairman</i>
Luigi Maranzana (*)	<i>Managing Director</i>
Rainer Stefano Masera (*)	<i>Managing Director</i>
Carlo Albani Castelbarco Visconti	<i>Director</i>
Emilio Botín	<i>Director</i>
Giuseppe Fontana	<i>Director</i>
Gabriele Galateri Di Genola e Suniglia (*)	<i>Director</i>
Juan Rodriguez Inciarte (*)	<i>Director</i>
Virgilio Marrone	<i>Director</i>
Mario Masini	<i>Director</i>
Iti Mihalich (*)	<i>Director</i>
Emilio Ottolenghi	<i>Director</i>
Stefano Preda (*)	<i>Director</i>
Enrico Salza (*)	<i>Director</i>
Antonio Sclavi (*)	<i>Director</i>
Alessandro Vercelli	<i>Director</i>
Remi François Vermeiren	<i>Director</i>
<i>(*) Member of the Executive Committee</i>	

Board of Statutory Auditors

Mario Paolillo	<i>Chairman</i>
Aureliano Benedetti	<i>Auditor</i>
Maurizio Dallochio	<i>Auditor</i>
Angelo Miglietta	<i>Auditor</i>
Ruggero Ragazzoni	<i>Auditor</i>
Carlo Pasteris	<i>Supplementary Auditor</i>
Alessandro Rayneri	<i>Supplementary Auditor</i>

General Management

Luigi Maranzana	<i>General Manager</i>
Rainer Stefano Masera	<i>General Manager</i>
Enrico Fioravanti	<i>Deputy General Manager Legal and Corporate Affairs</i>
Piero Gavazzi	<i>Deputy General Manager Personal Financial Services</i>
Amadio Lazzarini	<i>Deputy General Manager Operations</i>
Bruno Picca	<i>Deputy General Manager Accounting and Planning</i>
Vittorio Serafino	<i>Deputy General Manager Commercial Banking</i>

Independent Auditors

Arthur Andersen S.p.A.

Contents

7	AGENDA OF THE SHAREHOLDERS' MEETING
8	LETTER TO THE SHAREHOLDERS
13	CONSOLIDATED STATEMENT OF INCOME AND ACCOMPANYING REPORTS
14	Reclassified consolidated statement of income
15	Consolidated quarterly results
16	Reclassified consolidated balance sheet
17	Report on operations
19	Economic background
21	Group objectives and operating sectors
25	Group results
31	Embedded value of the life portfolio
33	Operating volumes and organization
44	Capital
45	Risk management
51	Supplementary information
51	• <i>Ratings</i>
52	• <i>Performance of Group share prices</i>
53	• <i>Shareholders of Sanpaolo IMI</i>
53	• <i>Intercompany transactions and transactions with related parties</i>
54	• <i>The stock option plan</i>
54	• <i>The Euro</i>
54	• <i>The Year 2000</i>
54	• <i>Self regulation of quoted companies</i>
55	Operating areas
63	Significant events after the year end
65	Independent auditors' report
67	Consolidated financial statements
68	Consolidated balance sheet
70	Consolidated statement of income
71	Explanatory notes
73	• Introduction - <i>Background information</i>
77	• Part A - <i>Accounting policies</i>
88	• Part B - <i>Consolidated balance sheet</i>
143	• Part C - <i>Consolidated statement of income</i>
157	• Part D - <i>Other information</i>
159	Attachments
161	Statement of changes in consolidated shareholders' equity
162	Statement of consolidated cash flows
164	Reconciliation of the financial statements of the Bank with the consolidated financial statements
165	List of equity investments higher than 10% in unlisted companies and in limited liability companies

169 THE BANK'S FINANCIAL STATEMENTS AND REPORTS

171 Reclassified statement of income

173 Reclassified balance sheet

175 Report on operations

177 Performance

180 Operating volumes and organization

185 Capital and reserves

186 Supplementary information

187 Significant events after the year end

189 Proposal to approve the financial statements and allocate annual profit

191 Report of the board of statutory auditors

195 Independent auditors' report

197 Financial statements

198 Balance sheet

200 Statement of income

201 Explanatory notes to the financial statements

203 • *Introduction – Background information*

205 • *Part A - Accounting policies*

215 • *Part B - Balance sheet*

268 • *Part C - Statement of income*

284 • *Part D - Other information*

287 Attachments

289 Statement of changes in shareholders' equity

290 Statement of cash flows

293 List of properties owned by the Bank

301 Other motions

303 Proposed amendment of the powers granted to the Board of Directors on the basis of Articles 2443 and 2420 ter of the Italian Civil Code and changes to the Articles of Association

306 Proposed amendment of the mandate granted to the Board of Directors under Art. 2443 of the Italian Civil Code relating to the determination of the subscription price for the ordinary shares reserved for employees

307 Proposed amendment of Article 19 of the Articles of Association

310 Appointment of the Independent Auditors to audit the financial statements, the half-year report and Form 20 – F for the three-year period 2001-2003

312 Motions concerning purchase and sale of own shares

313 Increase in the number of Directors; appointments and remuneration

314 Definition of the reference base for the calculation of the variable part of the remuneration due to the Board of Directors for the year 2000

315 Information for investors

Agenda of the Shareholders' meeting

TURIN

- 1st calling for the ordinary and extraordinary meetings: April 26, 2000
- 2nd calling for the extraordinary meeting: April 27, 2000
- 2nd calling for the ordinary meeting and
- 3rd calling for the extraordinary meeting: April 28, 2000

Extraordinary part:

1. Amendment of the powers granted to the Board of Directors on the basis of Articles 2443 and 2420 ter of the Italian Civil Code following the conversion of the share capital into Euro; changes to Article 6, paras 3 and 4 of the Articles of Association.
2. Amendment of the mandate granted under Art. 2443 of the Italian Civil Code by the shareholders in general meeting on July 31, 1998 relating to the determination of the subscription price for the ordinary shares reserved for employees.
3. Amendment of Article 19, paras 6, 7 and 11 of the Articles of Association (Board of Statutory Auditors).

Ordinary part:

1. 1999 financial statements and accompanying reports of the Board of Directors and Board of Statutory Auditors; allocation of the net income for the year; 1999 consolidated financial statements.
2. Appointment of the Independent Auditors to audit the financial statements, the half-year report and Form 20 – F for the three-year period 2001-2003.
3. Authorization to purchase and sell own shares.
4. Increase in the number of Directors; consequent appointments and determination of remuneration.
5. Identification and definition of the reference base for the calculation of the variable part of the remuneration due to the Board of Directors for the year 2000, pursuant to Art. 15, para 8 of the Articles of Association.

Letter to the Shareholders

Shareholders,

The Sanpaolo IMI Group closed 1999 with a consolidated ROE of 14%, well up on last year's figure of 11.3%. Net income came to Euro 1,050 million, a 15.5% improvement on the previous year. Earnings per share rose to 0.75 Euro, compared with 0.65 Euro in 1998. We are proposing to distribute a dividend of 0.516 Euro per share for a total of Euro 724 million, in addition to the allocation of around Euro 700 million realized during the year on the partial real estate spin-off to Beni Stabili.

These are results that put the Group in a condition to meet the competitive challenges that are assailing the market. In fact, the banking, financial and insurance services market is now in a period of profound transformation, driven by technological and distribution innovations. In this dynamic and highly competitive scenario, the Group is planning considerable investments over the next three years, geared to internal and external expansion in areas of greater profitability and growth potential.

Above all, we are planning steps to develop innovative distribution channels: our Commercial Banking Area has launched a project that envisages the transformation of the branch technology environment to create a distribution system that allows customers to operate with the Bank in an integrated fashion through branches, Internet, telephone banking, remote banking, ATM cash dispensers and POS terminals. Banca Fideuram and Sanpaolo Invest are planning to use the Internet and telephone banking as support tools for their financial consultants. And lastly, strategic agreement has been reached with Tiscali, an Internet service provider, to reinforce @IMIWEB, the on-line trading company set up by the Sanpaolo IMI Group at the end of 1999. @IMIWEB will apply for a banking licence, it will be listed on the Stock Exchange and will turn into a global provider of financial services by offering all kinds of banking and insurance products, including those not developed by the Group. A total of Euro 250 million is expected to be invested in these various Internet initiatives, with a target of more than 500,000 network customers by 2002.

We are also planning to reinforce the distribution network located throughout the territory. The Commercial Banking Area has in fact planned to open more than 100 lightweight retail branches in 2000-2001 and is considering the possibility of opening additional branches in 2002. It is also looking into the idea of opening financial shops and is currently recruiting and training staff to specialize in the field of asset management. Banca Fideuram is reinforcing its own network thanks to 400 additional consultants and 30 new branches, and is considering plans to expand abroad. Sanpaolo Invest has commenced its transformation into a bank and is further improving its activities by introducing dedicated products, improved technology and taking on 400 new consultants.

The Group has also expanded through alliances and acquisitions. Agreement was reached with Cassa di Risparmio di Firenze, a bank that has almost 400 branches in Central Italy. Our understanding has been ratified by the purchase of a 15% stake in the company, in addition to the 4.1% already held by the Group. Furthermore, there is a sales and marketing agreement in the field of asset management and corporate banking services. The foundations have also been laid for aggregation with Banco di Napoli, Southern Italy's largest bank.

Lastly, we are investing in a series of important European banks with a view to enlarging the range of our strategic options in the event of future transnational alliances. In particular, our stake in Banco Santander Central Hispano was raised from 2% at the end of 1999 to 2.8% in early 2000.

Internal and external expansion will be achieved without any recourse to increases in capital. Instead, it will be financed by issuing preferred shares and subordinated loans, and by freeing up capital that is currently invested in non-strategic minority interests. Further capital will be released by means of loan securitization and derivative operations. This will make it possible to achieve a more balanced and efficient capital structure, better focused on our core business.

Our profitability targets are ambitious: based on the same scope of consolidation, the Group is planning for an ROE of more than 17% in 2002, with average annual growth in earnings per share over the three years of more than 10%.

The achievement of these results will be thanks to the personal commitment and professional skills of all the Staff.

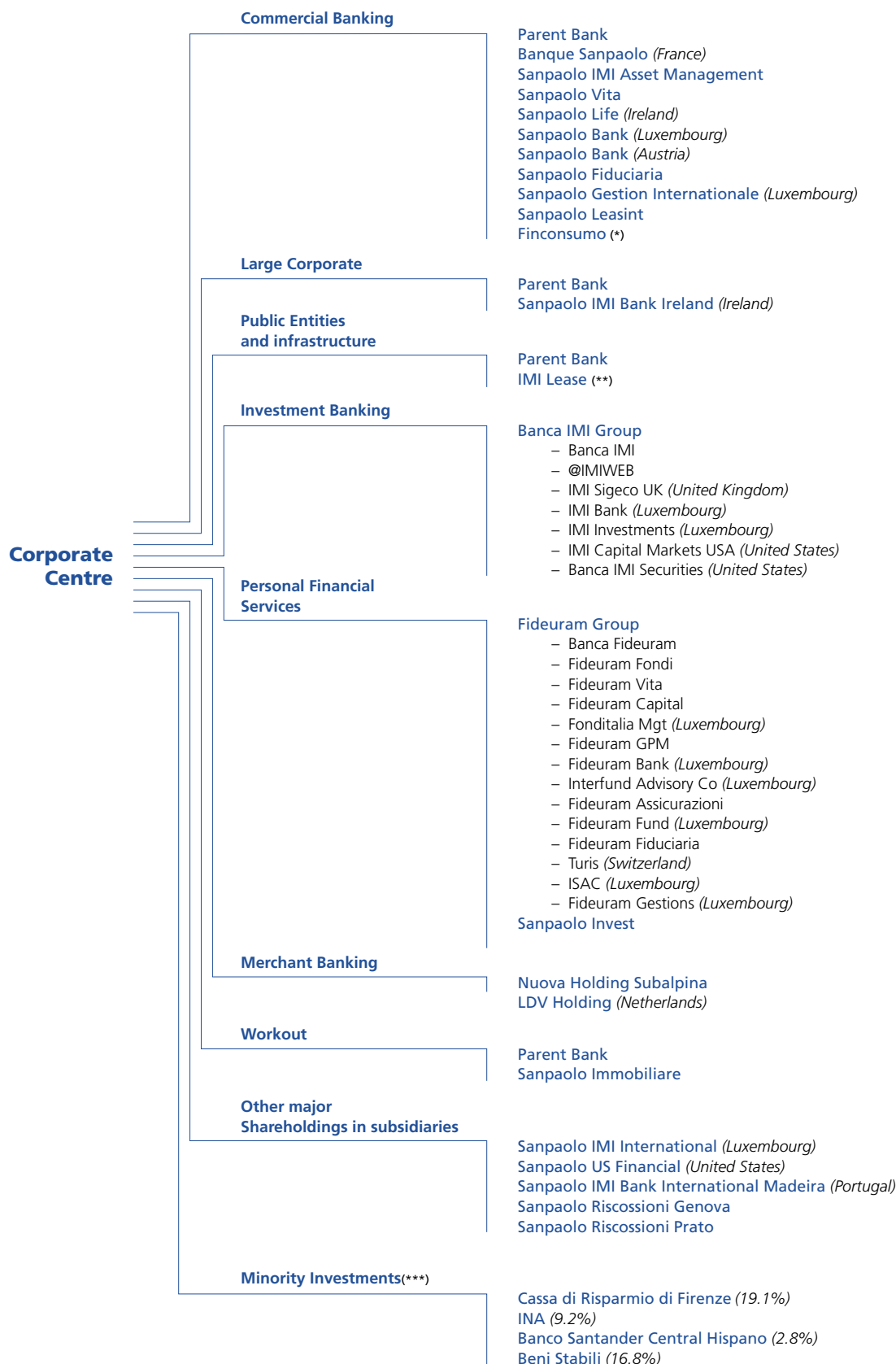
Turin, March 28, 2000

The Group in figures

	31/12/1999 (Euro/mn)	31/12/1998 pro forma (Euro/mn)	31/12/1998 (Euro/mn)	Change 1999-'98 pro forma (%)	31/12/1999 (L/bn)
STATEMENT OF INCOME					
Net interest income	2,047	2,423	2,651	-15.5	3,964
Net commissions and other banking income	2,066	1,744	1,738	+18.5	4,000
Administrative costs	-2,466	-2,466	-2,495	-	-4,775
Provisions and net adjustments to loans and financial fixed assets	-481	-698	-723	-31.1	-931
Income before extraordinary items and minority interests	1,504	1,374	1,481	+9.5	2,912
Extraordinary net income	294	120	159	+145.0	569
Net income attributable to the Group	1,050	909	909	+15.5	2,033
BALANCE SHEET					
Total assets	139,887	141,524	158,289	-1.2	270,859
Loans to customers	73,174	72,968	86,889	+0.3	141,685
Securities portfolio	18,401	23,906	25,727	-23.0	35,629
Equity investments	3,347	1,672	1,321	+100.2	6,481
Customer deposits and securities issued	78,957	84,499	97,397	-6.6	152,882
Subordinated liabilities	1,524	1,382	1,511	+10.3	2,951
Shareholders' equity attributable to the Group	8,036	8,668	8,668	-7.3	15,560
CUSTOMER ASSETS UNDER ADMINISTRATION					
Total	260,026	233,816	241,250	+11.2	503,481
- Direct deposits	78,957	84,499	97,397	-6.6	152,883
- Current accounts and deposits	36,096	31,167	30,037	+15.8	69,892
- Certificates of deposit	9,090	11,761	12,059	-22.7	17,601
- Bonds	23,643	25,897	38,437	-8.7	45,779
- Commercial paper	2,584	1,395	1,395	+85.2	5,003
- Repurchase agreements and securities loaned	3,758	8,863	8,766	-57.6	7,277
- Other deposits	3,786	5,416	6,703	-30.1	7,331
- Indirect deposits	181,069	149,317	143,853	+21.3	350,598
- Asset administration	70,597	65,700	60,545	+7.5	136,695
- Asset management	110,472	83,617	83,308	+32.1	213,903
- Mutual funds	76,019	59,412	59,359	+28.0	147,193
- Fund-based portfolio management	17,836	10,467	10,467	+70.4	34,535
- Portfolio management	6,117	6,069	5,813	+0.8	11,844
- Life policies	10,500	7,669	7,669	+36.9	20,331
PROFITABILITY RATIOS (%)					
RoE (Net income / Shareholders' equity excluding current-year profits)	14.0	11.3	11.3		14.0
Cost / Income ratio (Administrative costs and amortization and depreciation net of recoveries / Net interest and other banking income)	56.6	55.5	54.3		56.6
Net commissions / Net interest and other banking income	83.8	70.7	69.6		83.8
LENDING RISK RATIOS (%)					
Net non-performing loans / Net loans to customer	2.3	2.7	2.3		2.3
Net problem and rescheduled loans / Net loans to customers	1.6	2.2	1.9		1.6
CAPITAL ADEQUACY RATIOS (%)					
Tier 1 capital / Weighted assets	9.6	n.d.	9.7		9.6
Total capital / Weighted assets	10.3	n.d.	11.1		10.3
SAN PAOLO IMI SHARES					
Number in issue (millions)	1.402	1.402	1.402	-	1.402
- number of shares in circulation	1.375	1.402	1.402	-1.9	1.375
- number of own shares of the Parent Bank	27	-	-	n.s.	27
Earnings per share (Euro/lire)					
• average	13.19	12.43	12.43	+6.2	25,541
• low	11.10	8.65	8.65	+28.3	21,496
• high	16.04	16.10	16.10	-0.4	31,049
Earnings per share (Euro/lire)	0.75	0.65	0.65	+15.6	1,452
Dividend per share (Euro/lire)	0.52	0.46	0.46	+11.1	1,000
Ordinary dividend / Average share price (%)	3.92	3.60	3.60	+8.8	3.92
Shareholders' equity per share	5.84	6.18	6.18	-5.5	11,316
ORGANIZATION					
Average workforce	24,133	24,299	24,527	-0.7	24,133
Domestic branches	1,355	1,346	1,346	+0.7	1,355
Foreign branches and representative offices	76	75	75	+1.3	76
Financial consultants	4,865	4,497	4,497	+8.2	4,865

Pro forma figures as of December 31, 1998 are unaudited. They have been reconstructed on a consistent basis with those as of December 31, 1999, in line with the accounting principles contained in the Explanatory Notes.

Group structure



(*) Company controlled jointly with Banco Santander Central Hispano S.A.

(**) The conferral to IMI Lease of the Parent Bank's Government Agencies and Infrastructures Area is under consideration.

(***) Figure as of March 28, 2000



Consolidated Financial Statements and accompanying Reports

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED QUARTERLY RESULTS

RECLASSIFIED CONSOLIDATED BALANCE SHEET

REPORT ON OPERATIONS

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

ATTACHMENTS

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

	1999 (Euro/mn)	1998 pro forma (Euro/mn)	1998 (Euro/mn)	Change 1999/'98 pro forma (%)	1999 (L/bn)
NET INTEREST INCOME	2,047	2,423	2,651	-15.5	3,964
Net commissions and other dealing revenues	2,066	1,744	1,738	+18.5	4,000
Profits/(losses) on financial transactions and investment income	251	316	324	-20.6	486
Profits of companies carried at equity and dividends on equity interests	205	173	108	+18.5	397
NET INTEREST AND OTHER BANKING INCOME	4,569	4,656	4,821	-1.9	8,847
Administrative costs	-2,466	-2,466	-2,495	-	-4,775
• <i>personnel</i>	-1,534	-1,526	-1,543	+0.5	-2,970
• <i>other administrative costs</i>	-763	-769	-780	-0.8	-1,478
• <i>indirect taxes and similar dues</i>	-169	-171	-172	-1.2	-327
Other operating income, net	175	184	185	-4.9	338
Adjustments to tangible and intangible fixed assets	-293	-302	-307	-3.0	-567
OPERATING INCOME	1,985	2,072	2,204	-4.2	3,843
Provisions for risks and charges	-81	-100	-125	-19.0	-157
Adjustments to loans and provisions for guarantees and commitments	-313	-531	-531	-41.1	-606
Writedowns of financial fixed assets, net	-87	-67	-67	+29.9	-168
INCOME BEFORE EXTRAORDINARY ITEMS	1,504	1,374	1,481	+9.5	2,912
Net extraordinary income	294	120	159	+145.0	569
INCOME BEFORE TAXES	1,798	1,494	1,640	+20.3	3,481
Income taxes	-685	-534	-630	+28.3	-1,326
Change in reserve for general banking risks	-1	-8	-8	n.s.	-2
Net income attributable to minority interests	-62	-43	-93	+44.2	-120
NET INCOME ATTRIBUTABLE TO THE GROUP	1,050	909	909	+15.5	2,033

Pro forma figures as of December 31, 1998 are unaudited. They have been reconstructed on a consistent basis with those as of December 31, 1999, in line with the accounting principles contained in the Explanatory Notes.

CONSOLIDATED QUARTERLY RESULTS

	1999				1998			
	4th quarter (Euro/mn)	3rd quarter (Euro/mn)	2nd quarter (Euro/mn)	1st quarter pro forma (Euro/mn)	4th quarter pro forma (Euro/mn)	3rd quarter pro forma (Euro/mn)	2nd quarter pro forma (Euro/mn)	1st quarter pro forma (Euro/mn)
NET INTEREST INCOME	516	499	520	512	583	583	633	624
Net commissions and other dealing revenues	579	522	491	474	445	428	468	403
Profits/(losses) on financial transactions and investment income	80	27	53	91	41	39	95	141
Profits of companies carried at equity and dividends on equity interests	84	52	36	33	46	47	45	35
NET INTEREST AND OTHER BANKING INCOME	1,259	1,100	1,100	1,110	1,115	1,097	1,241	1,203
Administrative costs	-645	-610	-617	-594	-615	-613	-633	-605
• <i>personnel</i>	-387	-382	-386	-379	-379	-380	-382	-385
• <i>other administrative costs</i>	-217	-183	-189	-174	-196	-193	-203	-177
• <i>indirect taxes and similar dues</i>	-41	-45	-42	-41	-40	-40	-48	-43
Other operating income, net	50	40	43	42	45	43	50	46
Adjustments to tangible and intangible fixed assets	-88	-71	-64	-70	-88	-74	-72	-68
OPERATING INCOME	576	459	462	488	457	453	586	576
Adjustments to loans and provisions for guarantees and commitments	-103	-90	-97	-104	-93	-127	-216	-195
Writedowns of financial fixed assets, net	-52	-9	-26	-	-30	-	-11	-26
INCOME BEFORE EXTRAORDINARY ITEMS	421	360	339	384	334	326	359	355
Net extraordinary income	-5	-2	297	4	92	6	14	8
INCOME BEFORE TAXES	416	358	636	388	426	332	373	363
Income taxes	-159	-128	-248	-150	-160	-112	-137	-125
Change in reserve for general banking risks	-1	-	-	-	-1	-4	-2	-1
Net income attributable to minority interests	-18	-23	-11	-10	-8	-14	-8	-13
NET INCOME ATTRIBUTABLE TO THE GROUP	238	207	377	228	257	202	226	224

Pro forma figures are unaudited. They have been reconstructed on a consistent basis with those as of December 31, 1999, in line with the accounting principles contained in the Explanatory Notes.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	31/12/1999 (Euro/mn)	31/12/1998 pro forma (Euro/mn)	31/12/1998 (Euro/mn)	Change 99/98 pro forma (%)	31/12/1999 (L/bn)
ASSETS					
Cash and deposits with central banks and post offices	528	421	421	+25.4	1,022
Loans	95,318	95,426	109,982	-0.1	184,562
• due from banks	22,144	22,458	23,093	-1.4	42,877
• loans to customers	73,174	72,968	86,889	+0.3	141,685
Dealing securities	16,645	21,565	23,385	-22.8	32,229
Fixed assets	6,490	5,915	5,634	+9.7	12,567
• investment securities	1,756	2,341	2,342	-25.0	3,400
• equity investments	3,347	1,672	1,321	+100.2	6,481
• intangible fixed assets	267	296	302	-9.8	517
• tangible fixed assets	1,120	1,606	1,669	-30.3	2,169
Differences arising on consolidation and on application of the equity method	58	59	59	-1.7	112
Other assets	20,848	18,138	18,808	+14.9	40,367
Total assets	139,887	141,524	158,289	-1.2	270,859
LIABILITIES AND SHAREHOLDERS' EQUITY					
Payables	106,969	109,640	125,160	-2.4	207,121
• due to banks	28,012	25,141	27,763	+11.4	54,239
• due to customers and securities issued	78,957	84,499	97,397	-6.6	152,882
Reserves	1,950	2,069	2,241	-5.8	3,776
• for taxation	1,029	1,178	1,320	-12.6	1,993
• for employee termination indemnities	438	431	436	+1.6	848
• for risks and charges	421	394	419	+6.9	815
• for pensions and similar obligations	62	66	66	-6.1	120
Other liabilities	20,869	19,620	20,315	+6.4	40,408
Subordinated liabilities	1,524	1,382	1,511	+10.3	2,951
Minority interests	539	145	394	+271.7	1,043
Shareholders' equity	8,036	8,668	8,668	-7.3	15,560
• capital stock	3,926	4,345	4,345	-9.6	7,602
• equity reserves	3,060	3,414	3,414	-10.4	5,925
• net income for the year	1,050	909	909	+15.5	2,033
Total liabilities and shareholders' equity	139,887	141,524	158,289	-1.2	270,859
GUARANTEES AND COMMITMENTS					
Guarantees given	11,045	11,465	11,024	-3.7	21,386
Commitments	18,028	18,355	19,984	-1.8	34,907

Pro forma figures as of December 31, 1998 are unaudited. They have been reconstructed on a consistent basis with those as of December 31, 1999, in line with the accounting principles contained in the Explanatory Notes.

Report on operations

ECONOMIC BACKGROUND

THE SANPAOLO IMI GROUP IN 1999

GROUP RESULTS

EMBEDDED VALUE OF THE LIFE PORTFOLIO

OPERATING VOLUMES AND ORGANIZATION

CAPITAL AND RESERVES

RISK MANAGEMENT

SUPPLEMENTARY INFORMATION

OPERATING SECTORS

Economic background

The international economy

The world economic scenario improved considerably during 1999, after a difficult spell following the financial crises in 1997 and 1998.

The recovery in the South East Asian economy, followed by those of Latin America and Eastern Europe, favoured the return to more stable conditions on international financial markets. Spreads on Eurobond issues fell, while net investment flows, both direct and portfolio investments, towards emerging countries began to grow again.

The United States continued to drive the world economy with a GDP growth rate of 4.1% in 1999. Increased labour productivity made it possible for supply to meet internal demand and to contain the upward pressure on prices due to higher raw material costs.

The Fed intervened on three occasions to bring the policy rate back to where it was prior to the Asian crisis (5.50%), to avoid economic overheating and to keep the lid on medium-term inflationary tensions.

The dollar appreciated during the year by around 16% against the Euro. The strength of the American currency is still linked to the better cyclical position that the United States finds itself in compared with the Eurozone, and to confidence on the part of international investors about the growth prospects of US corporations.

Japan has shown a different economic trend compared with the other main areas in the world. Even though it gained some benefit from the tax cuts approved by the government the previous year, the Japanese economy still had a weak profile in 1999, above all because of the continued absence of growth in private consumption.

The Eurozone and the Italian economy

Real growth in the Eurozone was 2.2% in 1999, down on the 1998 figure of 2.7%, but better than the trend shown in the first half. The climate of confidence on the part of both companies and households improved steadily, and in the second half both internal demand and net exports were on the rise.

Inflation averaged 1.1% in 1999, but started rising again in the second half of the year, reaching 1.7% in December, largely due to the increase in energy prices. The ECB's main refinancing rate was raised to 3% in November, having been cut by 50 basis points in March. The double motive for the increase was to lower the speed at which the monetary supply was expanding and to contain the risks of higher inflation in the medium term.

Growth in the various economies making up the Eurozone was not uniform. The cyclical slowdown that followed the financial crises in 1997 and 1998 hit countries with different levels of intensity. Some, such as France, Ireland and Spain, have shown a more lively performance; others, such as Germany and Italy, turned in only modest growth, even if the situation improved in the second half.

Italy's GDP grew in 1999 by 1.4%. Inflation averaged 1.7% but touched 2% in December. The process of consolidating the public finances continued, with the deficit down to 1.9% of GDP, while the national debt came in at 114.7% of GDP.

The banking industry

Bank lending in Italy went up by 9.1% in 1999, slightly higher than the rate for the whole of the Eurozone. At a time of rising capital expenditure, lending also benefited from higher demand for credit from families for house buying and from companies to finance extraordinary operations.

Bank funding statistics show that throughout 1999 there was a strong preference on the part of private investors to remain liquid. This translated into a sharp increase in current accounts, against a decline in certificates of deposit and slower growth in bonds.

Securities brokerage

On the Italian equity market, higher trading volumes and better performance indices pushed total capitalization by the end of the year to Euro 727 billion, approximately two thirds of Italy's GDP, up 48.5% on twelve months earlier.

Placement business on the primary market and trading on the secondary market both grew during the year. There were 38 new listings and 30 increases in share capital which raised Euro 21.9 billion.

Equity indices performed well. MIBTEL and MIDEX rose by 22.3% and 38.7% respectively. The market seemed to be

particularly keen on the stocks of those companies – service companies in the main – that are able to exploit the opportunities to be drawn from using the new web technologies in sectors such as telecommunications, finance and banking.

Asset management

The asset management business – mutual funds, portfolio

management and life insurance - continued to grow strongly in 1999, even if the rate was down on the high achieved in 1998. This growth was, however, lower because of the shift in household investments in the previous year. At the end of the year, the assets invested in Italian and Luxembourg mutual funds were in excess of Euro 500 billion, an increase of 30% on 1998. Net inflow was particularly strong in the equity fund segment, foreign ones in particular, thanks to strong performances in the major markets.

The Sanpaolo IMI Group in 1999

Strategy

In 1999 the Group completed the process of integration and rationalization that followed the merger of San Paolo and IMI which took place in 1998. The strategy lines developed in 1998 and applied in 1999 envisaged:

- the development of commission income through the strengthening of the Group's presence in the retail sector, especially in the field of asset management;
- a reduction in normal operating costs;
- an improvement in asset quality and the containment of financial risks;
- the definition and launch of projects for future growth.

The steps taken to boost income were designed to develop customer services, so as to offset the structural decline in margins available from traditional money management. Efforts were aimed in particular at the asset management sector to consolidate the substantial market share held by Sanpaolo IMI. The action taken was geared to both products and the distribution network. This improved the Group's market shares in segments with higher value-added for customers and for the Bank, guaranteeing a rising flow of commissions.

Another important priority was cost containment: new rationalization projects were undertaken, which made it possible to offset the investments made in faster growing areas, especially in asset management and new distribution channels.

Considerable attention was paid to the management of lending and market risks: activities with inadequate returns compared with the level of risk taken on were cut back; the credit selection process was carefully monitored, helped by new customer classification procedures; and stronger steps were taken to recover non-performing loans.

Development initiatives concerned above all business areas with greater growth potential:

- the Commercial Banking area, which looks after households and small to medium-sized enterprises through the branch network, defined new ranges of products and services for the retail segment; it also introduced a

new professional role – the customer portfolio manager; it revised the process by which loans are disbursed and monitored and launched initiatives in the field of private banking; lastly, it launched a territorial expansion plan to open new "lightweight" branches and started up a project to build a multi-channel distribution system that enables the clientele to interact with the Bank in an integrated fashion through branch counters, Internet, call centre, remote banking, ATM cash machines and POS terminals;

- in the field of Personal Financial Services, Banca Fideuram has reinforced its leadership position through new products and services, a higher number of financial consultants and the launch of a geographical diversification plan. Sanpaolo Invest is developing a plan that envisages its transformation into a bank, the creation of dedicated products, the recruitment of financial consultants and the provision of on-line services;
- the Investment Banking area has not only completed concentration of all of the Group's capital market activities in Banca IMI, but has also launched a trading on line service through @IMIWEB; in the first few months of 2000 it also reached an agreement with Tiscali, one of Italy's main ISPs, to reinforce @IMIWEB and its transformation into a bank able to offer a whole range of banking, financial and insurance products through Internet.

Important initiatives also concerned:

- the Government Agencies and Infrastructures area, which began a project to set up as a separate company;
- the Large Corporate area, which looks after large Italian and foreign companies, refined its lending procedures, using a system of internal ratings and adopting a new system of correct pricing based on the risk and capital absorbed;
- the Merchant Banking area, which, with the agreement of Compagnia di San Paolo, saw the creation of NHS – Nuova Holding Subalpina, to which Sanpaolo IMI transferred its merchant banking activities;
- the spin-off of a sizeable proportion of the Group's real estate interests to Beni Stabili, which was quoted on the Stock Exchange, generating around Euro 700 million for shareholders;
- the organization of a sale without recourse of almost 40,000 non-performing loans, mainly property loans, carried in the balance sheet at a net book value of around Euro 700 million. This operation, which will be finalized over the next few months at a price that is expected to be higher than their book value, will make it possible to reduce future legal expenses and to free up

people who can be used to recover the remaining balances and to increase control over lending activities. As a result of this deal, the ratio of non-performing loans to total loans will drop from 2.3% to just over 1%.

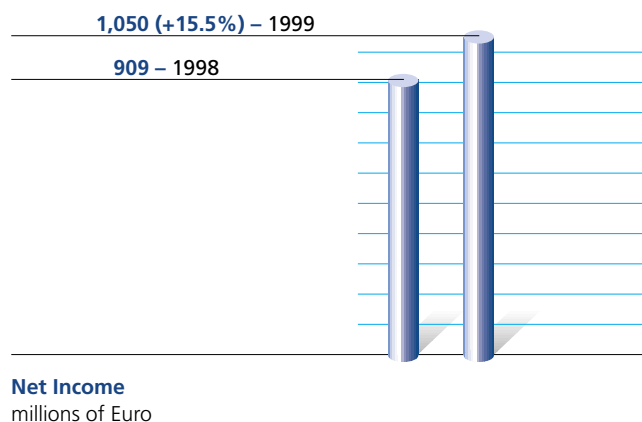
In addition to this internal growth, steps have also been taken to expand the Group by means of alliances and acquisitions, given the favourable economic conditions; for example:

- the alliance with Cassa di Risparmio di Firenze, ratified by Sanpaolo IMI's purchase of a 15% stake in the company, as well as the 4.1% interest held by NHS; this agreement provides for a commercial partnership in the field of asset management and in the corporate area;
- definition of an agreement which should enable Sanpaolo IMI to integrate with Banco di Napoli;
- consolidation of the international alliance with Banco Santander Central Hispano, by increasing Sanpaolo IMI's investment in the Spanish bank to 2%; it was then raised again to 2.8% in early 2000.

Results

These steps taken by the Group led to a Return on Equity (RoE) of 14%, up on 1998's figure of 11.3%. Net income amounted to Euro 1,050 million, which is 15.5% better than in 1998. Note that:

- net income before extraordinary items came in at Euro 1,504 million (+9.5%); this was managed thanks to higher net commissions, lowering operating costs and fewer loan writedowns, which more than offset the drop in net interest income and profits on financial transactions;



- extraordinary income came to Euro 294 million compared with Euro 120 million in 1998.

Note that net income in 1999:

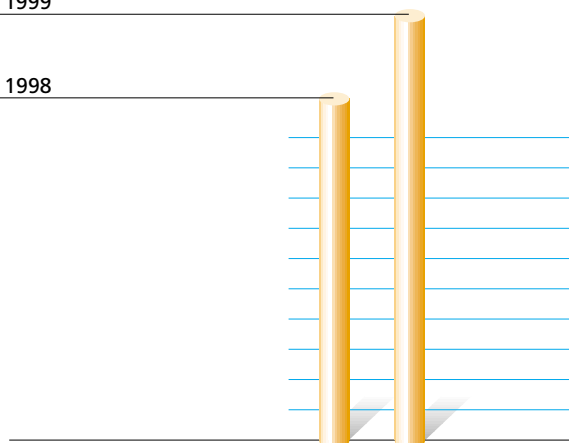
- includes the book results of the insurance companies Sanpaolo Vita and Sanpaolo Life, for a total of Euro 26 million, and of Fideuram Vita, for Euro 54 million; it should be emphasised, however, that the intrinsic value of the Sanpaolo Vita and Sanpaolo Life businesses rose during the year by around Euro 197 million; the increase registered by Fideuram Vita was Euro 102 million;
- includes a writedown of Euro 58 million of the 18% investment held at the end of the year in Beni Stabili, which was adjusted for prudence sake to the average market price posted in the second half of the year;
- does not include the extraordinary impact of the change in accounting principle on deferred taxation, as this was charged in advance by the Sanpaolo IMI Group in the 1998 financial statements;
- is in line with the announcement made at the time of the fourth quarter report as of December 31, 1999.

Further detail is as follows: Group net interest income came to Euro 2,047 million, a reduction of 15.5% on the previous year. This figure was heavily affected by the sharp drop in market interest rates between 1998 and 1999 following the introduction of the European Single Currency, which entailed reducing the spread to customers and a reduced return on the imbalance between interest-earning assets and interest-bearing liabilities. Net interest income was also affected by the decline in customer lending volumes in the first half of the year. This came about partly because of a management decision to review the Group's loan policy and to reduce any types of higher risk lending that did not gen-

14.0 – 1999

11.3 – 1998

ROE (%)



erate adequate returns. Finally, there was a negative impact from the reduction of the imbalance between interest-earning assets and interest-bearing liabilities following substantial investments in equity shareholdings.

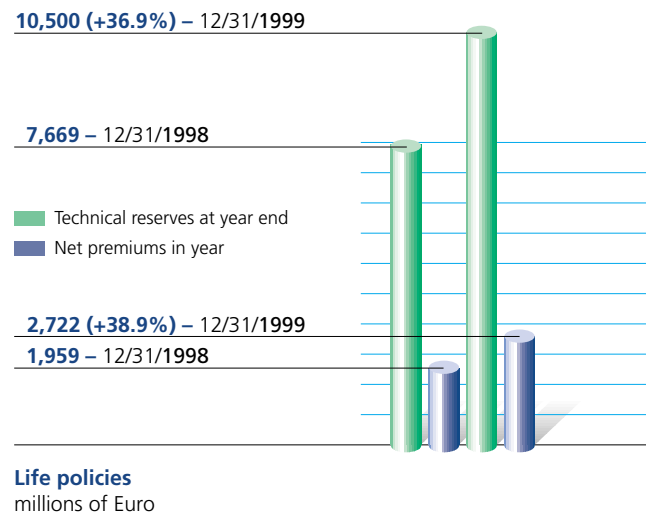
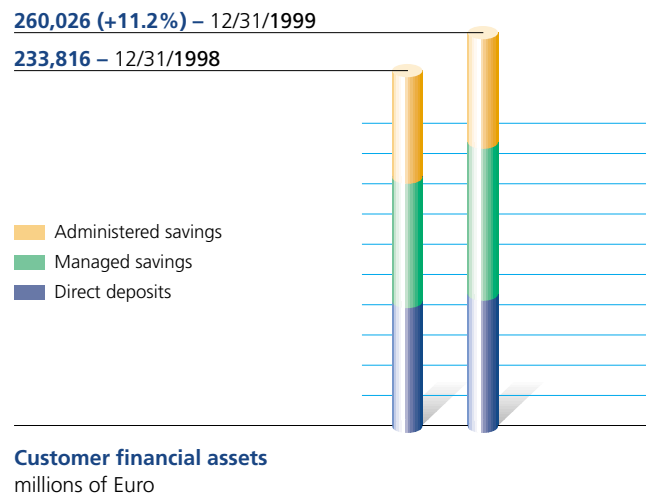
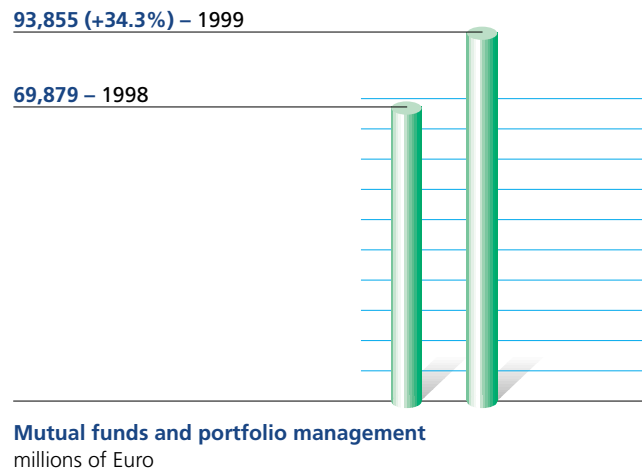
The importance attributed by the Group to asset management was reflected in a strong increase in net commissions from services and in other banking income, coming in at Euro 2,066 million, an increase of 18.5%. Assets under management for customers rose considerably: the stock of managed savings at the end of 1999 was in excess of Euro 110,000 million, up 32.1%, with a flow of more than 26,800 million; the Group’s market share at the end of the year is also reckoned to be up by an estimated 13%. In detail:

- mutual funds and fund-based portfolio management schemes accounted for Euro 93,800 million, an increase of 34.3%; this again meant a 17.5% share of the Italian market;
- the technical reserves of the Group’s insurance companies reached Euro 10,500 million, with a flow during the year of more than 2,700 million and a market share of premiums written estimated at more than 8%.

Administrative costs and depreciation, for a total of Euro 2,584 million, net of cost recoveries, are in line with the previous year. The Parent Bank managed to lower its operating costs, thanks to rationalization and greater efficiency, but this was offset by the higher costs related to various projects initiated, again by the Parent Bank and by group companies operating in sectors with the highest growth potential, especially asset management and trading on-line.

The improvement in asset quality is reflected in a further reduction in provisions and writedowns of loans and investment securities, which have been reduced to Euro 481 million, 31.1% less than in 1998. Net non-performing loans decreased by 15.5%, coming in at 2.3% of loans, while problem loans and those being rescheduled went down in total by 28.5% and unsecured loans to countries at risk fell by 29.5%.

Extraordinary income came to Euro 294 million as a result of two transactions in the first half of the year: the sale of a 20% stake in Crediop to the Dexia Group and acceptance (with a 0.75% interest) of Olivetti’s takeover bid for Telecom Italia.



Business sectors

The various situations that have been described at Group level can also be found in the results of the various business sectors. In particular:

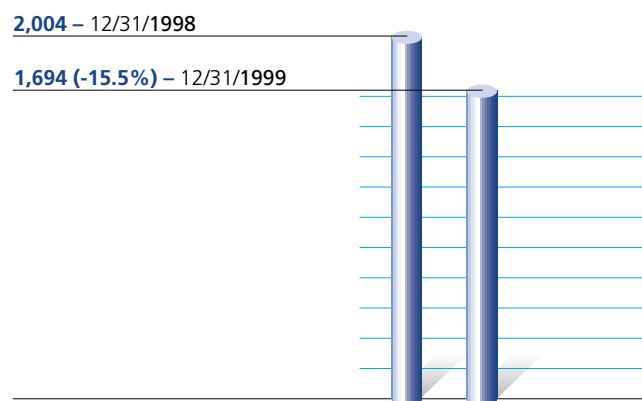
- Commercial Banking offset the downward trend in net interest income thanks to the flow of commissions generated by a growing volume of asset management business, measures to contain costs and by reducing provisions and loan adjustments; net income for the sector came to Euro 468 million, which is more than half of the Group's total net income prior to extraordinary items; expressed in terms of RoRAC (Return on Risk Adjusted Capital), this sector achieved 18%;
- Personal Financial Services benefited from the favourable trend in assets under management on behalf of customers: Banca Fideuram and Sanpaolo Invest together showed net income of Euro 150 million, with a return of 27.6%;
- Investment Banking, which is carried out by Banca IMI, managed net income of Euro 76 million, with a return of 20.9%, despite the initial investments needed to start up trading on-line through @IMIWEB;
- the Public Agencies and Infrastructures sector achieved net income of Euro 41 million, a return of 20.1%, thanks to margin protection and a low level of capital absorption;
- the Large Corporate sector operated in a market that

featured high levels of customer liquidity, thanks to the very positive free cash flow achieved in recent years; the market also saw a considerable increase in the supply of sophisticated transnational services offered by foreign competitors. Although the market was extremely competitive, this sector managed net income of Euro 59 million and a return of 8.4%;

- Merchant Banking had net income of Euro 36 million and a return of 9.6%, calculated without taking into consideration unrealised gains on equity investments.

Growth prospects

These results enable the Group to meet the challenges that the market will face in the near future with the necessary solidity. The Group's plan for the three-year period 2000-2002, which was approved at the start of this year, envisages considerable investments geared to the internal and external expansion of the areas with high growth potential. Reinforcement of the Group will be achieved without recourse to increases in capital, but rather by issuing preferred shares and subordinated loans, freeing up the capital invested in non-strategic minority shareholdings and the conclusion of various securitization and loan derivative transactions. This will lead to a more efficient and balanced capital structure which is more concentrated on the Group's core business.



Non-performing loans
millions of Euro

Group results

Net interest income

In 1999, Group net interest income came to Euro 2,047 million, down 15.5% on the previous year.

Net interest income was affected by the sharp reduction in market rates between 1998 and 1999, following the introduction of the single European currency, which differentiated the two years quite considerably: the Euribor 3-month interbank rate went down by an average of 2 points during the year, from 5% to 3%.

Lower market rates firstly led to smaller spreads being applied to customers. Sight balances at the Italian branches of the Parent Bank went down on average by 80 basis points. The rates earned on loans to customers fell a good deal more than those paid on deposits. Lending rates were affected quite significantly by the aggressive lending policy pursued by competitors, which is reflected in an increase in elasticity of lending rates compared with the reduction in market yields. Borrowing rates, on the other hand, suffered from the problems met in shifting all of the decline in market yields onto the interest rates paid on sight deposits; these fell to a little over 1% on average during the year.

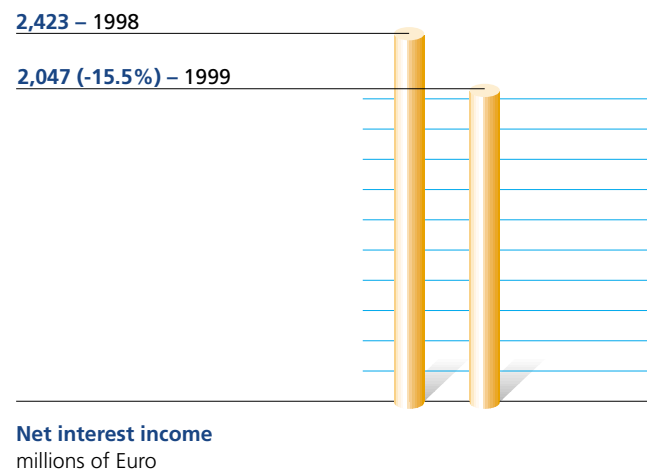
The fall in market rates also meant a lower yield on the net balance of interest-earning assets and interest-bearing liabilities.

The general decline in volumes handled with customers – a feature of most of the year – did not make it possible to offset the negative impact of lower rates and spreads on

net interest income. This was the result of a management decision to review the Group's loan policy, and to reduce any types of higher risk lending that did not generate adequate returns.

Net interest income was also affected by the reduction in the net balance between interest-earning assets and interest-bearing liabilities; this was due to considerable purchases of equity investments.

Interest rates in the fourth quarter of 1999 started to return into line with the same period of 1998; this, together with the gradual upswing in lending volumes, made it possible to limit the negative trend in net interest income for the last few months of the year. The decline of 15.5% posted at the end of the year was in fact an improvement on the first half and first three quarter results, respectively -17.8% and -16.8%. The situation is confirmed by the results for the first two months of the current year, with an accentuation of the recovery trend in net interest income.



Net interest income

	1999 (Euro/mn)	1998 pro forma (Euro/mn)	Change 1999/1998 (%)
Interest income and similar revenues	5,981	8,642	-30.8
Interest expense and similar charges	-3,934	-6,219	-36.7
Net interest income	2,047	2,423	-15.5

Analysis of average amounts, interest and rates

	1999			1998 pro forma		
	Average level (Euro/mn)	Interest (Euro/mn)	Average rate (%)	Average level (Euro/mn)	Interest (Euro/mn)	Average rate (%)
Interest-earning assets	113,419	6,031	5.32	131,638	8,660	6.58
- <i>loans to customers</i>	69,115	4,195	6.07	69,992	5,413	7.73
- in Euro	62,633	3,882	6.20	n.d.	n.d.	n.d.
- in foreign currency	6,482	313	4.83	n.d.	n.d.	n.d.
- <i>due from banks</i>	18,174	635	3.49	22,198	1,111	5.00
- in Euro	14,502	502	3.46	n.d.	n.d.	n.d.
- in foreign currency	3,672	133	3.62	n.d.	n.d.	n.d.
- <i>securities</i>	17,980	913	5.08	26,082	1,475	5.65
- in Euro	14,658	731	4.99	n.d.	n.d.	n.d.
- in foreign currency	3,322	182	5.48	n.d.	n.d.	n.d.
- <i>repurchase agreements</i>	8,150	288	3.53	13,366	663	4.96
- in Euro	5,996	218	3.64	n.d.	n.d.	n.d.
- in foreign currency	2,154	70	3.25	n.d.	n.d.	n.d.
Non interest-earning assets	21,684			21,749		
Total assets	135,103	6,031		153,387	8,660	
Interest-bearing liabilities	108,949	3,984	3.66	124,655	6,237	5.00
- <i>due to customers</i>	37,273	622	1.67	36,024	1,209	3.36
- in Euro	36,137	577	1.60	n.d.	n.d.	n.d.
- in foreign currency	1,136	45	3.96	n.d.	n.d.	n.d.
- <i>securities issued</i>	35,677	1,881	5.27	38,229	2,382	6.23
- in Euro	30,454	1,625	5.34	n.d.	n.d.	n.d.
- in foreign currency	5,223	256	4.90	n.d.	n.d.	n.d.
- <i>due to banks</i>	20,966	917	4.37	29,300	1,592	5.43
- in Euro	14,663	662	4.51	n.d.	n.d.	n.d.
- in foreign currency	6,303	255	4.05	n.d.	n.d.	n.d.
- <i>repurchase agreements</i>	12,419	406	3.27	18,243	853	4.68
- in Euro	10,515	339	3.22	n.d.	n.d.	n.d.
- in foreign currency	1,904	67	3.52	n.d.	n.d.	n.d.
- <i>subordinated liabilities</i>	2,614	158	6.04	2,859	201	7.03
- in Euro	1,697	100	5.89	n.d.	n.d.	n.d.
- in foreign currency	917	58	6.32	n.d.	n.d.	n.d.
Non interest-bearing liabilities	18,135			20,177		
Shareholders' equity	8,019			8,555		
Total liabilities and shareholders' equity	135,103	3,984		153,387	6,237	
Net interest income		2,047			2,423	

Net interest and other banking income

The decline in net interest income was almost entirely offset by the increase in net commissions, largely thanks to asset management services to households. Commissions permitted net interest and other banking income to come in at Euro 4,569 million, limiting the decline from 1998 to 1.9%.

Net commissions and other dealing revenues amounted to Euro 2,066 million, an increase of 18.5% over the year, even better than the 11% achieved in the first half and the 14.6% achieved in the first nine months.

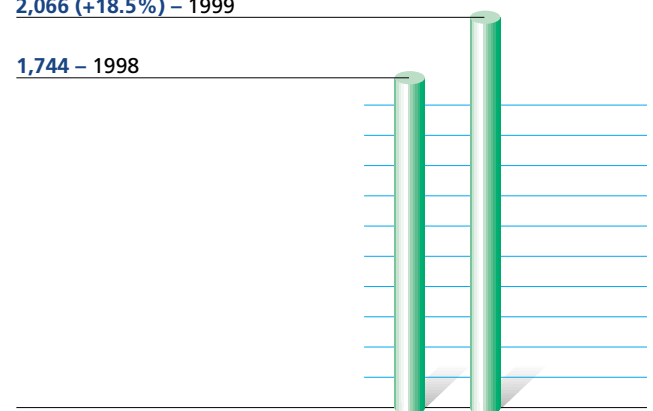
Commissions earned by the asset management, dealing and advisory areas, in particular, showed an increase of 25% in 1999. This was above all thanks to the growth in mutual funds, portfolio management and insurance policies sold to customers, which rose by more than 32% with a flow of more than Euro 26,800 million; secondly, it was thanks to the growing importance of mutual funds and higher value-added products, especially unit linked and index linked policies. The proportion of equity funds went up over the twelve months from 24% to 38%, while unit linked and index linked policies rose by 115%.

Also of importance in the composition of other commissions and net dealing revenues was the increase in income from merchant banking activities, which went from Euro 8 to 26 million.

The increase in commissions led to a further improvement in the ratio between commissions and personnel expenses, which rose from 114% at the end of 1998 to 135%. The ratio between commissions and total administrative costs also improved from 71% to 84%.

2,066 (+18.5%) – 1999

1,744 – 1998



Net commissions and other dealing income
millions of Euro

Net interest and other banking income

	1999 (Euro/mn)	1998 pro forma (Euro/mn)	Change 1999/1998 (%)
Net interest income	2,047	2,423	-15.5
Net commissions	2,066	1,744	+18.5
- on management, dealing and advisory services	1,523	1,218	+25.0
- on loans and guarantees	174	170	+2.4
- on collection and payment services	127	127	-
- on deposit and current accounts	169	185	-8.6
- on other services	73	44	+65.9
Profits/(losses) on financial transactions and dividends on shares	251	316	-20.6
Profits of companies carried at equity and dividends on equity investments	205	173	+18.5
Net interest and other banking income	4,569	4,656	-1.9

There was also an improvement in the earnings made by the companies valued at net equity and in dividends on equity investments (Euro 205 million), 18.5% better than in 1998. As part of this, Sanpaolo Vita and Fideuram Vita, the Group's insurance companies that operate in the field of life insurance, contributed Euro 80 million to consolidated net income, 5% better than in 1998. Dividends amounted to Euro 87 million against Euro 25 million in 1998. The increase was due to the Group's purchase of additional equity investments during the year and includes Euro 38 million of extraordinary dividends paid out by INA in November.

The change in market scenario and the decision to restrict the Group's risk profile, on the other hand, have had an effect on the level of profits from financial transactions, down 20.6% to Euro 251 million. There was a particular reduction in the operations carried out by the foreign network on securities and derivatives and in transactions in foreign exchange, due to the introduction of the Euro.

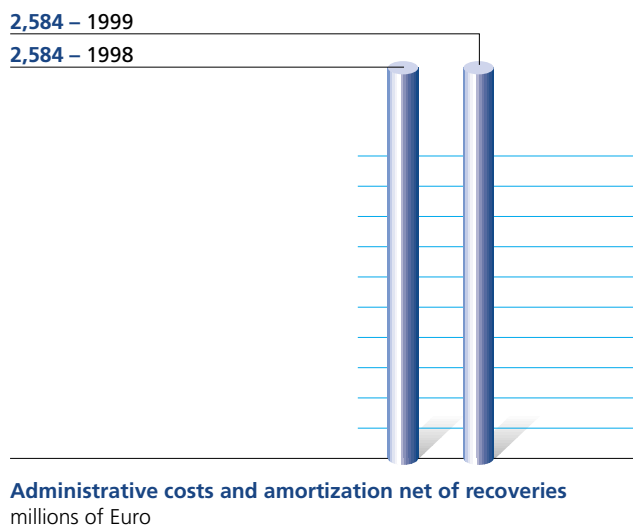
Operating income

Operating income amounted to Euro 1,985 million, down 4.2% compared with the end of 1998.

Administrative costs and amortization and depreciation, for a total of Euro 2,584 million, net of cost recoveries, were in line with 1998. The Parent Bank's operating costs were lower, thanks to measures taken to rationalise and to boost efficiency, but these were offset by the higher costs

incurred on the various projects initiated by the Parent Bank and other Group companies operating in areas with higher growth potential, especially in the field of asset management and trading on-line. The investments made in these projects led to an interruption of the decline in the cost to income ratio: including amortization and depreciation and net of recoveries, this came to 56.6% compared with last year's figure of 55.5%.

The steps taken by the Parent Company to rationalize operating costs were incisive: personnel expenses were reduced by 2%; other administrative expenses by 5.8%. The workforce was reduced by 500 people, leading to a reduction of almost 1,300 jobs in the last two years.



Operating income

	1999 (Euro/mn)	1998 pro forma (Euro/mn)	Change 1999/1998 (%)
Net interest and other banking income	4,569	4,656	-1.9
Administrative costs	-2,466	-2,466	-
• <i>personnel</i>	-1,534	-1,526	+0.5
• <i>other administrative costs</i>	-763	-769	-0.8
• <i>indirect taxes and similar dues</i>	-169	-171	-1.2
Other operating income	175	184	-4.9
Adjustments to tangible fixed assets	-133	-147	-9.5
Adjustments to intangible fixed assets	-160	-155	+3.2
Operating income	1,985	2,072	-4.2

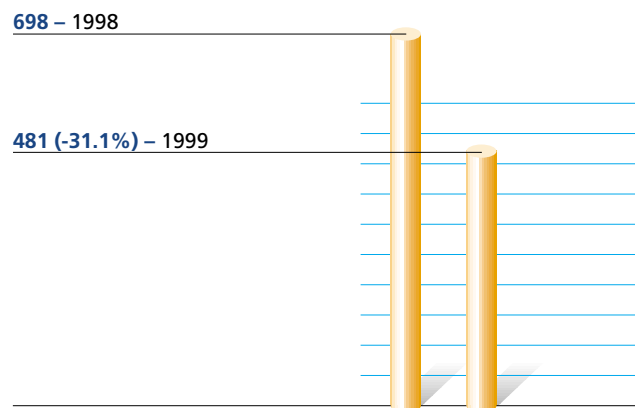
Income before extraordinary items

Lower provisions and value adjustments, thanks to the improvement in asset quality, enabled the Group to achieve income before extraordinary items of Euro 1,504 million, an increase of 9.5% over the previous year.

Adjustments to the value of loans and investment securities, together with provisions, fell by 31.1% to Euro 481 million. A lower flow of doubtful loans and more effective recovery procedures were reflected in a 15.5% decrease in net non-performing loans since the start of the year, as well as 28.5% fewer doubtful loans and loans being rescheduled and a 29.5% cut in unsecured loans to residents in countries at risk. There was also a good proportion of doubtful loans that were collected for amounts higher than their net book value, written down in previous years: Euro 224 million of principal and interest were reinstated, while losses on transactions and disposals were held to Euro 31 million, confirming the strict valuation policy adopted by the Group.

Value adjustments include the writedown, equal to Euro

58 million, of the 18% stake in Beni Stabili, which was adjusted for prudence sake to average market prices for the second half of the year. Value adjustments also include Euro 60 million of writedowns of unsecured loans and investment securities vis-à-vis residents in Russia, whose coverage was raised from 60% to 85% of their nominal value.



Provisions and net adjustments to loans and financial fixed assets
millions of Euro

Income before extraordinary items

	1999 (Euro/mn)	1998 pro forma (Euro/mn)	Change 1999/1998 (%)
Operating income	1,985	2,072	-4.2
Provisions for risks and charges	-81	-100	-19.0
Net adjustments to loans and provisions for guarantees and commitments	-313	-531	-41.1
- writedowns and losses, net	-537	-662	-18.9
- net provisions for guarantees and commitments	-	-16	n.s.
- recoveries	224	147	+52.4
Net adjustments to financial fixed assets	-87	-67	+29.9
- writedowns of equity investments, net	-73	-41	+78.0
- writedowns of investment securities, net	-14	-26	-46.2
Income before extraordinary items	1,504	1,374	+9.5

Net income

Net income amounted to Euro 1,050 million, up 15.5% on 1998.

Net extraordinary income came to Euro 294 million, essentially because of two transactions that took place

in the first half of the year:

- the sale of a 20% stake in Crediop, which led to a capital gain of Euro 94 million;
- the acceptance of Olivetti's takeover bid for Telecom Italia, which generated a capital gain of Euro 215 million.

Net income

	1999 (Euro/mn)	1998 pro forma (Euro/mn)	Change 1999/1998 (%)
Income before extraordinary items	1,504	1,374	+9.5
Extraordinary income/(expense):	294	120	+145.0
- <i>net gains on disposals of properties and equity investments</i>	323	24	<i>n.s.</i>
- <i>other extraordinary income (loss), net</i>	-29	96	<i>n.s.</i>
Income before income taxes	1,798	1,494	+20.3
Income taxes	-685	-534	+28.3
Change in reserve for general banking risks	-1	-8	-87.5
(Income)/Loss attributable to minority shareholders	-62	-43	+44.2
Net income	1,050	909	+15.5

Embedded value of the life portfolio

The embedded value of the life companies

Group net income includes the results of the Group's life insurance companies, namely:

- Sanpaolo Vita, together with its subsidiary Sanpaolo Life, with net income of Euro 26 million;
- Fideuram Vita posted net income of Euro 54 million.

To understand fully the meaning of these results, it is worth remembering that one of the most significant indicators of an insurance company's performance is the increase over the period in its embedded value. Embedded value is in fact an estimate made by actuarial methods of the economic value of a company with a closed portfolio, in other words disregarding whatever value can be given to future business. This is understood as being the sum of two elements:

- the company's net equity adjusted to market values at the valuation date;
- the value of the portfolio of policies outstanding at the valuation date, calculated as the net present value of the after-tax earnings that the existing portfolio will generate, based on actuarial probabilities, over the years up to its natural expiry, adjusted for the opportunity cost linked to the restriction created by the solvency margin.

The estimated increase in embedded value during 1999 for the Group's insurance companies is Euro 132 million for Sanpaolo Vita and Euro 88 million for Fideuram Vita. In detail:

Embedded value of the life company

	Sanpaolo Vita/ Sanpaolo Life (Euro/mn)	Fideuram Vita (Euro/mn)
• Embedded value as of 12/31/99	410	725
• Estimate of the increase in value during 1999 <i>including:</i>	132	88
• <i>Increase in value attributable to 1999</i>	122	21

It should be pointed out that the embedded value as of December 31, 1999 of Sanpaolo Vita, Sanpaolo Life and

Fideuram Vita was calculated with the help of the actuarial divisions of leading auditing companies, according to the following criteria:

- before valuing the current portfolio, an actuarial examination was carried out on the companies' contract portfolios, and the expected future operations scenarios were defined. Key elements in the definition of such scenarios are the assumptions that were made about future asset yields, mortality trends, management costs of the portfolios in question, the trend in early abandonment of policies for anomalous reasons and in options exercised by customers, as well as the tax burden;
- subsequently, a comparison was made, based on generally accepted actuarial procedures, between the operating scenarios used to calculate premiums for the current portfolio, normally more prudent, and the expected scenarios, as formulated above. This gave rise to a series of estimated values of the profits that the portfolio will generate in each of the years of its residual life, net of tax charges and the opportunity cost connected with maintaining the solvency margin;
- this series of values was then discounted at a rate equal to the current rate of interest on a risk-free investment, raised by a certain amount to take account of the uncertainties in the flow of profits outlined above, largely because of the uncertainty whether the underlying assumptions will come true in real life.

Note that as far as Sanpaolo Vita is concerned, its embedded value was calculated for the first time as of December 31, 1999.

The assumptions taken into consideration when formulating the future operating scenarios were defined with considerable prudence. They also take account of the characteristics of the various companies' portfolios. In particular, the discounting rate used was 7.85% for Sanpaolo Vita and Sanpaolo Life, and 7.5% for Fideuram Vita, substantially higher than the figure assumed for the rate that the assets were assumed to yield, namely 4.85% and 5% respectively. Similar levels of prudence were used in defining the demographic and actuarial assumptions.

Embedded value of the Group's insurance business

In the interests of full disclosure, information is also given on the estimated increase in the embedded value of the Group's life insurance business during 1999. The reason for this is that apart from the embedded value of the Group's

life insurance companies, as just discussed, there is another component to be considered: namely the part of the embedded value that is allocated to the other Group companies that earn sales, management or maintenance commissions. The results of the estimate are as follows:

Embedded value of the business

	Sanpaolo Vita / Sanpaolo Life (Euro/mn)	Fideuram Vita (Euro/mn)
• Estimate of the embedded value as of 12/31/99	506	744
• Estimate of the increase in embedded value during 1999 including:	197	102
• Increase in value attributable to 1999	180	34

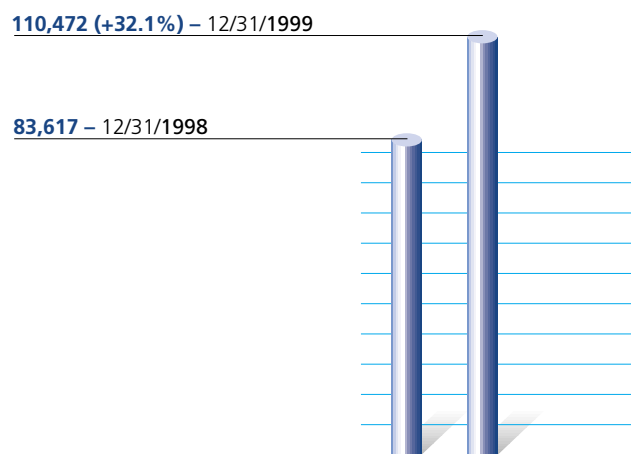
Note that the embedded value of the life business at Group companies that earn sales, management or maintenance commissions from the Group's life insurance companies is estimated as the net present value of the specific profits, net of costs and after taxes, that such companies will earn on the policy portfolio up to the end of their contractual commitment.

Operating volumes and organization

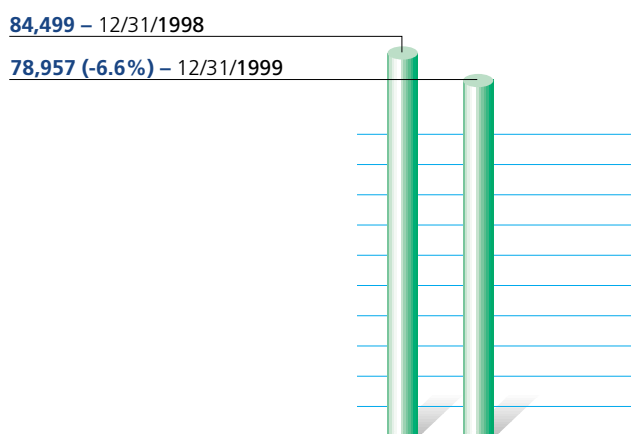
Assets managed on behalf of customers

The Group attributes a great deal of importance to the management of customers' financial assets. In 1999 this was reflected in the fact that this aggregate grew even further. Customers' financial assets at the end of 1999 reached a total of Euro 260,026 million, a net inflow of Euro 26,210 million (+11.2%).

This development in customers' financial assets reflects the results achieved in the professional asset management sector. This is the area where the Group concentrated most of its efforts, as this is where customers expressed the most needs. By the end of December, mutual funds, portfolio management schemes and insurance policies exceeded a total of Euro 110,000 million, an additional inflow of Euro 26,855 million with a rate of growth of 32.1%. Asset management therefore represented 42% of total customers' financial assets at the end of 1999, compared with 36% at the end of 1998.



Asset management
millions of Euro



Direct deposits
millions of Euro

Customers' financial assets

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Asset management	110,472	42.5	83,617	35.8	+32.1
- mutual funds	76,019	29.2	59,412	25.4	+28.0
- fund-based portfolio management	17,836	6.9	10,467	4.5	+70.4
- portfolio management	6,117	2.4	6,069	2.6	+0.8
- life insurance	10,500	4.0	7,669	3.3	+36.9
Asset administration	70,597	27.1	65,700	28.1	+7.5
Direct customer deposits	78,957	30.4	84,499	36.1	-6.6
- current and deposit accounts	36,096	13.9	31,167	13.3	+15.8
- certificates of deposit	9,090	3.5	11,761	5.0	-22.7
- bonds	23,643	9.1	25,897	11.1	-8.7
- commercial paper	2,584	1.0	1,395	0.6	+85.2
- repurchase agreements	3,758	1.4	8,863	3.8	-57.6
- other	3,786	1.5	5,416	2.3	-30.1
Customers' financial assets	260,026	100.0	233,816	100.0	+11.2

Market positioning

The positive trend in customers' financial assets made it possible to reinforce the Group's competitive positioning on the domestic market: Sanpaolo IMI's market share at the end of 1999 was estimated at 11%, an improvement from the beginning of the year. The increase in the Group's share of the asset management market, some 13%, increased over the year by one percentage point, which more than offset the decline in direct deposits, down from 7.9% to 7.1%.

Asset management and administration

The increase in the Group's asset management business affected all types of customer investments.

Mutual funds and fund-based portfolio management schemes showed an inflow of Euro 23,976 million during the year, reaching Euro 93,855 million (+34.3%). Net funding over the twelve months came to Euro 13,984 million, of which Euro 7,837 million refers to the banking channel and 6,147 million to Banca Fideuram and Sanpaolo Invest's networks of financial consultants. Total funds under management underwent a revaluation of Euro 9,992 million.

The Group maintained its number one place in the ranking of mutual funds on the domestic market with a share at the end of 1999 of 17.5%. This meant that effective action was taken to counteract the potential decrease that could have resulted from increased competition, as well as from the higher flows of direct and administered funding that is being diverted into asset management schemes by new competitors that entered the market after Sanpaolo IMI. The proportion of equity funds also rose, up from 24% to 38% over the twelve months.

The technical reserves of the Group's insurance companies reached a total of Euro 10,500 million, for an inflow of

more than Euro 2,800 million during the year (+36.9%). Sanpaolo Vita, Sanpaolo Life and Fideuram Vita overall could claim a market share of premiums written of more than 8%, putting them in second place in absolute terms after Italy's most important insurance group and in first place among the insurance companies owned by banks.

Assets under administration came to Euro 70,597 million, up 7.5% since the start of the year, mainly due to the substantial revaluation of equity prices in 1999.

Services provided to institutional clients

There was also an increase in asset management services provided to institutional clients: at the year end, the portfolios managed by the Group on behalf of insurance companies, banks, pension funds and other entities came to Euro 6,600 million, an increase of 34% since the start of the year. In the field of pension funds, where assets exceeded Euro 1,700 million, it is worth mentioning the start of operations in the area of open-ended pension funds, launching two products that are being distributed by the Parent Bank's branches and by the financial consultants of Sanpaolo Invest and Banca Fideuram.

Considering the high growth potential of the business with institutional clients, the Group set up Sanpaolo IMI Institutional Asset Management SGR, whose capital is split between the Group's asset management companies and Banca IMI.

Direct deposits

Private investors are continuing to switch out of traditional forms of funding and into asset management schemes. This has led to a decline in direct deposits of 6.6% over the year, ending up at a total of Euro 78,957 million.

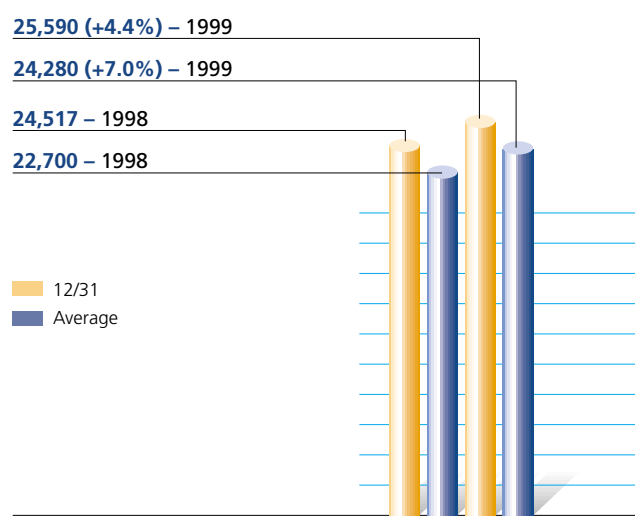
To start with, this switch into asset management has affected the trend in time deposits: bonds have fallen by

Market share

	12/31/99	12/31/98 pro forma
Asset management market	13.0 (estimated)	11.9
<i>Of which:</i> - Mutual funds and fund-based portfolio management	17.5	17.5
- Portfolio management	4.6	3.4
- Life insurance	7.6	6.9
Direct deposits	7.1	7.9

8.7%, while certificates of deposit have fallen by 22.7%; the strong preference on the part of customers for professional management of their savings has also led to a decline in repurchase agreements, down by 57.6%.

The use of current and deposit accounts, on the other hand, went up by 15.8%. This reflects above all the year-end increase in short-term deposits taken by the Bank's branches in Italy and by the banks operating abroad. The sight deposits of Italian branches, which is the most remunerative portion of total funding, showed an increase of 4.4% at the end of 1999 and of 7% in terms of the average total balance during the year.



Current accounts and deposits with Italian branches of the Parent Bank
millions of Euro

Direct deposits by maturity and residence

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
On demand	33,958	43.0	29,380	34.8	+15.6
Maturing within 12 months	21,836	27.7	26,162	31.0	-16.5
Maturing beyond 12 months	23,163	29.3	28,957	34.3	-20.0
- fixed-rate	12,214	15.5	13,497	16.0	-9.5
- floating	10,949	13.9	15,460	18.3	-29.2
From Italian residents	57,089	72.3	66,058	78.2	-13.6
From residents of other EU countries	14,742	18.7	13,395	15.9	+10.1
From residents elsewhere	7,126	9.0	5,046	6.0	+41.2

Customer loans

Customer loans at the end of the year came to Euro 73,174 million, substantially in line with the figure at the start of the year.

Consumer loans went up by 13.4%. Personal loans, granted by the Parent Bank and by Finconsumo, a subsidiary, grew by 41%. House-buying loans showed an increase in mortgages on the domestic market of Euro 1,750 million. This market, to which the Group devoted a considerable

Loans to customers

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Short-term	26,701	36.5	27,607	37.8	-3.3
Medium- and long-term	44,779	61.2	43,357	59.4	+3.3
Non-performing loans	1,694	2.3	2,004	2.8	-15.5
Customer loans portfolio	73,174	100.0	72,968	100.0	+0.3

sales effort, benefited from the favourable trend in the property market. This was partly thanks to the level of interest rates which were still very attractive for the general public despite the upturn towards the end of the year.

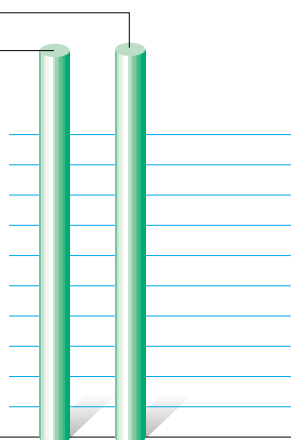
Loans to companies and other businesses, on the other hand, showed a 2% contraction. The lending trend was affected not only by the Group's policy to give preference to the return on capital absorbed by each loan. It was also affected by companies' greater recourse to self-financing and the capital market, as well as early repayment of bank loans by many large corporate borrowers. It is also impor-

tant to emphasise that the decline in loans to corporate clients mainly concerned finance companies, down 26.8%, falling as a percentage of total loans over the last two years from 13.5% to 9.2%.

Short-term loans fell by 3.3%, with a significant decline in the portion represented by domestic repurchase agreements (-46%). Medium/long-term loans, on the other hand, went up by 3.3%, thanks to the positive trend in property loans and public works financing. This offset the decline in lending to the financial sector and to large corporate clients.

73,174 (+0.3%) – 12/31/1999

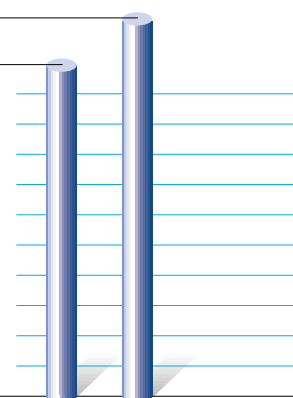
72,968 – 12/31/1998



Net loans to customers
millions of Euro

12,361 (+13.4%) – 12/31/1999

10,901 – 12/31/1998



Loans to families
millions of Euro

Loans to customers by counterparty

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Consumers	12,361	16.9	10,901	14.9	+13.4
Family businesses and non-financial companies	43,260	59.1	43,746	60.0	-1.1
Financial companies	6,751	9.2	9,225	12.6	-26.8
Governments and public bodies	9,940	13.6	8,839	12.1	+12.5
Other	862	1.2	257	0.4	+235.4
Total customer loans	73,174	100.0	72,968	100.0	+0.3

Loans to customers by category

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Consumers	12,361	16.9	10,901	14.9	+13.4
- Domestic network	11,132	15.2	9,829	13.5	+13.3
- overdrafts	848	1.2	758	1.0	+11.9
- personal loans	966	1.3	685	0.9	+41.0
- mortgages	8,615	11.8	7,787	10.7	+10.6
- other	703	1.0	599	0.8	+17.4
- Foreign network	1,229	1.7	1,072	1.5	+14.6
Family businesses, companies, governments, public bodies and other	60,813	83.1	62,067	85.1	-2.0
- Domestic network	52,333	71.5	54,523	74.7	-4.0
- overdrafts	7,996	10.9	7,479	10.2	+6.9
- repurchase agreements	1,245	1.7	2,304	3.2	-46.0
- import/export financing	1,290	1.8	1,359	1.9	-5.1
- leasing	1,580	2.2	1,339	1.8	+18.0
- instalment-based loans	28,176	38.5	29,012	39.8	-2.9
- other	12,046	16.5	13,030	17.9	-7.6
- Foreign network	8,480	11.6	7,544	10.3	+12.4
Total customer loans	73,174	100.0	72,968	100.0	+0.3

Loans to customers by maturity and residence

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
On demand	12,405	17.0	11,414	15.6	+8.7
Repayable within 12 months	22,322	30.5	22,872	31.3	-2.4
Repayable beyond 12 months	36,492	49.9	35,730	49.0	+2.1
- fixed-rate	15,451	21.1	15,000	20.6	+3.0
- floating	21,041	28.8	20,730	28.4	+1.5
Unspecified duration	1,955	2.7	2,952	4.0	-33.8
To Italian residents	60,999	83.4	62,725	86.0	-2.8
To residents of other EU countries	7,679	10.5	6,764	9.3	+13.5
To residents elsewhere	4,496	6.1	3,479	4.8	+29.2

Market positioning

These movements have led to a reduction in the share of the

Group's lending on the domestic market, down from 9.3% to 8.5%. This contraction affected both short-term loans, down by 0.4 points, and medium/long-term loans, down by 1.2 points.

Market shares

	12/31/99	12/31/98 pro forma
Short-term	5.9	6.3
Medium/long-term	11.0	12.2
Total	8.5	9.3

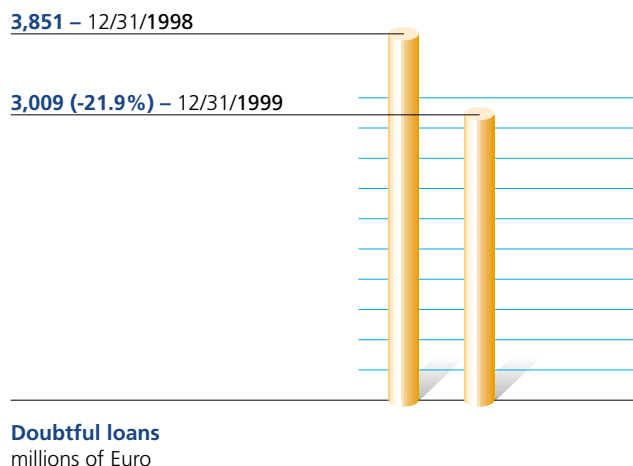
Doubtful loans

A lower flow of doubtful loans thanks to the improvement in asset quality and better procedures for the recovery of critical positions led to a further reduction in doubtful loans. Non-performing loans, problem loans, rescheduled loans and those being rescheduled, together with the unsecured loans to countries at risk, did in fact drop to a total of Euro 3,009 million, a decline over the year of Euro 842 million (-21.9%).

Net non-performing loans, in particular, went down during the period by 15.5%, coming in at Euro 1,694 million, partly thanks to collections of Euro 442 million. The proportion of net non-performing loans to total customer loans fell 2.3%, compared with 2.7% at the end of 1998. Net of write-offs, coverage has increased from 66.5% to 71%.

Problem loans, rescheduled loans and those being rescheduled, net of adjustments, came in at Euro 1,162 million, with a decline of 28.5%. As a percentage of total customer loans, they came down to 1.6%, against 2.2% in December 1998. Total coverage, including write-offs, rose from 33.7% to 42%.

Exposure to countries at risk, due to unsecured cash loans, fell to Euro 153 million, of which Euro 48 million relates to customer loans and Euro 105 million to interbank loans. The reduction during 1999, of Euro 64 million, was mainly due to increasing the percentage writedown of loans to Russia from 60% to 85%. Total coverage of loans to countries at risk went up from 38.9% to 54.5%.



Doubtful loans

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Non-performing	1,694	2.3	2,004	2.7	-15.5
Problem, rescheduled, being rescheduled	1,162	1.6	1,626	2.2	-28.5
Customer loans subject to country risk	48	0.1	107	0.1	-55.1
Normally-performing loans	70,270	96.0	69,231	94.9	+1.5
Total customer loans	73,174	100.0	72,968	100.0	+0.3
Non-performing and under-performing loans to banks	-		4		n.s.
Loans to banks subject to country risk	105		110		-4.5

Activities on financial markets

Brokerage

Group operations on the financial markets featured a constant emphasis on the risk profile.

Trading activities, carried on by Banca IMI and its subsidiaries, saw the Group strengthen its position on the main international markets. Banca IMI acted as primary dealer in the public debt of Italy, Germany, France, Belgium, Holland, Spain and Greece, and it also consolidated its operations on the secondary market in Polish and Hungarian government securities. Trading activities were mainly geared to taking advantage of arbitrage opportunities, rarely taking direct directional positions. Even though

trading increased, especially in equities, this did not entail higher risk profiles than in the previous year.

On the interbank market, Sanpaolo IMI confirmed its position as a leading protagonist by the inclusion of the Parent Bank in the Euribor panel, which consists of Europe's top banks. The Parent Bank's operations amounted to Euro 350,000 million, of which 171,000 million on the e-MID screen-based market, giving a market share of 4.65%. Interbank business featured a greater recourse of European banks and a more accentuated use of the Group's funding vehicles.

The securities portfolio decreased by 23%, finishing the year at Euro 18,401 million. This decline affected both the investment portion, which dropped by 25%, and the dealing and treasury portion, which decreased by 22.8%.

Securities, interbank position and derivatives

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Investment securities	1,756	9.5	2,341	9.8	-25.0
Dealing securities	16,645	90.5	21,565	90.2	-22.8
Securities portfolio	18,401	100.0	23,906	100.0	-23.0
Deposits with banks	22,145		22,458		-1.4
Funding from institutional banking organizations	4,278		4,345		-1.5
Funding from other banks	23,734		20,796		+14.1
Derivatives and forward transactions in foreign currencies (at nominal value)	268,741		330,607		-18.7

Securities by category and maturity

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Debt securities	16,937	92.0	22,705	95.0	-25.4
- government securities	9,390	51.0	15,794	66.1	-40.5
- other	7,547	41.0	6,911	28.9	+9.2
Equities	1,464	8.0	1,201	5.0	+21.9
Sight securities	1,197	6.5	148	0.6	+708.8
Short-dated (within 12 months)	3,940	21.4	9,168	38.4	-57.0
Long-dated (beyond 12 months)	11,800	64.1	13,389	56.0	-11.9
- fixed-rate	5,290	28.7	7,953	33.3	-33.5
- floating	6,510	35.4	5,436	22.7	+19.8
Quoted securities	14,327	77.9	20,501	85.8	-30.1
Unquoted securities	4,074	22.1	3,405	14.2	+19.6

Placement and advisory business

The Group reinforced its position in placement and special finance business on the domestic market.

In the bond segment, Banca IMI arranged and took part in the placement of loans for corporate and banking issuers for a total of Euro 4,500 million, 40% more than in 1998. It was also the first Italian bank to carry out a receivables securitization deal by means of a special purpose vehicle.

In the equity segment, Banca IMI acted as global coordinator or sponsor for numerous placements, including: Tiscali, Acea, Italdesign/Giugiaro, Permasteelisa, Mirato and Grandi Navi Veloci. Banca IMI also took part, as a member of the public offer management group, in the placement syndicates for Enel, Autostrade and Banca Monte dei Paschi di Siena; it acted as lead manager in the placement of the Italian tranche of Deutsche Telekom, the first pan-European public offer for sale; and lastly, it handled the private placement of an approximately 19% stake in the capital of Banca Agricola Mantovana.

In addition, Banca IMI increased its corporate advisory business in mergers and acquisitions and other special deals for leading Italian and foreign clients.

Merchant banking

The Group operated in the field of merchant banking through the Parent Bank and, from September, through NHS–Nuova Holding Subalpina. Almost Euro 90 million was invested in minority shareholdings and an overseas

closed-end investment fund was set up worth Euro 120 million to invest in medium-sized European enterprises.

Equity investments

The Group's investments in companies that are not consolidated on a line-by-line basis amounted to Euro 3,347 million at year end, a net increase of Euro 1,675 million over the year.

Changes in equity investments during the year refer essentially to the following areas of intervention:

- the definition of projects for expansion on the Italian market;
- selective investment in European banks;
- continuing disposals of non-strategic investments.

3,347 (+100.2%) – 12/31/1999

1,672 – 12/31/1998

Shareholdings
millions of Euro

Non-consolidated equity investments

	12/31/99		12/31/98 pro forma		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Investments	3,347	100.0	1,672	100.0	+100.2
- carried at equity	843	25.2	959	57.4	-12.1
- carried at cost	2,504	74.8	713	42.6	+251.2
- in listed companies	2,258	67.5	541	32.4	+317.4
- in other companies	246	7.3	172	10.3	+43.0

Cassa di Risparmio di Firenze

The projects for expansion on the domestic market mainly concerned an agreement to buy a 15% interest in Cassa di Risparmio di Firenze. This stake was sold by the bank's Fondazione for Euro 387 million, of which Euro 92 million were paid during the year and the remainder in early 2000. The investment comes on top of the 4.1% interest already held by NHS, bringing the Group's total holding in the Tuscan bank to 19.1%.

Cassa di Risparmio di Firenze has a network of almost 400 branches located mainly in Tuscany, with direct customer deposits at the end of 1999 of Euro 17,731 million and loans of Euro 5,865 million. Net income for the year came to Euro 59 million, while its RoE was 8.5%.

This investment forms part of a wider plan to form a strategic and operational partnership. A stable shareholder syndicate able to control the bank has been set up, consisting of Ente Cassa di Risparmio di Firenze, Sanpaolo IMI and Paribas. An operating agreement has also been signed, with Sanpaolo IMI as the Cassa's leading point of reference in the fields of asset management and for initiatives in the corporate segment.

The alliance has also been ratified by Ente Cassa di Risparmio di Firenze buying a 2% interest in Sanpaolo IMI early this year.

The INA-Banco di Napoli operation

The Group also increased its holding in INA during the year from 3% to 9.2%, for an outlay of Euro 703 million. The intention is that this investment should lead to an agreement that will enable Banco di Napoli to integrate with Sanpaolo IMI.

The aggregation that Sanpaolo IMI envisages would permit the Group to acquire an important presence in the South of Italy in the area of households and small/medium-sized enterprises: Banco di Napoli is the South's most important bank, thanks to a network of 730 branches, direct customer deposits that at the end of 1999 amounted to Euro 23,000 million, customers' financial assets under management of Euro 7,700 million and loans of Euro 15,300 million. The Bank's net income in 1999 came to Euro 131 million, with an RoE of 11%.

Investments in foreign banks

Investments in European banks by the Parent Bank and by Sanpaolo IMI International, its Luxembourg subsidiary, were geared to expanding the range of strategic options in view of possible future transnational alliances, and to taking advantage of purely financial opportunities. Deals entailed the following:

- an increase from 0.46% to 2% in the shareholding held in Banco Santander Central Hispano, which involved an outlay of Euro 581 million; this interest was further raised to 2.8% in early 2000;
- the purchase of a 0.29% stake in the Royal Bank of Scotland, which involved investing Euro 50 million; it was raised to 0.33% in early 2000;
- the acquisition of a shareholding in Banque Nationale de Paris; part of it was sold off during the year, generating a capital gain of Euro 23 million; at the end of the year, the residual investment amounted to 0.26% of the share capital, for an investment of Euro 90 million; the stake was further reduced to 0.07% in early 2000.

The disposal of non-strategic investments

Total disposals amounted to Euro 725 million, leading to total pre-tax capital gains of Euro 349 million. They included:

- the sale of a 20% stake in Crediop to the Dexia Group for Euro 218 million, with a gross capital gain of Euro 94 million. The residual stake of 40% still held by Sanpaolo IMI will be sold by the end of 2001 under an agreement reached at the end of 1998;
- acceptance of Olivetti's takeover bid for Telecom Italia with a 0.75% stake, proceeds of Euro 448 million and a pre-tax capital gain of Euro 215 million.

Other initiatives

These include:

- taking a 16% interest in Beni Stabili as a result of the spin-off carried out in October of part of the Sanpaolo IMI Group's real estate activities. It was subsequently raised to 18% through purchases on the market. This investment, equal to Euro 160 million, was prudently written down to Euro 102 million to take account of the share's performance during the second half of the year. In early 2000, the stake was reduced to 16.8%;

- the acquisition of a 9.6% stake in Banca Agricola Mantovana, with an investment of Euro 206 million, as part of the placement of 19% of BAM by Banca IMI.

The operating structure

The distribution network

In 1999 the Group carried out selective reinforcement of its distribution network, laying the foundation for the growth planned for the next three years. The action taken was based on the following concepts:

- introduction of innovative distribution channels;
- consolidation of Banca Fideuram and Sanpaolo Invest's networks of financial consultants;
- expansion of the branch network;
- specialisation of existing branches by market segment.

Towards the end of the year, the Group launched a trading on-line service for retail customers. The service

is provided by @IMIWEB under the IMIWEBTRADER brand name. This is the first step in a plan to develop innovative distribution channels. This plan will be implemented over the next three years and will involve all operational sectors of the Group. Euro 250 million of capital expenditure has been budgeted and the project has a target of 500,000 customers on line in 2002.

Also worth mentioning is the extent to which the networks of financial consultants have been strengthened. 368 new consultants were hired to consolidate Sanpaolo IMI's efforts in an area of high profitability and growth potential. This brought the total of the Group's financial consultants to 4,865. The network of Banca Fideuram in particular has grown from 3,168 to 3,509. Further recruitment will take place over the next three years, during which another 800 consultants are expected to be hired.

The Group has also developed a plan to strengthen the network of domestic branches. The plan envisages the opening of more than 100 outlets in the period 2000-2001. Branches will be positioned on a selective

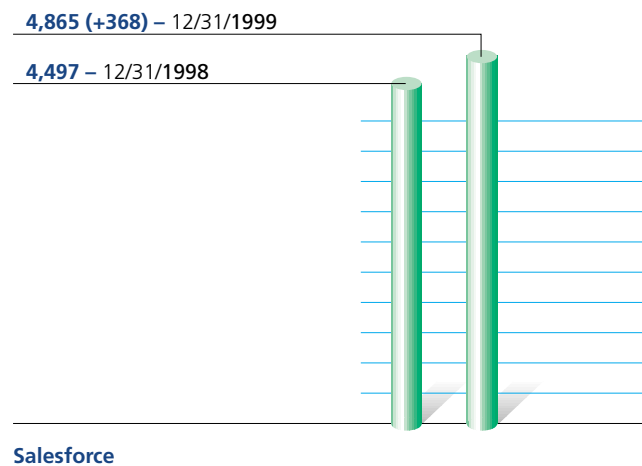
Distribution network

	1999	1998 pro forma	Change 1999/1998 (%)
Banking branches and area offices	1,419	1,409	+0.7
- Italy	1,355	1,346	+0.7
- Parent Bank	1,292	1,289	+0.2
- North West (Piedmont, Valle d'Aosta, Lombardy and Liguria)	935	933	+0.2
- North East (Triveneto and Emilia Romagna)	89	89	-
- Central Italy (Tuscany, the Marches, Umbria, Latium, Abruzzo and Molise)	115	115	-
- South and Islands (Campania, Apulia, Basilicata, Calabria, Sicily and Sardinia)	153	152	+0.7
- Banca Fideuram	63	57	+10.5
- Abroad	64	63	+1.6
- Parent Bank	11	11	-
- Banque Sanpaolo	52	52	-
- Banca IMI	1	-	n.s.
Representative offices	12	12	-
Financial advisors	4,865	4,497	+8.2
- Banca Fideuram	3,509	3,168	+10.8
- Sanpaolo Invest	1,356	1,329	+2.0

basis, they will mostly be lightweight and they will be devoted to serving private customers.

Lastly, the process of specializing the Italian branches by market segment and raising their productivity continued.

As for the automated and electronic banking structures, the Parent Bank recorded almost 64 million ATM transactions, an increase of 8% on the previous year. POS transactions increased by more than 20% in terms of value. Telephone banking contracts came to more than 72,000, an increase of 37% since the start of the year. The market share in remote banking with companies came to more than 9% in terms of payment instructions.

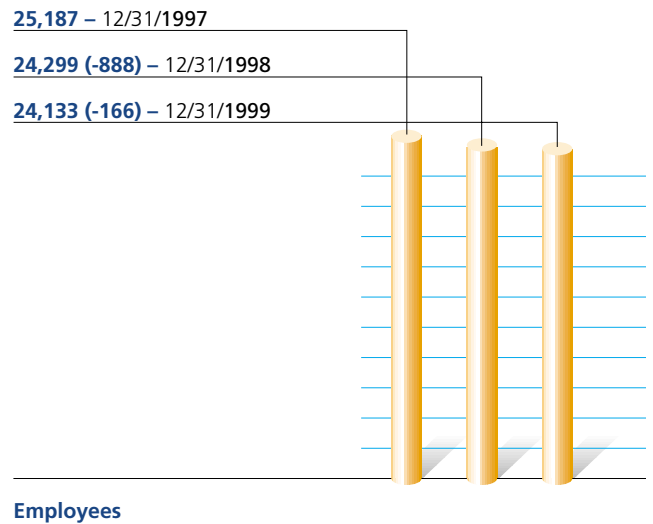


Personnel

Group personnel is made up of 24,133 people, 166 fewer than at the start of the year. This follows the decrease of 888 employees in 1998.

Staff reductions are mainly because of the rationalization carried out by the Parent Bank’s head office and branch structures: staff levels fell by 498 during the year, after a contraction of 789 in 1998.

Group companies, on the other hand, increased their staffing levels, which rose by 332 during 1999. The main areas to be reinforced were asset management and trading on-line.



Personnel

	12/31/99		12/31/98 pro forma		Change 1999/1998
		%		%	
Year-end headcount	24,133	100.0	24,299	100.0	-0.7
- Executives	345	1.4	330	1.4	+4.5
- Managers	4,416	18.3	4,359	17.9	+1.3
- Other employees	19,372	80.3	19,610	80.7	-1.2
Average during the year	24,216		24,622		-1.6

Capital and reserves

Shareholders' equity

Shareholders' equity attributable to the Group amounted to Euro 8,036 million as of December 31, 1999, net of own shares held by the Parent Bank. Movements during the year were as follows:

<i>Shareholders' equity</i>	<i>millions of Euro</i>
Net shareholders' equity as of January 1, 1999	8,668
Decreases	
- Dividends	-652
- Real estate spin-off	-701
Increases	
- Differences on foreign exchange and other adjustments	6
- Change in reserve for general banking risks	1
- Net income for the year	1,050
Shareholders' equity as of December 31, 1999	8,372
- Own shares in portfolio	-336
Net shareholders' equity as reclassified as of December 31, 1999	8,036

Own shares

The own shares of Sanpaolo IMI held by the Group as of December 31, 1999 amounted to 28,988,157 shares, equal to 2.06% of the share capital, carried in the balance sheet at Euro 356.5 million, with an unrealized capital gain of around Euro 100 million.

Transactions in Sanpaolo IMI shares by the Group during the year were as follows:

- at the end of 1998, the Parent Bank did not hold any of its own shares. During 1999, it bought 27,470,250 shares (for a nominal value of Euro 76.9 million, paying a total of Euro 336.1 million) and sold 38,750 shares (for a nominal value of Euro 0.1 million and total proceeds of Euro 0.5 million). At the end of 1999, the Parent Bank held 27,431,500 shares (with a nominal value of Euro 76.8 million, at a carrying value of Euro 335.6 million);
- at the end of 1998, Banca IMI held 354,124 Sanpaolo IMI shares (nominal value Euro 1 million, carrying value Euro 5.3 million). During the year, it bought 12,970,956 shares (nominal value Euro 36.3 million, paying a total of Euro 191.5 million) and sold 11,768,423 shares (nominal value Euro 32.9 million and total proceeds of Euro 175.9 million). At the end of the year, Banca IMI

held 1,556,657 shares (nominal value Euro 4.4 million, at a carrying value of Euro 20.9 million);

- at the end of 1998, IMI Sigeco UK did not hold any Sanpaolo IMI shares. During the year, it bought 1,079,021 shares (nominal value Euro 3 million, paying a total of Euro 16.14 million) and sold the same quantity of shares (for proceeds of Euro 16.15 million). At the end of the year, IMI Sigeco UK did not hold any Sanpaolo IMI shares.

In the first few months of 2000, the number of own shares held fell substantially as a result of the transfer of 28,050,000 shares (2% of the share capital) to Ente Cassa di Risparmio di Firenze as part of the alliance formed between Sanpaolo IMI and the Cassa di Risparmio di Firenze. As of March 28, 2000 the own shares held by the Group amounted to 4,977,632 (0.35% of the share capital).

Regulatory capital and capital adequacy

The Sanpaolo IMI Group meets the solvency requirements set by the Bank of Italy.

The ratio between regulatory capital and total assets weighted for lending risk and market risk stands at 10.3%. The solvency ratio for lending risks alone is 11.3% compared with the 8% minimum required by the regulatory authorities. The ratio between Tier 1 capital and total risk-weighted assets is 9.6%.

Regulatory capital and capital adequacy

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)
Shareholders' equity for supervisory purposes		
Tier 1 capital	7,505	8,045
Tier 2 capital	1,255	1,277
less: prescribed deductions	-737	-116
Total capital	8,023	9,206
Weighted assets		
Lending risk	70,838	72,775
Market risk	6,637	9,500
Other requirements	500	700
Total assets	77,975	82,975
Capital adequacy ratios		
Tier 1 capital / Total risk-weighted assets	9.6%	9.7%
Total capital / Total risk-weighted assets	10.3%	11.1%

Risk management

The basic principles

The Sanpaolo IMI Group lays a great deal of emphasis on risk management and control, which is based on three principles:

- clear identification of responsibility for taking on risks;
- measurement and control systems in line with best international practice;
- separation of duties between the business areas that carry on day-to-day operations and those who carry out controls.

The policies relating to the acceptance of lending and financial risks are defined by the Parent Bank's Board of Directors and Executive Committee with input from specific committees (the Financial Risk Committee, the Credit Committee and the Financial and Institutional Lending Risk Committee).

The Parent Bank also carries on general functions of risk management and control and takes risk-acceptance decisions in the case of particularly large loans. It has the support of the Risk Management unit, which reports directly to a Managing Director, and of a Risk Control unit, which is part of the Financial Statements and Planning Department.

The business units that generate lending and/or financial risks are all assigned autonomous limits of approval and each has its own control structure.

Financial risk management and control

The organizational arrangement

The main body responsible for the management and control of financial risks is the Parent Bank's Board of Directors. It defines the lines of strategy and overall approach to the acceptance of market risk, it allocates capital on the basis of the expected risk/return profile, and approves the operating limits for the Parent Bank and guidelines for subsidiaries.

The Financial 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 units, and for monitoring the risk profile of Group companies. The Committee consists of the Joint Managing Directors, the heads of the business units that take on and control risks, and by a representative of the Risk Management department.

The Risk Management department, helped by the Financial Analysis Development department, is responsible for developing ways of monitoring corporate risk and for making proposals regarding the system of operating limits for the various business areas of the Bank and the Group.

The Risk Control department is responsible for measuring outstanding risks in the various operating units and for checking that they comply with the limits laid down by the Board of Executive Committee, and by the Financial Risk Committee.

The individual business areas measure financial risk, applying a system of limits in line with the Parent Bank's overall plan.

The measurement methods used

The methods used by the Group to measure financial risks mainly consist of the following:

- *Value at Risk (VaR)*;
- *Sensitivity Analysis*;
- *Worst Case Scenario*.

VaR, as calculated, reflects the maximum loss that the portfolio can incur in the next ten working days with a 99% confidence level, based on historical volatility and correlations (of the last 250 working days) between the individual risk factors, for each currency made up of short and long-term interest rates, exchange rates and equity prices.

Sensitivity Analysis 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, uniform shift of 100 basis points in the interest rate curve.

The Worst Case Scenario 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.

Non trading activities

Lending

The financial risks generated by the Group's lending activity (also known as *Asset and Liability Management*) are monitored by means of *Sensitivity Analysis*. *VaR* measurement was also started during the year and it is currently being tested.

During 1999, the potential loss on the fair value of the Bank's loan book, measured according to the *Sensitivity Analysis* technique, showed an average of Euro 105.4 million, with a minimum of Euro 92.8 million and a maximum of Euro 120.8 million. This is substantially lower than the previous year (when the average was Euro 152.8 million), thanks to the Bank's strategy of positioning free capital at floating rates. Forecasting an upswing in interest rates, which did take place, the Bank in fact systematically hedged the medium/long-term fixed-rate position so as to protect its market value.

The *VaR* of the lending business showed an average (from May 1999 to the end of the year) of Euro 194.9 million.

The exchange risk generated by the lending business during the year was very low.

Sensitivity analysis - lending

	1999 (Euro/mn)	1998 (Euro/mn)
Average	105.4	152.8
Low	92.8	120.0
High	120.8	188.0
12/31	94.4	177.6

Equity investments in non-Group listed companies

The market value as of December 31, 1999 of the equity investments held by the Parent Bank and by Sanpaolo IMI International in listed companies that are not part of the Group, excluding the merchant banking portfolio, amounted to Euro 2,359 million, with unrealized capital gains over book value of Euro 346 million.

From last September, the Parent Company transferred its merchant banking activities to NHS - Nuova Holding Subalpina, a subsidiary of Sanpaolo IMI (with 51%). At the year end, the subsidiary's portfolio of quoted investments, at market value, amounted to Euro 319 million, with unrealized capital gains over book value of Euro 74 million.

The *VaR* technique is used to monitor the market risk of the investment portfolio, though fluctuations in its value do not directly affect the Group's statement of income, given that such investments are shown at cost.

The *VaR* of quoted non-Group investments in 1999 averaged Euro 192 million, with a low of Euro 93 million. A high of Euro 263 million was reached at the year end, which was justified by the higher volume of investments made, the general increase in share prices and their volatility in the latter part of the year. The average level of *VaR* recorded by NHS, for the portion pertaining to Sanpaolo IMI, came to Euro 15 million.

The following table makes it possible to compare 1999's risk measurements with those of 1998. The increase is largely due to the growth in the investment portfolio during the year.

VaR - portfolio Parent Bank and Sanpaolo International

	1999 (Euro/mn)	1998 (Euro/mn)
Average	192	88
Low	93	66
High	263	114

The following graph shows the trend in VaR during the course of 1999 for the Parent Bank and SANPAOLO IMI International and, from September, for NHS.

Trading activities

What is being measured here is the trading activities, mainly in securities (fixed-interest and equities), exchange rates and derivative contracts.

Within the Sanpaolo IMI Group, the only unit authorized to take on market risks as part of its trading activities is Banca IMI. In 1999 the process of concentration of trading activities was concluded and the consequent specialization of the Parent Bank in the management of the financial risk related to lending activities.

The VaR of the trading activities during 1999 oscillated

between a low of Euro 4.3 million and a high of Euro 24.2 million, with an average of Euro 11.9 million, as shown in the next table.

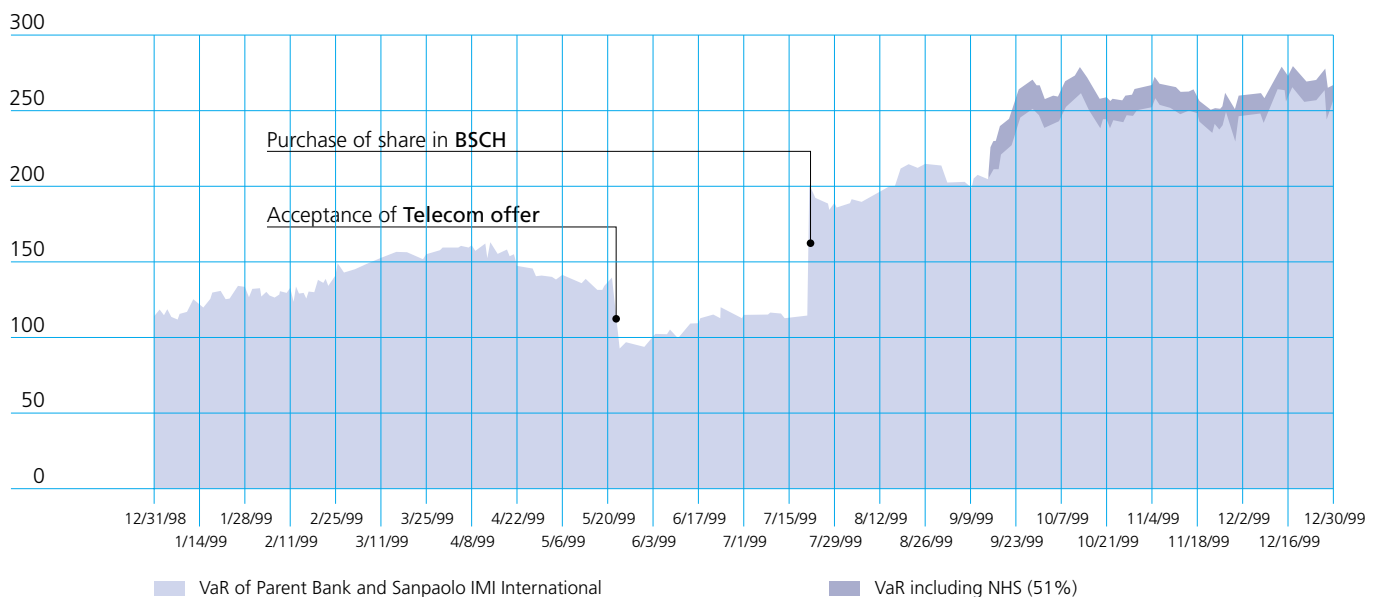
In addition to VaR, the Worst Case technique is also used to monitor the impact of potential losses that might arise in extreme circumstances.

The evolution in the maximum potential daily loss shows an increase in potential risks during the first part of the year, reaching a high of approximately Euro 58 million in July, to then fall gradually to around the yearly average of Euro 42 million.

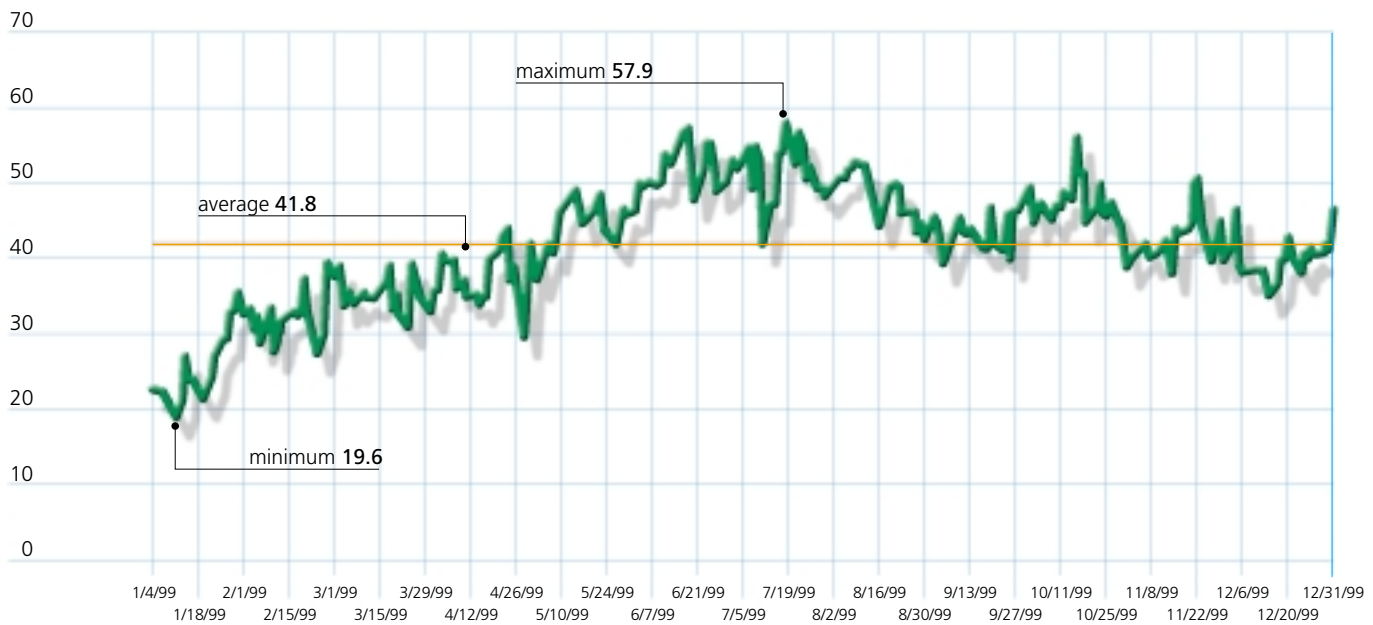
Backtesting has shown that these measurement techniques are very prudent. In no case was the ex ante potential daily exposure, in terms of VaR and Worst Case, exceeded by the losses actually incurred.

VaR - trading

	Average (Euro/mn)	Low (Euro/mn)	1999 High (Euro/mn)	12/31 (Euro/mn)	1998 12/31 (Euro/mn)
Interest rate risk	5.3	2.3	8.9	11.9	7.8
Exchange rate risk	0.5	0.4	0.6	0.0	0.4
Share price risk	9.7	3.6	21.7	8.7	9.2
Diversification effect	-3.6	-2.0	-7.0	-6.0	-3.6
Total	11.9	4.3	24.2	14.5	13.8



VaR of Group shareholdings
millions of Euro



Maximum potential daily loss in trading
millions of Euro

Lending risk management and control

The organizational arrangement

The Group is organized in such a way as to maximise the efficiency of the lending risk management and control process by means of:

- the allocation of precise responsibilities for the management of lending risk to the individual business units
- a distinct separation between lending risk management and control
- a specific Loan Recovery Department, so as to handle non-performing loans as efficiently as possible.

The business units that grant credit to customers have a certain level of approval power as defined by the Board of Directors. In particular, as regards the loans granted by the Commercial Banking division, the lending process is split into precise lines of responsibility for the granting and management of loans, with rising approval levels by branch, area and division. This process was revised during 1999, with the definition of a loan policy and a system of loan classification, as well as new credit line proposal procedure. Proposals in excess of the approval limit of the Heads of the Corporate Areas have to be approved by the Joint Managing Directors, the Loans Committee, the Executive Committee or the Board of Directors, depending on the amount involved.

As regards lending risks vis-à-vis financial institutions, a special committee was set up during the year – consisting of the Joint Managing Directors, the heads of the units taking on and controlling the risks, and a representative of the Risk Management department – which has responsibility to decide on the maximum credit lines to be granted by the Group to individual counterparties and to divide these limits into sublimits to be assigned to the individual Group companies. A special unit was set up for this purpose, called the Financial Institution Credit Line department, which has the task of doing preliminary investigations and monitoring the risks taken on versus financial counterparties by the various business units of the Bank and of the Group.

As for country-risk, a committee is about to be formed which will have the task of deciding on credit limits for each country at risk and to allocate the related sublimits to the Group's Business Areas.

The risk management and control structures are made up as follows:

- the Risk Management department is responsible for the definition, updating and verification of the measuring 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 analysing the risk profile of the Parent Bank and Group and for proposing any corrective action.

- the control structures operating within the individual Business Areas are responsible for measuring and monitoring their portion of the loan book. Given the size of the loan book in their area, the Credit Control department of the Commercial Banking division is particularly important.
- Lastly, the Risk Control department is responsible for measuring the exposure of larger borrowers, checking the measurements carried out by the risk control departments in the various business units for consistency and accuracy, and ending the Parent Bank's top management summary reports on changes in loan quality and on the use of capital by the business units.

The measurement techniques used

A series of instruments have been developed to ensure analytic control over the quality of loans to customers and financial institutions, as well as of exposures to country risk.

As regards 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 as a single measurement, known as a rating, which reflects the risk of insolvency over the next twelve months. By means of statistical calibrations, these ratings have been rendered totally comparable with the rankings done by the official rating agencies, forming one overall scale of reference. Backtesting analyses carried out to date, comparing insolvency forecasts with actual defaults, have confirmed that the models used are reliable.

As regards the Commercial Banking department's loan book, i.e. households, small businesses and SMEs, credit quality management used a system of classifying customers into categories, based on an evaluation by the loan supervisors, who are specifically responsible for certain matters (frequency of credit line reviews and recovery measures). Control over credit quality uses a scoring system, based like the grading system on financial and behavioural indicators, though it is geared not so much to estimating the risk of insolvency, but to giving an early warning of any anomalous situations.

For banking and financial counterparties, a scoring system has been devised which classifies financial institutions with credit lines on a scale consistent with those used by the rating agencies. The risk class constitutes the basic level of

information, which is integrated by the type and duration of the transaction, as well as by any guarantees that are given. All of this leads to the setting of maximum credit limits for each counterparty.

Lastly, as regards country-risk, a rating is assigned on the basis of the ratings and scores provided by specialised institutions and by internal evaluations.

These ratings are not just a direct instrument to monitor the credit risk portfolio, but also a primary element for the credit risk portfolio model, which summarises the information on asset quality in risk indicators, including the expected loss and capital at risk. The latter is defined as the maximum expected loss that the Bank could incur with a confidence level of 99.95%.

Sanpaolo IMI lending risks

The control instruments discussed above have been developed starting with the Parent Bank, which on a risk-asset weighted basis handles 85% of the Group's lending risks.

Analytical ratings are available for more than two-thirds of the counterparties contained in the Bank's loan portfolio, in terms of exposure; the unrated portion of the portfolio is essentially made up of households. As regards the analytical ratings, just over half of the them are internal ratings, while the rest are the work of specialised rating agencies. They reveal a high level of credit quality – more than 80% of the loans are "investment grade" – with a steady improvement visible throughout the period.

As for customer loans, measurement of the capital at risk, meaning lending risk including country-risk, came to Euro 2,430 million at the end of the year, around 3.4% of the drawn down portion of credit lines. The following charts show that two-thirds of this amount is allocated to the Commercial Banking division, while the rest is split between Large Corporate and Government Agencies and Infrastructures, which have a lower risk profile. Available figures also show a general trend towards a reduction in the level of portfolio risk.

The management and control of operating risks

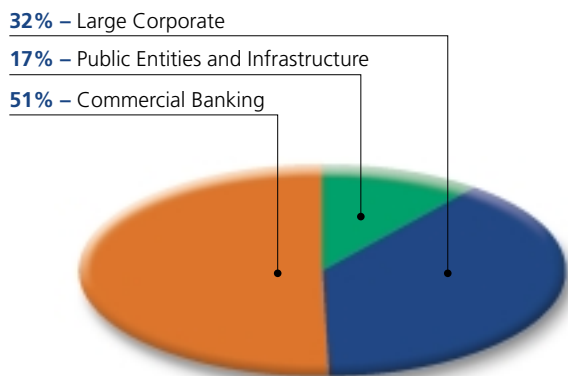
Operating risks are classified into two categories: "Business risk" and "event risk".

Business risk is the risk of incurring losses as the result of changes in the macro or microeconomic scenario able to jeopardise the company's ability to generate revenue, typically by reducing operating volumes or eroding margins. It is evaluated by breaking down the activity of the Business Areas, on the basis of the respective cost and revenue structures, into fundamental business sectors (e.g. EDP, consulting, mass retailing, etc.). The Business Areas are then allocated a level of capitalisation in line with the norm for companies operating in the same type of activity.

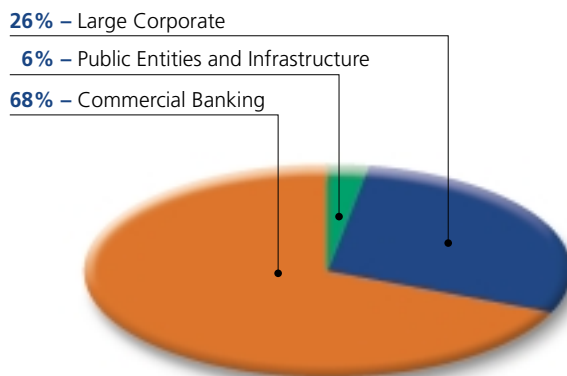
Event risk, on the other hand, is defined as the risk of incurring losses as a result of four macro categories of events: fraud, non-performance of contractual liabilities, weaknesses in internal control or in information systems, and natural calamities. A database of significant events that took place 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 calculated in this way are estimated by means of distribution theories according to the extreme value theory. The capital at risk is identified as the minimum measurement, net of any insurance cover, 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.

It should be pointed out that these methods have been developed not so much to provide the Bank with an operating risk management system, but rather to allocate an adequate amount of capital to the Business Areas and to the Group as a whole. Operating risks are controlled by defining internal rules and procedures and having the Internal Audit department check that they are complied with.



Loans by Area of Business



Risk capital by Area of Business

Supplementary information

Ratings

There was no change in Sanpaolo IMI's debt ratings during 1999.

In addition to the ratings given to the Bank's debt, there are also the *Bank Financial Strength Rating* given by Moody's

(C+ reviewed upwards to B on April 4, 2000), the *Individual Ratings* and the *Legal Rating* given by Fitch-IBCA (respectively B/C and 2) and the *Issuer Rating* given by Thomson BankWatch (B).

Apart from the Parent Bank, Banque Sanpaolo, Banca Fideuram and the funding companies Sanpaolo IMI Bank International and Sanpaolo US Financial have also been awarded ratings.

Sanpaolo IMI debt ratings

Rating agency	Rating type	Rating
Fitch-IBCA	• Short-term debt	F1+
	• Medium/long-term (senior) debt	AA-
Japan Rating and Investment Information	• Medium/long-term (senior) debt	AA
Moody's Investors Service	• Short-term debt	P-1
	• Medium/long-term (senior) debt	A1 (creditwatch positive ^(*))
Standard & Poor's	• Short-term debt	A-1
	• Medium/long-term (senior) debt	A+ with outlook stable
Thomson BankWatch	• Short-term debt	TBW-1
	• Medium/long-term (senior) debt	AA-

(*) The rating was reviewed upwards to Aa3 on April 4, 2000

Debt ratings of subsidiary companies

Group companies	Rating agency	Short-term debt rating	Senior debt rating
Banque Sanpaolo	Fitch-IBCA	F1	A+
	Moody's Investors Service	P-2 ^(*)	A3 ^(*)
Banca Fideuram	Standard & Poor's	A-1	A+
SANPAOLO IMI Bank International	Moody's Investors Service	P-1	A1
	Standard & Poor's	A-1	A+
	Thomson BankWatch	TBW-1	AA-
Sanpaolo US Financial	Moody's Investors Service	P-1	--
	Standard & Poor's	A-1	--
	Thomson BankWatch	TBW-1	--

(*) The short-term rating was reviewed upwards to P-1 and the medium/long-term debt was taken to A2 on April 4, 2000.

Performance of the Bank's share price

For most of 1999, the Sanpaolo IMI stock followed the same bearish trend as the rest of the banking sector, with

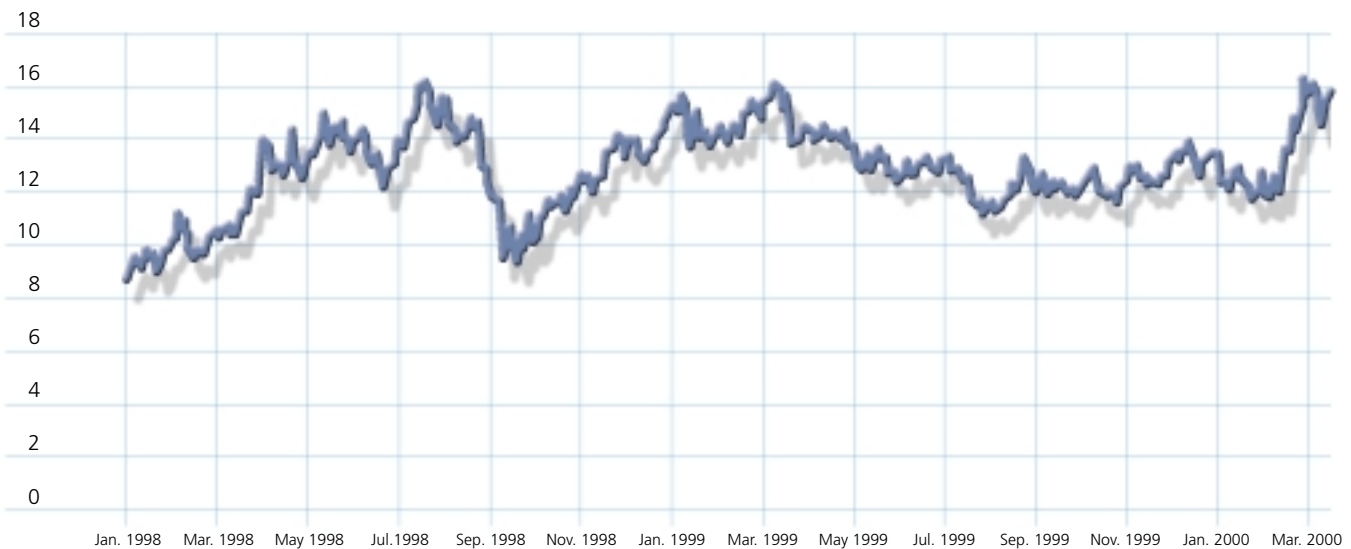
a decline of 8.1% over the year. In early 2000 the Sanpaolo IMI stock picked up considerably: by mid-March the stock was about 17% up on the start of the year, cancelling the decline posted in 1999.

	High (*) (Euro)	Low (*) (Euro)	Average (*) (Euro)
1994	5.774	4.388	4.991
1995	5.110	4.030	4.573
1996	5.287	4.210	4.758
1997	8.833	4.583	6.263
1998	16.102	8.654	12.427
1999	16.035	11.102	13.191
2000 (to March 15)	16.209	11.658	13.278

(*) Prices prior to November 2, 1999 have been restated to take account of the property spin-off.

Comparison with the market:

	March 15, 2000	December 30, 1999	December 30, 1998	Change % 15/3/00-30/12/98
Sanpaolo IMI (Euro)	15.681	13.424	14.679	+6.8
Banking index (current MIB for banking, base 12/30/98 = 1,000)	1,053	1,030	1,000	+5.3



Sanpaolo IMI share price in Euro

Shareholders of Sanpaolo IMI

Based on available information, the shareholder structure of Sanpaolo IMI as of December 31, 1999 was as follows:

<i>Shareholders of Sanpaolo IMI</i>	%
Compagnia di San Paolo	16.16
Banco Santander Central Hispano	6.91
Monte dei Paschi di Siena	6.21
IFI/IFIL ⁽¹⁾	4.91
Fondazione Cariplo	2.77
Società Reale Mutua di Assicurazioni	2.06
Lehman Brothers International (Europe)	2.00
KBC Bank	1.16
Other shareholders ⁽²⁾	57.82
Total	100.0

(1) Taken to 4.999% in early 2000.

(2) Including own shares held by the Group.

Intercompany transactions and transactions with related parties

Transactions between the Parent Bank, subsidiary companies and associated companies take place in accordance with current legislation and are arranged on a mutually equitable basis. Details of intercompany transactions during the period are provided in the explanatory notes to the Parent Bank's financial statements.

Transactions with related parties as defined in the CONSOB Communications dated February 20, 1997 and February 27, 1998 - including those with personnel and officers of the SANPAOLO IMI Group and any companies they control - similarly comply with current legislation and are conducted on an arm's-length basis. Investments in the Parent Bank and in the companies it controls held by the directors, statutory auditors and managing directors of the Parent Bank and by other persons as per Article 79 of Consob Resolution 11971 of May 14, 1999 are as follows:

Shares held by persons as per Article 79 of Consob Resolution 11971 of May 14, 1999

Name	Company	How held	Title to shares	Shares held on 12/31/98	Additions during 1999	Shares sold during 1999	Shares held on 12/31/99
Luigi Arcuti	Sanpaolo IMI	Direct	Full	5,857	14,000	-	19,857
		Via spouse	Full	3,657	-	-	3,657
Aureliano Benedetti	Sanpaolo IMI	Direct	Full	-	1,000	1,000	-
Divo Gronchi	Sanpaolo IMI	Direct	Full	50	2,000	50	2,000
Rainer Masera	Sanpaolo IMI	Direct	Full	5,827	-	-	5,827
Emilio Ottolenghi	Sanpaolo IMI	Direct	Full	310,000	-	-	310,000
		Via subsidiary	Full	4,110,000	-	-	4,110,000
Carlo Pasteris	Sanpaolo IMI	Direct	Full	-	1,000	1,000	-
	Banca Fideuram	Direct	Full	-	1,000	1,000	-
Stefano Preda	Banca Fideuram	Direct	Full	-	7,000	-	7,000
Alessandro Rayneri	Sanpaolo IMI	Via subsidiary	Full	10,045	-	-	10,045
Enrico Salza	Sanpaolo IMI	Direct	Full	500	-	-	500

Stock option plan

Implementing the shareholders' resolution passed at the meeting held on July 31, 1998, on February 9, 1999, the Parent Bank's Board of Directors launched a stock option plan, structured as follows:

- *Beneficiaries*: the Managing Directors and 56 top managers within the Group, as identified by the Managing Directors with the Chairman's agreement.
- *Rights decided by the Board of Directors*: 7,000,000 rights to buy 7,000,000 shares.
- *Rights assigned*: 6,772,000, of which 370,000 to each of the Managing Directors and 6,032,000 to the other 56 managers.
- *Duration*: three years from January 1, 1999.
- *Exercising rights*: a third of the rights can be exercised after the shares become ex-dividend for the financial year 1999, another third when they become ex-dividend for the financial year 2000 and the final third when they become ex-dividend for the financial year 2001. Rights not exercised will expire by March 31, 2003.
- *Subscription price*: initially set at 12.7746 Euro, which was the average market price of Sanpaolo IMI shares in the last quarter of 1998; subsequently adjusted to 12.3960 Euro to take account of the real estate spin-off to Beni Stabili in October.
- *Increase in share capital and impact on net equity*: if all 6,772,000 rights were to be exercised, this would lead to an increase in share capital of Euro 19 million (0.48%), booking additional paid-in capital of Euro 65 million.
- *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 Euro

Having successfully completed the first stage of the project, which allowed customers to operate in Euro from January 1, 1999, further steps were taken during the year to offer a series of dual currency Euro/Lira products and services.

The actions expected to take place in 2000-2001 will be essentially to the IT system. They will be geared to introducing the Euro for management reporting purposes, followed by the change-over from the dual currency system

to one with just the Euro. Preparatory work is also taking place on the various aspects connected with introducing Euro banknotes and coins from January 1, 2002, taking into account the recent decision to reduce the period of double circulation.

The charges incurred in implementing this project amount to Euro 43 million, of which 39 million were booked in previous years. The residual charges still to be amortized in future years amount to Euro 15 million.

The Year 2000

The "Year 2000 Project" was completed successfully. The date-change did not involve any sort of inconvenience, thanks to the updates made to the IT systems and to internal equipment. This was also thanks to the involvement and cooperation of suppliers and counterparties and the simulations carried out on all systems considered critical. The project can now be considered closed, although close attention is being kept on the situation for any late manifestations of the millennium bug.

The costs incurred by the Parent Bank for the entire project came to Euro 17 million, of which 6 million were booked in prior years and 11 million in 1999, almost 10 million of which was expensed during the year. In addition, there were approximately 25 man/years of internal labour costs.

The total costs borne by subsidiaries up to the end of 1999 amounted to Euro 11 million.

Self regulation of quoted companies

The Board of Directors of Sanpaolo IMI has announced that it will adhere to the Code of Self-Regulation of Quoted Companies, as recommended by the company that runs the Italian Stock Exchange. Sanpaolo IMI has a system of corporate governance that complies with the requirements of the Code, whose purpose is to guarantee an adequate division of responsibilities and powers, with a proper balance between management and control, in line with best practice in the world's most developed financial markets.

Operating sectors

Organization by business area

The Group has been organized into autonomous business areas, supported and directed by a Corporate Centre. The new structure, adopted at the end of 1998 on completion of the merger between San Paolo and IMI, has been designed to:

- respond effectively to the changing competitive conditions;
- clearly identify the profitability and exposure to risk of each business;
- establish the adequacy of total Group capital and its correct allocation to the business areas;
- make managers strictly accountable for results.

The following business areas have been identified, the activities of which are carried out by the Parent Bank and/or its subsidiaries.

- Commercial Banking
- Large Corporate
- Public Entities and Infrastructure
- Personal Financial Services
- Investment Banking
- Merchant Banking
- Corporate Centre (including treasury operations, loan recovery and the management of equity investments)

The profitability of each area has been determined in terms of RoRAC (Return on Risk Adjusted Capital), i.e. the ratio between income generated by the area and its average economic capital during the period. The latter is quantified with reference to the specific degree of risk using VaR (Value at Risk) statistical criteria.

In order to evaluate the profitability of a given area, the accounting information deriving from the Parent Bank's activities in that area is consolidated with that deriving from the activities of the subsidiaries concerned. 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 area to another;

- the direct costs of each area are determined and parameters are used to apportion the cost of central services except for specific holding company functions.

Economic capital is allocated to each business area according to the following criteria:

- in sectors where business is conducted both by the Parent Bank and by subsidiaries, the average economic capital absorbed by the two is consolidated; the economic capital is calculated according to VaR by type of risk: credit risk, market risk and operational risk.
- In sectors where business is conducted exclusively by subsidiaries, reference is made to accounting net capital.

The difference between the accounting net capital of the Group and the capital absorbed by the sectors is posted to the Corporate Centre.

Particularly prudent criteria were adopted for allocating the Parent Bank's capital to the various business areas. Among these:

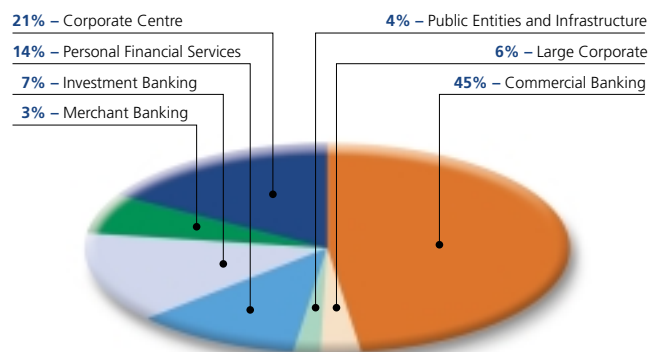
- the exposure of each area to lending and financial risk was calculated at a 99.95% confidence level, consistent with the Group's rating;
- these risks were covered using Tier 1 capital.

The results posted by the various business areas in 1999 are not comparable with the figures shown in the 1998 and interim 1999 financial statements. This is because the Group was organized into business areas at the end of 1998, after completion of the merger between San Paolo and IMI, and it was only during the course of 1999 that the operating perimeters of the various areas, transfer prices and the method of calculating capital absorbed were defined.

1999 results by business area

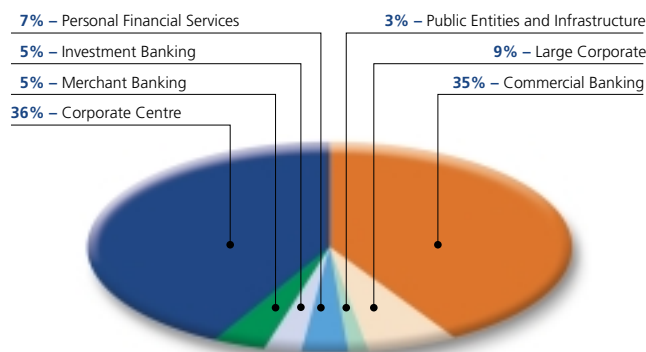
The results of the Group's business areas are summarized in the following table:

Business area	Net income (Euro/mn)	Average economic capital (Euro/mn)	Annualized RORAC (%)
Commercial Banking	468	2,607	18.0
Large Corporate	59	706	8.4
Public Agencies and Infrastructure	41	205	20.1
Personal Financial Services	150	542	27.6
Investment Banking	76	362	20.9
Merchant Banking	36	374	9.6
Corporate Centre	220	2,710	n.s.
Sanpaolo IMI Group	1,050	7,506	14.0



Net income by Area of Business (in %)

The Corporate Centre is responsible for treasury operations, loan recovery and the management of equity investments. Income for the period consists mainly of extraordi-



Economic capital by Area of Business (in %)

nary income from equity investments, totalling about Euro 308 million before taxes.

Commercial Banking

	1999
STATEMENT OF INCOME (Euro/mn)	
Operating income	1,180
Net income	468
AVERAGE ECONOMIC CAPITAL (Euro/mn)	
	2,607
RORAC (%)	
	18.0
12/31/99	
OPERATING FIGURES (Euro/mn)	
Net cash loans to customers	38,264
Funding from customers	164,662
- <i>Direct funding</i>	35,072
- <i>Indirect funding</i>	129,590
- <i>Asset administration</i>	62,125
- <i>Asset management</i>	67,465
- <i>Mutual funds</i>	46,174
- <i>Fund-based portfolio management</i>	10,330
- <i>Portfolio management</i>	5,843
- <i>Life assurance policies</i>	5,118

The Commercial Banking area does business with households, small businesses and SMEs, offering payment services, financing and asset management products.

The area operates in Italy through the Parent Bank's 1,292 branches and abroad via Banque Sanpaolo's 52 branches in Paris, Lyon and the Côte D'Azur, and a 32.5% interest in Inter-Europa Bank, Hungary. Operations are supported by specialized Group companies, mostly active in asset management (Sanpaolo IMI Asset Management, Sanpaolo Vita, Sanpaolo Bank Lux, Sanpaolo Bank Austria, Sanpaolo Fiduciaria and Sanpaolo Gestion Internationale). The area also includes leasing (via Sanpaolo Leasint) and consumer credit (via Finconsumo, which is controlled jointly with Banco Santander Central Hispano).

In the Italian market, the action taken by the Commercial Banking area during 1999 aimed principally at reinforcing the Group's competitive position in offering banking services to households. In this context, the following organizational and commercial actions were made:

- in the asset management field, the main steps were customer segmentation by types of financial asset, the assignment of individual portfolios to specialist opera-

tors, and the adoption of financial planning tools; a new model of financial manager was also developed; and new life products for the private sector were created;

- in the housing loan sector, innovative products were launched, especially various type of flexible mortgage loans, part floating and part fixed rate;
- in services, a new range of bank accounts were made available to customers, featuring greater flexibility and provision of information.

Projects designed to improve loan quality went ahead during the year. The entire lending process at the Parent Bank was redesigned by issuing a new loan policy, introducing a new system for classifying loans and adopting a new form for loan applications and approvals; work on developing a new loan manager computerized workstation was also begun.

Other actions concerned:

- a project to develop operations in the private banking sector;
- an incentive plan for the staff, focusing on targets that include financial results, loan quality, asset management and customer development;
- completion of a project to rationalize the Parent Bank's operating structures, which made it possible to cut about 1,000 posts in the two-year period 1998-99.

Plans for growth on the domestic market were also defined. They will be implemented over the next three years, 2000-2002:

- a project to create a multi-channel distribution system that will allow customers to operate with the bank in an integrate fashion through branches, Internet, the call centre, remote banking, ATMs and POS terminals;
- a plan to open more than 100 lightweight, household-oriented branches by the end of 2001.

Lastly, 1999 saw the concentration in Sanpaolo Fondi, which took the name Sanpaolo Imi Asset Management SGR, of the Italian mutual fund and portfolio management businesses on behalf of the customers of the Group's bank branches.

On the Italian market, these steps assisted the 30% growth in various types of asset management, totalling Euro 62,524 million at the end of December. Net loans came to Euro 34,971 million. Two figures that stand out are the increase in property loans to the retail sector, thanks to disbursements of Euro 1,750 million, and in personal loans, up 40%.

On the French market, the policy of rapid commercial expansion in the retail field implemented by Banque Sanpaolo led to a substantial increase in asset management schemes, up 27%, and in retail mortgages, up 36%.

Commercial Banking has in fact offset the expected decline in money-management margins caused by the drop in customer spreads with the flow of commissions coming from rising volumes of asset management and with the reduction in provisions and adjustments for bad loans; operating costs are also down. Net income came to Euro 468 million, accounting for more than half of total Group net income before extraordinary items; Commercial Banking's profitability was 18%.

The results of the individual companies making up this Area were positive; in particular, Banque Sanpaolo closed the year with net income of around Euro 45 million, up 11%.

Large Corporate

	1999
STATEMENT OF INCOME (Euro/mn)	
Operating income	131
Net income	59
AVERAGE ECONOMIC CAPITAL (Euro/mn)	
	706
RORAC (%)	
	8.4
12/31/99	
OPERATING FIGURES (Euro/mn)	
Net cash loans to customers	20,688

The Large Corporate Area provides loans and other banking services to big companies. In Italy, the Area handles the Bank's operations on behalf of groups with sales of more than Lire 1,000 billion, through a number of central units plus six area offices. Foreign operations are conducted via the Parent Bank's 11 branches and 11 representative offices abroad, as well as through Sanpaolo IMI Bank Ireland.

In 1999, the Large Corporate Area's operations on the Italian market were carried out in a scenario of declining net interest income caused by the trend on financial markets. In addition, there was rising competition from foreign institutions, as well as the continuing tendency on the part of large groups to reduce their bank loans as part of the recomposition of their liabilities. Given this situation, the Area followed a policy of limiting the absorption of capital

and developing fee-based services. The Area also refined its lending procedures, using internal ratings and adopting pricing systems that better reflect the degree of risk and capital employed.

On foreign markets, the Large Corporate Area reorganized its activities during the year, identifying three main branches, New York, London and Tokyo, to handle operations in their respective areas. This was a preparatory step prior to the selective development of the corporate business envisaged for the next three years: the model that has been chosen is that of the local specialist, choosing the countries and sectors in which to operate, with a view to offering customers integrated products in corporate lending and investment banking.

In 1999, this Area made net income of Euro 59 million and profitability of 8.4%. Loans over the twelve months showed varying trends depending on the type of clientele: strong growth in foreign corporate business, while in Italy volumes were defended.

Public Agencies and Infrastructures

	1999
STATEMENT OF INCOME (Euro/mn)	
Operating income	78
Net income	41
AVERAGE ECONOMIC CAPITAL (Euro/mn)	
	205
RORAC (%)	
	20.1
12/31/99	
OPERATING FIGURES (Euro/mn)	
Net cash loans to customers	10,728

The Public Agencies and Infrastructure area provides financial services to public-sector organizations (notably, the financing of capital projects and major infrastructure schemes). In addition to the lending activity, the Group also provides specialized services, such as help in structured finance operations or advice in the transformation of municipal utilities or public agencies into limited companies.

Since Crediop is no longer under Group control, operations are conducted by a central department of the Parent Bank, which deals directly with major customers. Relations with smaller customers are coordinated via the domestic branch network of the Commercial Banking Area.

The Area has worked during the year to strengthen its leadership of the public-works financing sector, in which the Group has a 16% market share. Demand rose steadily during the period, as did competition from Italy and abroad. Lending volumes, including business abroad, saw disbursements of Euro 3,000 million (of which Euro 350 million of endorsement credits), mostly represented by loans to be repaid by the government.

Consistent with budget guidelines, the area has sought to expand operations by exploiting synergies with the Commercial Banking branch network. Against the decline in margins multi-product packages including consulting services and assistance with the issue of securities were also offered. This area also acts as global advisor for the transformation into limited companies of municipal utilities and public agencies.

The Group embarked on a project to spin off this area into a dedicated company, identified in IMI Lease, with a view to maximizing its flexibility.

Net income for the year was Euro 41 million, with a return of 20.1%. There was a sharp rise in loans in the latter part of the year, thanks mainly to interventions in favour of local bodies.

Personal Financial Services

	1999
STATEMENT OF INCOME (Euro/mn)	
Operating income	225
Net income	150
AVERAGE ECONOMIC CAPITAL (Euro/mn)	
RORAC (%)	27.6
<hr/>	
	12/31/99
OPERATING FIGURES (Euro/mn)	
Funding from customers	54,493
- Direct funding	3,014
- Indirect funding	51,479
- Asset administration	8,472
- Asset management	43,007
- Mutual funds	29,844
- Fund-based portfolio management	7,506
- Portfolio management	274
- Life assurance policies	5,383

Banca Fideuram and Sanpaolo Invest, which constitute the Personal Financial Services Area, distribute financial services through their networks of financial consultants. The market mainly consists of personal customers and small business owners with a medium-to-high savings potential.

Banca Fideuram and Sanpaolo Invest, which respectively deploy 3,509 and 1,356 financial consultants, constitute Italy's largest network of such professionals. Banca Fideuram operates through a number of specialized asset-management companies (Fideuram Fondi, Fideuram Vita, Fideuram Capital, Fideuram Gestions, Fonditalia, Fideuram Bank Lux, Fideuram Fiduciaria, Fideuram GPM, Interfund Advisory, ISAC, Fideuram Assicurazioni, Fideuram Fund and Turis). Sanpaolo Invest currently works with the product companies belonging to the Commercial Banking Area.

During the year, the area worked to strengthen its leadership in the Italian market, in a sector that offers considerable potential for creating shareholder value.

In particular, Banca Fideuram implemented the following projects:

- reinforcement of the distribution network, adding 341 new consultants;
- consolidation of the product range by introducing the Fondo Pensione Fideuram, Fideuram Fund (a Luxembourg-based multisector fund), and Fideuram Unit Linked, an insurance product;
- completion of the Personal Financial Planning system and development of new planning models;
- a stock option plan;
- foreign expansion in the field of private banking, setting up Fideuram Bank Lux in Luxembourg and opening two representative offices in Switzerland;
- a project to use Internet as a network-support tool.

Sanpaolo Invest revised its business mission with a project that envisages:

- transformation of the company into a bank, independent from the Parent Bank from an organizational point of view;
- the creation of a range of asset management, hedging and other products dedicated to the network (including the formation of Sanpaolo Invest Ireland Ltd.);
- the provision of on-line services to customers;
- upgrading of central information services and those used by the financial consultants;
- expansion of the network of financial planners and their retention, via a profit-sharing scheme.

Together, Banca Fideuram and Sanpaolo Invest showed net income of Euro 150 million and profitability of 27.6%. The increase in net income compared with 1998 was only 4.2% because of the considerable investments that had to be made during the period; the benefits will be felt from 2000 onwards. Banca Fideuram made net income of Euro 158 million, contributing Euro 129 million to the Group result (as Sanpaolo IMI holds 74%). Sanpaolo Invest made net income of Euro 21 million.

The Personal Financial Services Area achieved a 41% increase in customer funds under management during the year. These now total Euro 43,007 million. Mutual funds grew by 33%, portfolio management schemes by 134% and insurance products by 15%. By the end of the year, equity funds had risen to 53% of total mutual funds.

Investment Banking

	1999
STATEMENT OF INCOME (Euro/mn)	
Operating income	122
Net income	76
AVERAGE ECONOMIC CAPITAL (Euro/mn)	362
RORAC (%)	20.9
<hr/>	
	12/31/99
OPERATING FIGURES (Euro/mn)	
Dealing volumes of Banca IMI S.p.A.	1,670,840
- trading	550,013
- sales	35,840
- repurchase agreements	1,068,123
- placements	16,864

The Investment Banking Area handles trading on own and third party account. It also raises equity and debt capital for corporate customers, and advises on corporate finance matters. These activities are conducted by Banca d'Intermediazione Mobiliare (Banca IMI) and by its subsidiaries.

During the period, the area was involved in the reorganization resulting from the merger between San Paolo and IMI, by which all of the Group's investment banking activities will be handled by Banca IMI. More

specifically, the following transactions took place:

- the London branch of Banca IMI opened, having taken over the brokerage activities previously conducted by IMI Sigeco (UK) and by the Parent Bank's branch in London;
- Banca IMI Securities Corp., previously Mabon Securities Corp., a subsidiary of Banca IMI, took over the investment banking activities formerly carried out by the Parent Bank's branch in New York;
- Banca IMI took over Intersim's brokerage activities on the Italian market.

During the year, Banca IMI reinforced its position in the field of financial brokerage both in Italy and abroad. Banca IMI also increased its advisory activities in mergers and acquisitions and consolidated its leadership on the domestic market in the field of bond and equity placements. Towards the end of the year, Banca IMI launched IMIWEBTRADER, an on-line trading service, through the subsidiary @IMIWEB (formerly Intersim).

The net income made by Banca IMI and its subsidiaries in 1999 came to Euro 76 million, with profitability of 20.9%.

Merchant Banking

	1999
STATEMENT OF INCOME (Euro/mn)	
Operating income	81
Net income	36
AVERAGE ECONOMIC CAPITAL (Euro/mn)	374
RORAC (%)	9.6
<hr/>	
	12/31/99
OPERATING FIGURES (Euro/mn)	
Merchant banking investments	125
Other investments	307

The Merchant Banking Area acquires and grooms minority interests with a view to generating capital gains on their subsequent divestment. It pursued its activities during the first nine months via specialized staff employed by the Parent Bank, and for the rest of the year through NHS-Nuova Holding Subalpina. In both cases, the activity was also pursued through LDV Holding, a subsidiary based in Holland.

Net income for the year was Euro 36 million, mainly thanks to the capital gains of Euro 29 million made on the sale of its merchant banking investments, and trading profits of Euro 33 million. The return was 9.6%, without taking into account unrealized capital gains on the equity investment portfolio.

Significant merchant banking investments were made during the year, with an outlay of Euro 89 million. The main ones involved: a minority holding in Azimut, a shipbuilding company (Euro 31 million); a minority interest in UTET, the holding company of the UTET publishing group (Euro 19 million); 26.7% of Nuova Strategia (Euro 13 million) which launched a successful takeover bid for Deroma Holding, the Veneto-based leader in the production of terracotta vases. In early 2000, this Area made another investment for Euro 21 million in the Camuzzi Group, which operates in the fields of energy production and distribution, urban waste disposal and the whole of the water cycle.

In the advisory field, the Area was appointed as lead adviser for the Hermes consortium, headed by the Benetton, Pirelli and Caltagirone Groups, taking part in the competitive bidding for control of Aeroporti di Roma.

Significant investments were also made in listed companies for a total of Euro 86 million, buying shares in Tecnost (Euro 50 million), ENEL (Euro 20 million) and SNIA (Euro 16 million).

In September, the Area was reinforced thanks to a strategic partnership with Compagnia di San Paolo. This entailed setting up a new company, called NHS-Nuova Holding Subalpina, in which Sanpaolo IMI injected the Group's activities in the sector and in which it has a 51% stake. NHS-Nuova Holding Subalpina has funds of more than Euro 750 million. These considerable financial resources, an important capacity for origination, and the complementary nature of its activities and the products and services offered by the Group will allow it to take on a leading role in Italy in the field of private equity and a primary role in public utilities. This initiative will be accompanied by the formation in early 2000 of a foreign closed-end fund worth Euro 120 million with NHS acting as sponsor. The fund will make investments in medium-sized manufacturing companies.

Corporate Centre

	1999
STATEMENT OF INCOME (Euro/mn)	
Operating income	168
Net income	220
AVERAGE ECONOMIC CAPITAL (Euro/mn)	
	2,710
	12/31/99
OPERATING FIGURES (Euro/mn)	
Investments in companies not consolidated on a line-by-line basis	2,165

The Corporate Centre exercises the usual holding company functions (strategic direction, supervision, administration and investor relations) and provides supporting services to the Parent Bank (systems and organization, back-office management, logistics, purchasing and management of real estate holdings). The Corporate Centre also carries out treasury operations, collects non-performing loans and manages minority equity investments.

Most of the Corporate Centre's net income for the period came from extraordinary gains on equity investments (about Euro 308 million before taxes), following the sale of interests in Crediop (20%) and Telecom Italia.

Treasury

The Parent Bank's treasury activities have been geared towards maintaining a low risk profile. Special care has been taken in the management of fixed-rate positions, given the gradual rise in long-term interest rates throughout the period.

The Treasury Italy department took over the handling of interbank relationships in the Eurozone currencies. Greater use was made of European banks than in the past, and of Group funding vehicles operating in international markets.

Loan recovery (Workout)

Activity focused on maximizing recoveries and reducing the level of the non-performing loans recorded by the Parent Bank and Sanpaolo Immobiliare, using a staff of more than 200 people located throughout the country.

Non-performing loans totalling Euro 560 million were recovered during the year, with gains of Euro 125 million representing the difference between collections and the written-down value of the related loans. Including write-downs, net non-performing loans at the start of the year decreased by 36.9% to Euro 1,201 million. New positions amount to Euro 401 million, 30.7% less than in 1998. The year-end balance amounted to Euro 1,602 million, a reduction of 15.8%.

The Area is currently working on a securitization deal for the assignment without recourse of non-performing property loans. The operation will concern almost 40,000 positions that have a net book value of Euro 700 million. The operation will be concluded over the next few months at a price that is expected to be in excess of the book value of the loans.

This transaction will enable the Bank to reduce future legal costs and to free up staff that could be used to recover other positions and to further improve credit control. As a result of this operation, the proportion of non-performing loans to total loans will fall from the reported 2.3% to a little more than 1%.

Equity investments

The management of equity investments, which was especially intensive during the period, has been discussed in a separate section of this report.

Real estate (spin-off)

In October, the Group completed the spin-off of part of its real estate assets. This involved assets of Euro 700 million, made up principally of buildings not used for business purposes, property investments and related receivables.

These assets were transferred to Beni Stabili, a subsidiary, which was listed on the Stock Exchange. As a result of the spin-off, the Parent Bank kept a 16% minority holding in Beni Stabili, while the remaining 84% was allocated directly to the shareholders of Sanpaolo IMI. The share capital of Sanpaolo IMI was reduced as a result from Euro 4,345 to 3,932 million.

Sanpaolo IMI's 16% investment in Beni Stabili was subsequently increased to 18%, buying shares on the market, this being the level at the end of the year. In early 2000, the investment in Beni Stabili was reduced to 16.8%.

Significant events after the year end

Economic background

The developments in the world economy in early 2000 appear to be in line with the trends seen in the second half of 1999: a recovery on the part of emerging countries, a weak economy in Japan, sustained growth in the United States, and an improvement in the Eurozone.

In the first few months of the year, the US and European central banks raised their policy rates in two steps by 50 basis points, confirming a tendency to tighten monetary policy. Three month interest rates on futures expiring in June and December 2000 show market expectations of further rises in the reference rates, both in the United States and in Europe, during the course of the year.

Since the start of the year, forward cycle indicators herald an acceleration in the Eurozone's economic recovery, especially in Germany and Italy. Estimates of growth in Italy's GDP for 2000 were marked up recently by the main research centres to 2.5%. The economy should benefit from stronger internal demand on the part of companies and households, and from stronger export demand.

Group performance in the first two months of the current year

In the first two months of the current year, the Group has performed well. An upward trend in revenues has improved net income and other banking income as well as operating income.

Commission growth has been substantial, thanks to the contribution from asset management, the equity component in particular. Customer assets under management rose to more than Euro 116,000 million by the end of February, an increase of 32% year on year and 6% from the start of the current year.

Net interest income is still showing negative growth, but there is a distinct improvement since the start of the year, thanks to the favourable trend in the spread and the volumes handled on behalf of customers.

Programmed investments are reflected in higher administration costs incurred by Group companies. However, the Parent Bank's operating costs are declining.

Lastly, the improvement in asset quality has made it possible to reduce provisions and adjustments on loans.

Future prospects

The Group's prospects for 2000 are good: net income is expected to be up on 1999, thanks to the favourable trend in commissions, a better interest margin and continuation of the virtuous circle in provisions and adjustments on loans. And this, notwithstanding the considerable investments being planned in the Group's major growth area, which will see fruit in future years.

Turin, March 28, 2000

The Board of Directors



Report of the Independent Auditors on the consolidated financial statements pursuant to Article 156 of Legislative Decree 58 of February 24, 1998

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino

To the shareholders
of Sanpaolo IMI S.p.A.:

1. We have audited the consolidated financial statements of Sanpaolo IMI S.p.A. and subsidiaries as at December 31, 1999. The responsibility for the consolidated financial statements rests with the managing directors. Our responsibility is the professional judgement expressed on the consolidated financial statements and based on the audit.
2. Our examination has been conducted according to the auditing standards and procedures recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB"). In accordance with these standards and procedures, the audit has been planned and effected to identify every item necessary to ascertain that the consolidated financial statements are free of significant errors and are together reliable. The audit includes the examination, on the basis of sampling checks, of supporting items and information included in the financial statements, as well as the evaluation of the adequacy and correctness of the accounting principles used and of the reasonable nature of the estimates made by the managing directors. We consider that the work undertaken provides a reasonable basis for the our professional judgement.

The financial statements of subsidiary and affiliated companies which represent respectively 26.8% of consolidated assets and 24.6% of consolidated net interest and other banking income have been examined by other auditors who have provided us with their reports. Our judgement, expressed in this report, is also based on the audits conducted by other auditors with regard to the amounts concerning companies included in the scope of consolidation.

For our judgement on the consolidated financial statements for the previous year, whose data are presented for comparison as required by law, reference is made to our report dated April 6, 1999. In order to facilitate comparison with the consolidated financial statements as at December 31, 1999, the pro forma consolidated financial statements as at December 31, 1998 are presented excluding Crediop from the scope of full consolidation; the principles adopted are described in the consolidated explanatory notes.

3. In our judgement, the consolidated financial statements of Sanpaolo IMI S.p.A. and its subsidiaries as at December 31, 1999 confirms to the rules which govern the principles of exposition; as such, they have been presented clearly and furnish a true and correct account of the balance sheets and income statements of the company and its subsidiaries.



Page 2

4. For further elucidation of the consolidated financial statements, attention is directed to the following significant facts described in greater detail in the report on operations and consolidated explanatory notes:

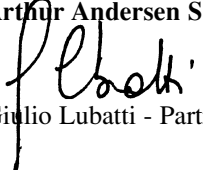
- In determining the reserve for taxes and duties, Sanpaolo IMI S.p.A. has taken account of the incentives envisaged by Law 461 of 1998 (the “Ciampi Law”) and Legislative Decree 153 of 1999. The application of the incentives has however been effected using prudential criteria to assess the amount of the benefit. Furthermore, as a result of the incentives, an average proportion inferior to that theoretically available has been used to calculate prepaid taxes concerning future years and lower prepaid taxes have therefore been required.

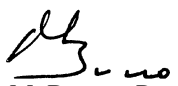
As required by CONSOB (27052 of April 7, 2000) Sanpaolo IMI S.p.A. announced that the incentives of the Ciampi Law have been suspended and noted that any net benefit not to be taken (approximately Euro 13 million as prudently calculated) is covered in the provision for taxes and duties for current and potential tax disputes.

- In the course of the year, 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.

Turin, April 10, 2000

Arthur Andersen S.p.A.


Giulio Lubatti - Partner


Mario M. Busso - Partner

Consolidated Financial Statements

BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

(millions of Euro)

ASSETS	12/31/99	12/31/98	12/31/1998 (pro forma)
10. Cash and deposits with central banks and post offices	528	421	421
20. Treasury bills and similar bills eligible for refinancing with central banks	3,332	5,949	5,931
30. Due from banks:	22,144	23,093	22,458
a) repayable on demand	3,115	3,458	3,622
b) other deposits	19,029	19,635	18,836
40. Loans to customers	73,174	86,889	72,968
including:			
- loans using public funds	47	67	67
50. Bonds and other debt securities	13,605	18,573	16,774
a) public entities	7,369	12,791	11,396
b) banks	3,959	4,007	3,713
including:			
- own bonds	1,392	1,449	1,182
c) financial institutions	632	388	278
including:			
- own bonds	10	-	-
d) other issuers	1,645	1,387	1,387
60. Shares, quotas and other equities	1,443	1,200	1,196
70. Equity investments	2,899	941	901
a) carried at equity	395	191	188
b) other	2,504	750	713
80. Investments in Group companies	448	380	771
a) carried at equity	448	380	771
90. Goodwill arising on consolidation	7	11	11
100. Goodwill arising on application of the equity method	51	48	48
110. Intangible fixed assets	267	302	296
including:			
- start-up costs	2	3	2
- goodwill	17	35	35
120. Tangible fixed assets	1,120	1,669	1,606
140. Own shares (par value Euro 81 million)	357	5	5
150. Other assets	16,199	13,439	13,707
160. Accrued income and prepaid expenses	4,649	5,369	4,431
a) accrued income	4,435	4,503	4,217
b) prepaid expenses	214	866	214
including:			
- discounts on bond issues	8	60	13
Total assets	140,223	158,289	141,524

The pro forma consolidated financial statements as of December 31, 1998 have not been audited.

		(millions of Euro)		
LIABILITIES AND SHAREHOLDERS' EQUITY		12/31/99	12/31/98	12/31/1998 (pro forma)
10.	Due to banks	28,012	27,763	25,141
	a) repayable on demand	3,151	3,899	3,501
	b) time deposits or with notice period	24,861	23,864	21,640
20.	Due to customers	43,189	45,117	45,057
	a) repayable on demand	31,818	27,361	27,301
	b) time deposits or with notice period	11,371	17,756	17,756
30.	Securities issued	35,718	52,211	39,373
	a) bonds	23,643	38,437	25,897
	b) certificates of deposit	9,090	12,059	11,761
	c) other	2,985	1,715	1,715
40.	Public funds administered	50	69	69
50.	Other liabilities	15,715	14,710	14,543
60.	Accrued expense and deferred income	5,154	5,605	5,077
	a) accrued expense	4,827	5,234	4,754
	b) deferred income	327	371	323
70.	Provision for termination indemnities	438	436	431
80.	Provisions for risks and charges	1,483	1,786	1,619
	a) pensions and similar commitments	62	66	66
	b) taxation	1,029	1,320	1,178
	c) other	392	400	375
90.	Reserve for possible loan losses	29	19	19
100.	Reserve for general banking risks	361	359	359
110.	Subordinated liabilities	1,524	1,511	1,382
120.	Negative goodwill arising on consolidation	15	20	15
130.	Negative goodwill arising on application of the equity method	199	40	166
140.	Minority interests	539	394	145
150.	Capital	3,926	4,345	4,345
170.	Reserves	2,821	2,995	2,874
	a) legal reserve	792	869	869
	b) reserve for own shares	357	5	5
	d) other reserves	1,672	2,121	2,000
200.	Net income for the year	1,050	909	909
Total liabilities and shareholders' equity		140,223	158,289	141,524
GUARANTEES AND COMMITMENTS		12/31/99	12/31/98	12/31/1998 (pro forma)
10.	Guarantees given:	11,045	11,024	11,465
	<i>including:</i>			
	- acceptances	132	154	154
	- other guarantees	10,913	10,870	11,311
20.	Commitments	18,028	19,984	18,355

The pro forma consolidated financial statements as of December 31, 1998 have not been audited.

CONSOLIDATED STATEMENT OF INCOME

(millions of Euro)

	1999	1998	1998 (pro forma)
10. Interest income and similar revenues	5,966	9,981	8,642
<i>including from:</i>			
– loans to customers	4,324	6,810	5,672
– debt securities	915	1,661	1,610
20. Interest expense and similar charges	-3,934	-7,330	-6,219
<i>including on:</i>			
– deposits from customers	-909	-1,598	-1,593
– debt securities	-1,847	-3,594	-2,636
30. Dividends and other revenues	250	144	143
a) from shares, quotas and other equities	148	118	118
b) from equity investments	102	26	25
40. Commission income	2,587	2,230	2,227
50. Commission expense	-530	-479	-473
60. Profits (losses) on financial transactions	103	206	198
70. Other operating income	224	224	225
80. Administrative costs	-2,466	-2,495	-2,466
a) personnel	-1,534	-1,543	-1,526
<i>including:</i>			
– wages and salaries	-1,097	-1,103	-1,091
– social security charges	-365	-367	-364
– termination indemnities	-69	-70	-69
– pensions and similar commitments	-3	-3	-2
b) other	-932	-952	-940
90. Adjustments to intangible and tangible fixed assets	-293	-307	-302
100. Provisions for risks and charges	-81	-125	-100
110. Other operating expenses	-40	-51	-51
120. Adjustments to loans and provisions for guarantees and commitments	-664	-780	-779
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	361	254	254
140. Provisions to the reserve for possible loan losses	-10	-6	-6
150. Adjustments to financial fixed assets	-89	-67	-67
160. Writebacks of adjustments to financial fixed assets	2	-	-
170. Income (losses) from investments carried at equity	118	82	148
180. Income from operating activities	1,504	1,481	1,374
190. Extraordinary income	367	223	176
200. Extraordinary expenses	-73	-64	-56
210. Extraordinary items, net	294	159	120
230. Change in reserve for general banking risks	-1	-8	-8
240. Income taxes	-685	-630	-534
250. Minority interests	-62	-93	-43
260. Net income for the year	1,050	909	909

The pro forma consolidated financial statements as of December 31, 1998 have not been audited.

Explanatory notes to the Consolidated Financial Statements

Introduction - Background information on the Consolidated Financial Statements

- Form and content of the consolidated financial statements
- Translation of the share capital into Euro
- Scope of consolidation
- Financial statements used for consolidation
- Consolidation principles
- Audit of the consolidated financial statements
- Basis for the pro forma financial statements of the San Paolo IMI Group for 1998 to exclude Crediop from the line-by-line consolidation

Part A - Accounting policies

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

Part B - Consolidated balance sheet

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

Part C - Consolidated statement of income

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

Part D - Other information

- Section 1 – Directors and Statutory Auditors

Introduction - Background information on the Consolidated Financial Statements

Form and content of consolidated financial statements

The Bank's consolidated financial statements for 1999 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. All matters not covered by specific legislation will be regulated by the provisions of the Italian Civil Code and making reference to Italian accounting principles.

The consolidated financial statements comprise the consolidated balance sheet, the consolidated statement of income and these explanatory notes, together with the report of the Board of Directors on the results of operations for the year.

Pursuant to art. 16, para. 3 of Legislative Decree 213/98, effective from December 31, 1999 the Bank has opted for the Euro as its reporting currency, for the preparation of all compulsory accounting documents for publication. The financial statements for 1999 have therefore been prepared in Euro. More specifically, in line with the regulations issued by the Bank of Italy and by Consob, the accounting tables and the explanatory notes are expressed in millions of Euro (1 Euro = 1,936.27 lire).

The explanatory notes are presented with comparative figures taken from pro forma information prepared for the SANPAOLO IMI Group as of December 31, 1998 (for further information see paragraph "Comparison with 1998 consolidated financial statements"). These notes provide all the information required by law, including any additional data considered necessary to give a true and fair view of the financial and operating situation of the Group. 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.

The following schedules are attached to the consolidated financial statements:

- Statement of changes in consolidated net shareholders' equity;
- Statement of consolidated cash flows;
- Statement reconciling the Bank's financial statements with the consolidated financial statements.

Conversion of the share capital into Euro

In line with the decision to adopt the Euro as its reporting currency, the Parent Bank also converted its share capital into Euro. The Bank adopted the "simplified" procedure (i.e. by means of a board resolution rather than the Shareholders' Meeting). The "simplified" procedure can be used in those cases when the par value of the shares is rounded up to the nearest cent of Euro. The conversion resulted in:

- a par value of Euro 2.8;
- reduction of the share capital by approximately Euro 6 million (Lire 11.8 billion), increasing the legal reserve by the same amount.

Following the conversion, the Bank's share capital amounts to Euro 3,926,117,854.4, made up of 1,402,184,948 ordinary shares of par value Euro 2.8 each; the legal reserve amounts to Euro 792,561,421.3.

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. (Parent Bank), the Banking Group comprises the directly and indirectly controlled subsidiaries of the former which carry out banking, finance or other activities which complement those of the Bank.

The following changes affected the scope of line-by-line consolidation as of December 31, 1999 as compared to December 31, 1998:

- exclusion of Crediop (and its subsidiaries, Crediop BV, Crediop Overseas Bank and C.Fin) as the Group no longer holds a controlling interest, following the disposal of a 20% interest;
- exclusion of Imigest Immobiliare (and its subsidiaries Tradital and Immobiliare Italia Gestioni) as this company forms part of the real estate sector which SANPAOLO IMI S.p.A. has spun off;

and the inclusion of:

- Nuova Holding Subalpina, a merchant bank, which is now 51% controlled following conferral of the Parent Bank's merchant banking business;
- Fideuram Gestions S.A. set up in October 1999 by the subsidiary Banca Fideuram.

The subsidiary Finconsumo S.p.A. was consolidated on a proportional basis, given a situation of joint control.

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).

Companies consolidated on a line-by-line basis and investments carried at equity are listed in Part B, Section 3 of these explanatory notes.

Financial statements used for consolidation

The financial statements used for the consolidation are those prepared as of December 31, 1999, and approved by the competent bodies. They have been 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 principles consistent with Group accounting policies.

In the case of investments carried at equity, the financial statements used for valuation were the latest set of financial statements or draft accounts available for each company

Consolidation principles

The main consolidation principles adopted are as follows:

The book value of investments in consolidated companies, held by the Bank or other Group companies, is eliminated against the corresponding portion of the Group's share of shareholders' equity, on a line-by-line basis. The assets and liabilities of these investments are consolidated. 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 controlling interest was acquired. Where possible, any differences arising are allocated to the assets and liabilities of the related consolidated companies, or, for the quota attributable to the Group on the basis of the application of equity ratios, to "negative or positive goodwill" arising on consolidation, depending on whether the value of the investment is lower or higher than the shareholders' equity.

In detail, the elimination of the book value of the investments against the corresponding portion of the shareholders' equity is carried out:

- 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 subsequently, 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 December 31, 1998 (accounting date for the merger of Sanpaolo and IMI). However, in the interests of better disclosure, the "negative goodwill arising on consolidation" has been booked to the various shareholders' equity captions, in line with what had been done in the financial statements of the former IMI Group, instead of being booked to the caption "negative goodwill arising on consolidation" (see Part B – Section 8 of these explanatory notes).

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. Positive goodwill not offset against negative goodwill is amortized over a period of five years or over different periods depending 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 consolidated companies are eliminated.

Audit of the consolidated financial statements

The Bank's consolidated financial statements, as well as the Parent Bank's financial statements, are audited by Arthur Andersen S.p.A., in accordance with the shareholders' resolution dated April 30, 1998, which appointed them as auditors for the three-year period 1998-2000.

Basis for the pro forma financial statements of the SANPAOLO IMI Group for 1998

For the sake of comparability, the financial statements as of December 31, 1998 are presented in a pro forma version that excludes Crediop from the scope of consolidation. The pro forma statements have not been audited by an external auditing firm: The pro forma statements have been prepared eliminating from every caption of the 1998 consolidated financial statements the contribution made by Crediop and its subsidiaries, consolidated on a line-by-line basis; the investment in Crediop was then valued under the equity method and included in the asset caption 80 "Investments in Group companies – carried at equity". After application of this method the pro forma consolidated net income and shareholders' equity remain the same as the official ones, as published.

In line with what has been implemented in the 1999 half-year report, the pro forma financial statements report deferred tax assets under the caption "other assets" and not under "prepaid expenses", in compliance with the Bank of Italy's instructions of August 3, 1999.

Part A - Accounting Policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

These policies are consistent with those applied as of December 31, 1998.

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 has been 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." This change was already implemented in the half-year report for 1999.

Loans, guarantees and commitments

Loans

Loans, including 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 of doubtful loans.

In particular:

- 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, 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 banking association. In addition, specific positions 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. General adjustments to performing loans are calculated on a historical-statistical basis, taking into consideration

the average percentage of previously performing loans which became problem loans during the last four years. This percentage was then applied to the total of performing loans at the end of the year to determine the percentage of performing loans which, based on historic experience, 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 this total.

The present value adjustments reflect the difference between:

- estimated realizable value; or
- the discounted 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, using estimates and general statistics deriving from historical data and studies of the business sectors concerned.

With regard to the discounting rate at December 31, 1999, the Bank has used a reference rate of 5.96%, as applied at the end of 1998. This rate is deemed to reflect the best approximation of the original average yield on the problem 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 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 deriving from financing and deposit contracts

These are recorded at the amount disbursed. The difference between the amount of the loan granted to a cus-

tomers 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 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. Guarantees given also include the nominal values of the credit derivative swaps, for which the Group has taken on the credit risk.

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

Investment securities

Investment securities, due to be held long term by the Bank as stable investments, are valued at cost, as adjusted by accrued issue discounts and accrued dealing discounts (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, except where suitable guarantees are available. 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, determined with reference to quoted securities with similar characteristics. The original value of such 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. 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 not consolidated on a line-by-line basis or carried at equity are stated at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and, where available, market prices. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Dividends from investments that are not consolidated line-by-line or carried at equity are recorded, gross of related tax credits, in the period in which they are collected.

Own shares

Own shares purchased by the Parent Bank are valued at cost, determined according to the "average daily cost" method. The Parent Bank's shares purchased by subsidiaries for normal dealing purposes are valued at market value, namely the official year-end price.

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 using the spot exchange rates applying at period-end. Equity investments funded in lire and denominated in foreign currencies subject to local exchange-control restrictions (non-convertible currencies) are stated 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.

Repair and maintenance expenses that do not enhance the value of the related assets are charged against income as 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 and on the merger of Crediop - Credito per le Imprese e le Opere Pubbliche in 1995, net of the portion allocated to reflect more closely the value of the related assets, are amortized on a straight-line basis. Amortization is provided over a period of ten years in the case of Banca Provinciale Lombarda and Banco Lariano, and over five years with regard to Crediop. 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 employment 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

The accumulated provisions under this heading relate to supplementary pensions for the retired employees of former IMI S.p.A.. The contingency arising in this connection is assessed 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 income taxes and the regional tax on business activities, taking account of taxes applicable in the countries in which branches operate, deferred taxation, and outstanding or potential fiscal disputes.

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. 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 exceeding general writedowns fiscally allowed).

Deferred tax liabilities are calculated 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. 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.

In years when deductible timing differences are higher than taxable timing differences, the resulting net deferred tax asset is booked to the balance sheet under caption 150 – Other assets – and deducted from income taxes payable.

In years when taxable timing differences are higher than deductible timing differences, the resulting deferred tax liability is booked to the balance sheet under sub-caption 80.b – Provisions for risks and charges – taxation, and added to income taxes payable.

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.

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 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.

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. 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.

The provision for other personnel charges comprises:

- provisions made by the Parent Bank, on the basis of an independent actuarial report, in order to cover unfunded pension liabilities in the Cassa di Previdenza del Personale (Employee Pension Fund), the legally independent compulsory general insurance supplementary reserve as well as provisions for contributions that may be due in relation to the personnel of the Parent Bank;
- provisions made on a mathematical/actuarial basis to set up the technical reserve needed to cover long-service bonuses payable when staff celebrate twenty-five and thirty-five years of employment with the Bank.

Reserve for general banking risks

This reserve covers the general business risks of the Bank and, as such, forms part of stockholders' 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. No adjustments connected with accruals and deferrals have been made directly to the balance sheet captions concerned.

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. 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") is 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 and/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 off-balance sheet items, the hedging objective is achieved via the use of asset and liability management techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- a) intent to enter into a hedge;
- b) high degree of correlation between the technical and financial characteristics of the assets 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 period 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 lia-

bilities 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, depending on their nature. If, on the other hand, the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated are treated as “Profits (losses) on financial transactions”. More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest, if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits (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, and they are responsible for their own results.

The desks serve as counterparties to other desks (which are also autonomous from an accounting point of view) that are

not authorized to deal in the market, by means of internal deals in derivatives at market prices. The non-specialized desks initiate these internal deals mainly for hedging purposes.

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

Settlement date

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

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

Adjustments recorded solely for fiscal purposes 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.

In particular, the net income and shareholders' equity of Crediop S.p.A., consolidated using the equity method, have been increased to reflect provisions for loan losses, net of the related tax effect.

Part B - Consolidated Balance Sheet

SECTION 1 - LOANS

The Group's loan portfolio is analyzed below by type of counterparty:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Due from banks (caption 30)	22,144	22,458	-1.4
Loans to customers (caption 40)	73,174	72,968	+0.3
Total	95,318	95,426	-0.1

Due from banks (caption 30)

Amounts due from banks include:

Detail of caption 30 "Due to banks" (table 1.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) deposits with central banks	668	596	+12.1
(b) bills eligible for refinancing with central banks	-	-	-
(c) finance leases	-	-	-
(d) repurchase agreements	5,429	7,579	-28.4
(e) securities loaned	102	42	+142.9

Deposits with central banks as of December 31, 1999 represent the compulsory reserve with the Bank of Italy, Euro 633 million (Euro 593 million as of December 31, 1998).

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.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Bills eligible for refinancing with central banks	-	-	-
(b) Finance leases	1,579	1,331	+18.6
(c) Repurchase agreements	1,796	4,829	-62.8
(d) Securities loaned	7	73	-90.4

“Secured loans to customers”, excluding those granted directly to Governments or other public entities, amount to Euro 9,940 million (Euro 8,839 million as of December 31, 1998), and are detailed as follows:

Secured loans to customers (table 1.3 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Mortgages	17,266	16,772	+2.9
b) Pledged assets:			
1. cash deposits	328	256	+28.1
2. securities (*)	2,990	6,510	-54.1
3. other instruments	158	792	-80.1
c) Guarantees given by:			
1. Governments	3,677	4,410	-16.6
2. other public entities	279	248	+12.5
3. banks	1,197	1,249	-4.2
4. other operators	8,043	7,365	+9.2
Total	33,938	37,602	-9.7

(*) Includes repurchase and similar agreements guaranteed by underlying securities totalling Euro 1,803 million as of December 31, 1999 and Euro 4,902 as of December 31, 1998.

Secured loans to customers and those granted directly to Governments or other public entities represent 60.0% of total loans to customers (63.6% as of December 31, 1998).

Degree of risk in loan portfolio

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in part A, section 1 of these notes. The related writedowns are effected via direct reduction of the consolidated 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, 1999 for discounting purposes total Euro 357 million.

Analysis of loans to customers

(Bank of Italy instructions dated 12.17.98)

	12/31/1999			12/31/1998 (pro forma)		
	(Euro/mn)			(Euro/mn)		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	5,920	3,016	2,904	6,791	3,054	3,737
A.1 Non-performing loans	4,146	2,452	1,694	4,513	2,509	2,004
A.2 Problem loans	1,545	496	1,049	1,941	468	1,473
A.3 Loans currently being restructured	25	6	19	2	1	1
A.4 Restructured loans	130	36	94	187	35	152
A.5 Unsecured loans exposed to country risk	74	26	48	148	41	107
B. Performing loans	70,544	274	70,270	69,522	291	69,231
Total loans to customers	76,464	3,290	73,174	76,313	3,345	72,968

Non-performing loans and problem loans include unsecured loans to residents of nations exposed to country risk held in portfolio by the Parent Bank for a total of Euro 7 million and Euro 4 million respectively. Value adjustments made to these loans amount to Euro 4 million for non-performing loans and Euro 3 million for problem loans.

The percentage of coverage on non-performing loans, gross of write-offs, increased to 71.0% compared with 66.5% of the end of 1998, while the equivalent figure for problem loans rose to 42.0% as against 33.7% a year earlier. On the other hand, net of write-offs, the percentage of coverage of non-performing loans was 59.2% as against 55.6% at the end of 1998, while the same percentage for problem loans rose from 24.1% a year earlier to 32.1%.

Analysis of loans to banks

(Bank of Italy instructions dated 12.17.98)

	12/31/1999			12/31/1998 (pro forma)		
	(Euro/mn)			(Euro/mn)		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	273	168	105	215	101	114
A.1 Non-performing loans	11	11	-	4	3	1
A.2 Problem loans	-	-	-	4	1	3
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	262	157	105	207	97	110
B. Performing loans	22,039	-	22,039	22,344	-	22,344
Total loans to banks	22,312	168	22,144	22,559	101	22,458

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 Euro 10 million, written down in full.

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Non-performing loans (net book value including default interest)	1,694	2,004	-15.5

Movements in doubtful loans to customers

Movements in gross doubtful loans to customers during 1999 were as follows:

(Bank of Italy instructions dated 12.17.98)

Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of January 1, 1999	4,513	1,941	2	187	148
<i>A.1 including: for default interest</i>	898	57	-	-	-
B. Increases	668	823	25	68	8
B.1 inflows from performing loans	65	558	-	44	2
B.2 default interest	156	13	1	-	-
B.3 transfers from other categories of doubtful loans	325	61	23	22	-
B.4 other increases	122	191	1	2	6
C. Decreases	1,035	1,219	2	125	82
C.1 outflows to performing loans	32	155	-	35	25
C.2 write-offs	490	45	-	6	1
C.3 collections	441	678	-	78	36
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	72	341	2	5	11
C.6 other decreases	-	-	-	1	9
D. Gross value as of December 31, 1999	4,146	1,545	25	130	74
<i>D.1 including: for default interest</i>	921	47	3	-	-

Movements in doubtful amounts due from banks

Movements in gross doubtful amounts due from banks during 1999 were as follows:

(Bank of Italy instructions dated 12.17.98)

Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of 1 January 1999	4	4	-	-	207
<i>A.1 including: for default interest</i>	-	-	-	-	-
B. Increases	8	-	-	-	76
B.1 inflows from performing loans	7	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfers from other categories of doubtful loans	1	-	-	-	-
B.4 other increases	-	-	-	-	76
C. Decreases	1	4	-	-	21
C.1 outflows to performing loans	-	-	-	-	5
C.2 write-offs	1	-	-	-	-
C.3 collections	-	3	-	-	16
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	1	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross value as of 31 December 1999	11	-	-	-	262
<i>D.1 including: for default interest</i>	-	-	-	-	-

Movements during the year in adjustments made to loans granted to customers

(Bank of Italy instructions dated 12.17.98)

millions of Euro

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, 1999	2,509	468	1	35	41	291
<i>A.1 including: for default interest</i>	898	57	-	-	-	5
B. Increases	621	232	7	22	7	21
B.1 adjustments	536	208	1	16	5	19
<i>B.1.1 including: for default interest</i>	157	14	1	-	-	4
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfers from other categories of problem loans	81	22	6	6	-	-
B.4 other increases	4	2	-	-	2	2
C. Decreases	678	204	2	21	22	38
C.1 writebacks from valuations	67	42	1	9	9	3
<i>C.1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	100	31	-	3	9	11
<i>C.2.1 including: for default interest</i>	29	11	-	-	-	2
C.3 write-offs	490	45	-	6	1	19
C.4 transfers to other categories of problem loans	20	83	1	3	3	5
C.5 other decreases	1	3	-	-	-	-
D. Total adjustments as of December 31, 1999	2,452	496	6	36	26	274
<i>D.1 including: for default interest</i>	921	47	3	-	-	9

As already discussed, total adjustments include Euro 357 million relating to the adoption of a policy of actualizing doubtful loans. Writedowns for discounting purposes total Euro 262 million on non-performing loans, Euro 74 million on problem loans and Euro 21 million on restructured loans.

Performing loans include Euro 102 million pertaining to the Parent Bank, specifically under observation, covered by write-downs totalling Euro 12 million. The inherent risk associated with other performing loans is covered by a general write-down of Euro 262 million, estimated on an historical, statistical basis (see Part A – Accounting Principles).

Movements during the year in adjustments made to loans granted to banks

*(Bank of Italy instructions dated 12.17.98)**millions of Euro*

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, 1999	3	1	-	-	97	-
<i>A.1 including: for default interest</i>	-	-	-	-	-	-
B. Increases	9	-	-	-	67	-
B.1 adjustments	3	-	-	-	51	-
<i>B.1.1 including: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfers from other categories of problem loans	1	-	-	-	-	-
B.4 other increases	5	-	-	-	16	-
C. Decreases	1	1	-	-	7	-
C.1 writebacks from valuations	-	-	-	-	3	-
<i>C.1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	4	-
<i>C.2.1 including: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	1	-	-	-	-	-
C.4. transfers to other categories of loans	-	1	-	-	-	-
C.5 other decreases	-	-	-	-	-	-
D. Total adjustments as of December 31, 1999	11	-	-	-	157	-
<i>D.1 including: for default interest</i>	-	-	-	-	-	-

Loans to countries exposed to country risk

Loans to customers and banks resident in countries exposed to country risk are analyzed as follows:

Country	<i>millions of Euro</i>						Change %
	Total exposure	Exposure as of 12/31/99 <i>of which: unsecured</i>				Net exposure (pro forma) as of 12/31/98	
		Gross exposure	Gross- weighted exposure	Total adjustments	Net exposure		
Russia	616	182	182	155	27	59	-54.2
Brazil	130	65	31	9	56	40	+40.0
Angola	34	-	-	-	-	-	-
Qatar	54	17	17	3	14	16	-12.5
South Africa	5	5	5	1	4	15	-73.3
Argentina	39	2	2	-	2	12	-83.3
Turkey	44	7	4	-	7	-	n.s.
Tunisia	21	16	12	1	15	1	n.s.
India	7	3	3	1	2	8	-75.0
Lebanon	44	1	1	-	1	-	n.s.
Iran	66	4	4	1	3	-	n.s.
Venezuela	21	7	7	1	6	4	+50.0
Morocco	123	6	5	1	5	4	+25.0
Bermuda	7	-	-	-	-	-	-
Philippines	5	5	5	1	4	4	-
Bahrain	10	1	1	-	1	-	n.s.
Pakistan	22	-	-	-	-	-	-
Algeria	29	1	-	1	-	7	-100.0
Other countries	302	14	14	8	6	47	-87.2
Total	1,579	336	293	183	153	217	-29.5

Adjustments to unsecured loans exposed to country risk have been made by applying the writedown percentages agreed industry-wide by the Italian bankers' association. In view of the continuing financial crisis in Russia, the 60% writedown for unsecured loans to customers resident in that country was increased to 85% (in the half-yearly report, based on information available at that time, this writedown had been prudently calculated at 90%). The additional writedowns following this change totalled Euro 60 million, of which Euro 46 million for loans and Euro 14 million for investment securities.

Secured loans, amounting to Euro 1,243 million, are insured by SACE and other similar foreign institutions by sureties from banking operators in the OECD area (Euro 923 million) and by other forms of guarantee deemed adequate to cover the lending risk (Euro 320 million). The last mentioned mainly comprise loans of Euro 310 million 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. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

Information regarding the distribution of loans, by category of borrower, industry, geographical area, currency and maturity, is provided in part B, section 11 of these notes.

SECTION 2 - SECURITIES

Securities owned by the Group are analyzed as follows:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	3,332	5,931	-43.8
Bonds and other debt securities (caption 50)	13,605	16,774	-18.9
Shares, quotas and other equities (caption 60)	1,443	1,196	+20.7
Total	18,380	23,901	-23.1

“Treasury bills and similar bills eligible for refinancing” 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.I.)

	12/31/99 (Euro/mn)		12/31/98 (pro forma) (Euro/mn)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	690	712	1,488	1,547
– unquoted	-	-	-	-
1.2 other securities				
– quoted	701	676	758	768
– unquoted	365	359	95	88
2. Equities				
– quoted	-	1	-	1
– unquoted	-	-	-	-
Total	1,756	1,748	2,341	2,404

A comparison between the market value and book value of “Government securities” reveals a net unrealized, unrecorded gain of Euro 10 million on securities not hedged by derivative contracts and Euro 12 million on securities hedged by interest rate swaps pertaining to the Parent Bank. The valuation of these derivatives reveals an unrealized loss of Euro 14 million.

“Other securities” include the portfolio of the Parent Bank (Euro 322 million) and those of foreign subsidiaries (Euro 725 million) comprising securities issued by public entities in the European Union (Euro 146 million), guaranteed securities issued by South American countries (Euro 39 million) and securities issued by leading banks and other European issuers (Euro 485 million).

The difference between book value and market price of “Other securities” (Euro 26 million) include South American and Eastern European securities, held by the Parent Bank, covered by a U.S. Treasury guarantee, the value of which on maturity

covers 100% of the face value of the securities concerned, and securities of Euro 8 million held by a foreign subsidiary. The destination and the presence of guarantees do not require any need to revalue the financial status of the issuer. The capital losses are compensated in part by potential capital gains (Euro 4 million) held by other Group companies.

“Equities” entirely comprise units in mutual funds included in the investment portfolios of certain subsidiary companies.

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

millions of Euro

A. Opening balance - pro forma	2,341
B. Increases	766
B1. purchases	233
B2. writebacks	2
B3. transfers from dealing portfolio	393
B4. other changes	138
C. Decreases	1,351
C1. sales	83
C2. redemptions	1,094
C3. adjustments	15
<i>including:</i>	
<i>permanent writedowns</i>	14
C4. transfers to dealing portfolio	33
C5. other changes	126
D. Closing balance	1,756

"Transfers from dealing portfolio" as per subcaption B3. are made up mainly of transfers made by the Parent Bank in connection with the restructuring of its portfolio subsequent to the transfer of the trading activity to other Group companies. The balance is represented by transfers made by foreign subsidiaries in connection with the strategic re-focusing of their activities.

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 adjustments reported in subcaption C3., totalling Euro 15 million, relate for Euro 14 million to unsecured securities issued by residents in Russia. They are required to apply the new writedown percentage for securities issued by residents in Russia, which has been raised from 60% to 85%.

Subcaption C4., "Transfers to dealing portfolio" refer to transfers following operational developments in a Group company, coinciding with the recapitalization of a subsidiary.

Investment securities show issue and trading premiums, which will be recorded in the statement of income on an accrual basis, pertaining to the Parent Bank (Euro 15 million) and to a foreign subsidiary (Euro 11 million).

Dealing securities

Dealing securities comprise:

Dealing securities (table 2.3 B.I.)

	12/31/99 (Euro/mn)		12/31/98 (pro forma) (Euro/mn)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	8,281	8,281	14,117	14,117
– unquoted	419	419	189	189
1.2 other securities				
– quoted	3,199	3,199	2,940	2,940
– unquoted	3,282	3,286	3,118	3,127
2. Equities				
– quoted	1,435	1,435	1,193	1,193
– unquoted	8	8	3	4
Total	16,624	16,628	21,560	21,570

Own bonds held for dealing purposes amount to Euro 1,388 million.

Changes in dealing securities during the year (table 2.4 B.I.)

millions of Euro

A. Opening balance - pro forma	21,560
B. Increases	
B1. purchases	
– debt securities	356,728
– government securities	251,945
– other securities	104,783
– equities	23,597
B2. writebacks and revaluations	309
B3. transfers from investment portfolio	33
B4. other changes	2,500
C. Decreases	
C1. sales and redemptions	
– debt securities	362,912
– government securities	258,151
– other securities	104,761
– equities	23,614
C2. adjustments	151
C3. transfers to investment portfolio	393
C5. other changes	1,033
D. Closing balance	16,624

Other information relating to securities

The composition of the securities portfolio is analyzed by geographical area, currency and liquidity in part B, section 11 of these notes.

SECTION 3 - EQUITY INVESTMENTS

Equity investments, reported in consolidated asset captions 70 and 80, are detailed below:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Equity investments (caption 70)	2,899	901	+221.8
Investments in Group companies (caption 80)	448	771	-41.9
Total	3,347	1,672	+100.2
<i>of which:</i>			
– significant investments carried at equity	843	959	-12.1

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	Regis-tered offices	Type of rela-tion-ship (*)	Share-holders' equity (Euro/mn) (**)	Net income (loss) (Euro/mn) (**)	Ownership		Voting rights at share-holders' meeting %	Consoli-dated book value (Euro/mn)
					Held by	%		
A. Companies consolidated line-by-line								
SANPAOLO IMI S.p.A. (Parent Bank)	Turin		7,201	1,018	-	-	-	-
<i>A1 Line-by-line</i>								
1 Banca Fideuram S.p.A.	Milan	1	493	96	Sanpaolo IMI	74.00	74.00	XXX
2 Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	413	64	Sanpaolo IMI	100.00	100.00	XXX
3 Banca IMI Securities Corp. (ex Mabon Sec. Corp.)	USA	1	149	4	IMI Capital Market USA	100.00	100.00	XXX
4 Banque Sanpaolo S.A.	France	1	428	49	SANPAOLO IMI	100.00	100.00	XXX
5 Bonec Ltd	Ireland	1	1	1	SANPAOLO IMI Bank Ireland	100.00	100.00	XXX
6 Fideuram Bank S.A.	Luxembourg	1	31	10	Banca Fideuram Fideuram Vita	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
7 Fideuram Capital S.p.A. (ex IMI Fideuram Asset Management SIM S.p.A.)	Milan	1	23	11	Banca Fideuram	100.00	100.00	XXX
8 Fideuram Fiduciaria S.p.A.	Rome	1	2	-	Banca Fideuram	100.00	100.00	XXX
9 Fideuram Fondi S.p.A.	Rome	1	47	2	Banca Fideuram	99.25	99.25	XXX
10 Fideuram Gestioni Patrimoniali SIM S.p.A.	Milan	1	10	5	Banca Fideuram	100.00	100.00	XXX
11 Fideuram Gestions S.A.	Luxembourg	1	1	-	Banca Fideuram Fideuram Vita	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
12 Fonditalia Management Company S.A.	Luxembourg	1	142	131	Banca Fideuram Fideuram Vita	99.96 0.04	99.96 0.04	XXX XXX
						100.00	100.00	

Name	Registered offices	Type of relationship (*)	Shareholders' equity (Euro/mn) (**)	Net income (loss) (Euro/mn) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book value (Euro/mn)
					Held by	%		
13 IDEA S.A. (ex Societ� de Gest. Du funds I.M.I.F.)	Luxembourg	1	-	-	IMI Bank (Lux)	99.16	99.16	XXX
					IMI International	0.83	0.83	XXX
						99.99	99.99	
14 IMI Bank (Lux) S.A.	Luxembourg	1	90	5	Banca IMI	99.99	99.99	XXX
					IMI Sigeco (UK)	0.01	0.01	XXX
						100.00	100.00	
15 IMI Capital Markets USA Corp.	USA	1	152	1	IMI Investments	100.00	100.00	XXX
16 IMI International S.A. (will become Sanpaolo IMI International)	Luxembourg	1	597	32	SANPAOLO IMI	100.00	100.00	XXX
17 IMI Investments S.A.	Luxembourg	1	150	-	Banca IMI	99.99	99.99	XXX
					IMI International	0.01	0.01	XXX
						100.00	100.00	
18 IMI Lease S.p.A.	Rome	1	233	7	SANPAOLO IMI	100.00	100.00	XXX
19 IMI Real Estate S.A.	Luxembourg	1	3	-	IMI Bank (Lux)	99.99	99.99	XXX
					IMI International	0.01	0.01	XXX
						100.00	100.00	
20 IMI Sigeco (UK) Ltd	United Kingdom	1	19	2	Banca IMI	100.00	100.00	XXX
21 Imil Ltd.	Jersey	1	48	4	IMI International	100.00	100.00	XXX
22 Imitec S.p.A.	Rome	1	3	-	Banca Fideuram	100.00	100.00	XXX
23 Independent Management for Institutional Advisory Co. S.A.	Luxembourg	1	-	-	IMI Bank (Lux)	99.80	99.80	XXX
					IMI Sigeco (UK)	0.20	0.20	XXX
						100.00	100.00	
24 Interfund Advisory Company S.A.	Luxembourg	1	25	25	Banca Fideuram	99.92	99.92	XXX
					Fideuram Vita	0.08	0.08	XXX
						100.00	100.00	
25 Int. Securities Advisory Company S.A.	Luxembourg	1	1	1	Banca Fideuram	99.98	99.98	XXX
					Fideuram Vita	0.02	0.02	XXX
						100.00	100.00	
26 @IMIWeb S.I.M. S.p.A. (ex Intersim)	Milan	1	30	12	Banca IMI	100.00	100.00	XXX
27 Lackenstar Ltd	Ireland	1	1	1	SANPAOLO IMI Bank Ireland	100.00	100.00	XXX
28 LDV Holding B.V.	Netherlands	1	107	19	NHS-Nuova Holding Subalpina	100.00	100.00	XXX
29 NHS-Nuova Holding Subalpina S.p.A.	Turin	1	757	21	SANPAOLO IMI	51.00	51.00	XXX
30 Sanpaolo Asset Management S.A.	France	1	2	1	Banque Sanpaolo	99.97	99.97	XXX
					SCI Parisienne de L'Avenue Hoche	0.01	0.01	XXX
					Societ� Fonciere d'Investissement	0.01	0.01	XXX
					Societ� Immobiliere d'Investissement	0.01	0.01	XXX
						100.00	100.00	
31 Sanpaolo Bail S.A.	France	1	5	1	Banque Sanpaolo	99.97	99.97	XXX
					Sanpaolo Mur	0.01	0.01	XXX
					SCI Parisienne de L'Avenue Hoche	0.01	0.01	XXX
					Societ� Fonciere d'Investissement	0.01	0.01	XXX
						100.00	100.00	

Name	Registered offices	Type of relationship (*)	Shareholders' equity (Euro/mn) (**)	Net income (loss) (Euro/mn) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book value (Euro/mn)
					Held by	%		
32 Sanpaolo Bank (Austria) AG	Austria	1	11	2	Sanpaolo Bank	100.00	100.00	XXX
33 Sanpaolo Bank S.A.	Luxembourg	1	53	14	SANPAOLO IMI	100.00	100.00	XXX
34 Sanpaolo Fiduciaria S.p.A.	Turin	1	2	-	SANPAOLO IMI	100.00	100.00	XXX
35 Sanpaolo Fonds Gestion Snc	Luxembourg	1	7	7	Banque Sanpaolo	80.00	80.00	XXX
					Sanpaolo Asset Management	20.00	20.00	XXX
						100.00	100.00	
36 Sanpaolo Gestion Internationale S.A.	Luxembourg	1	19	18	SANPAOLO IMI	99.98	99.98	XXX
					Sanpaolo Bank	0.02	0.02	XXX
						100.00	100.00	
37 SANPAOLO IMI Asset Management SGR S.p.A. (ex Sanpaolo Fondi SGR S.p.A.)	Turin	1	58	25	SANPAOLO IMI	100.00	100.00	XXX
38 SANPAOLO IMI BANK (International) S.A. (ex IMI Bank International)	Madeira	1	194	5	SANPAOLO IMI	69.01	69.01	XXX (A)
					IMI International	30.99	30.99	XXX
						100.00	100.00	
39 SANPAOLO IMI Bank Ireland Plc (ex Sanpaolo Bank Ireland Plc)	Ireland	1	427	22	SANPAOLO IMI	100.00	100.00	XXX
40 SANPAOLO IMI US Financial CO. (ex Sanpaolo US Financial CO.)	USA	1	-	-	SANPAOLO IMI	100.00	100.00	XXX
41 Sanpaolo Immobiliare S.p.A.	Turin	1	5	-1	SANPAOLO IMI	100.00	100.00	XXX
42 Sanpaolo Invest Sim S.p.A.	Rome	1	77	21	SANPAOLO IMI	100.00	100.00	XXX
43 Sanpaolo Leasing S.p.A.	Milan	1	59	8	SANPAOLO IMI	100.00	100.00	XXX
44 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	
45 Sanpaolo Riscossioni Genova S.p.A.	Genoa	1	7	3	SANPAOLO IMI	100.00	100.00	XXX
46 Sanpaolo Riscossioni Prato S.p.A.	Prato	1	2	1	SANPAOLO IMI	100.00	100.00	XXX
47 Sanpaolo Services Luxembourg S.A.	Luxembourg	1	-	-	SANPAOLO IMI	99.60	99.60	XXX
					Sanpaolo Bank	0.40	0.40	XXX
						100.00	100.00	
48 SEP S.p.A.	Turin	1	2	-	SANPAOLO IMI	100.00	100.00	XXX
49 Soci�t� de Gestion du Fonds commun de Placement Fideuram Fund S.A.	Luxembourg	1	2	2	Banca Fideuram	99.20	99.20	XXX
					Fideuram Vita	0.80	0.80	XXX
						100.00	100.00	
50 Tobuk Ltd	Ireland	1	2	2	SANPAOLO IMI Bank Ireland	100.00	100.00	XXX
51 Turis A.G.	Switzerland	1	23	-	Banca Fideuram	100.00	100.00	XXX
52 Tushingam Ltd	Ireland	1	-	-	SANPAOLO IMI	100.00	100.00	XXX
					Bank Ireland			
<i>A2 Proportional method</i>								
1 Finconsumo S.p.A.	Turin	7	35	9	SANPAOLO IMI	50.00	50.00	XXX

Name	Registered offices	Type of relationship (*)	Shareholders' equity (Euro/mn) (**)	Net income (loss) (Euro/mn) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book value (Euro/mn)	
					Held by	%			
B. Carried at equity									
<i>Subsidiaries</i>									
1	Cedar Street Securities Corp.	USA	1	-	-	Banca IMI Securities	100.00	100.00	- (B)
2	Consorzio Studi e Ricerche Fiscali	Rome	1	-	-	SANPAOLO IMI	50.00	50.00	-
						Banca Fideuram	15.00	15.00	-
						Fideuram Vita	5.00	5.00	-
						Banca IMI	10.00	10.00	-
						Sanpaolo Leasint	5.00	5.00	-
						SANPAOLO IMI	5.00	5.00	-
						Asset Management			
							90.00	90.00	
3	FC Factor S.r.l.	Turin	7	1	-	Finconsumo	100.00	100.00	1
4	Fideuram Assicurazioni S.p.A.	Rome	1	10	2	Banca Fideuram	100.00	100.00	10
5	Fideuram Vita S.p.A.	Rome	1	293	53	Banca Fideuram	99.75	100.00	285
6	Gedit S.A.	Luxembourg	1	-	-	SANPAOLO IMI	90.00	90.00	-
						Prospettive 2001	10.00	10.00	-
							100.00	100.00	
7	IMI Sigeco (Nominees) Ltd.	United Kingdom	1	-	-	IMI Sigeco (UK)	100.00	100.00	- (B)
8	Indipendent Management for Institutional Sicav	Luxembourg	1	-	-	IMI Bank (Lux)	50.00	50.00	-
						Indipendent Management for Institutional Adv.	50.00	50.00	-
							100.00	100.00	
9	Leasint Servizi Integrati S.p.A.	Milan	1	1	-	Sanpaolo Leasint	100.00	100.00	1
10	Prospettive 2001 S.p.A.	Milan	1	12	-7	SANPAOLO IMI	100.00	100.00	13
11	Sanpaolo Gestion Immobiliere S.A.	France	7	-	-	Banque Sanpaolo	99.98	99.98	-
						Sanpaolo Bail	0.01	0.01	-
						Société Civile Parisienne de l'Av. Hoche	0.01	0.01	-
							100.00	100.00	
12	SANPAOLO IMI Institutional Asset Management SGR S.p.A.	Monza	1	1	-	Banca IMI	15.00	15.00	-
						Fideuram Capital	30.00	30.00	-
						SANPAOLO IMI	55.00	55.00	1
						Asset Management			
							100.00	100.00	
13	SANPAOLO IMI Investments S.A.	Luxembourg	1	1	-	SANPAOLO IMI	99.90	99.90	1
						IMI International	0.10	0.10	-
							100.00	100.00	
14	SANPAOLO IMI Management Ltd	United Kingdom	1	-	-	NHS-Nuova Holding Subalpina	100.00	100.00	-
15	SANPAOLO IMI Private Equity S.p.A. (ex IMI ABN-Amro Inv.)	Turin	1	-	-	NHS-Nuova Holding Subalpina	100.00	100.00	-
16	Sanpaolo Invest Ireland Limited	Ireland	1	-	-	Sanpaolo Invest SIM	100.00	100.00	-
17	Sanpaolo Leasint GMBH	Austria	1	-	-	Sanpaolo Leasint	100.00	100.00	-
18	Sanpaolo Life Ltd	Ireland	1	7	7	Sanpaolo Vita	100.00	100.00	- (C)
19	Sanpaolo Vita S.p.A.	Milan	1	119	24	SANPAOLO IMI	100.00	100.00	123
20	Servizi Previdenziali S.p.A.	Rome	1	-	-	Fideuram Capital	100.00	100.00	-

Name	Registered offices	Type of relationship (*)	Shareholders' equity (Euro/mn) (**)	Net income (loss) (Euro/mn) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book value (Euro/mn)	
					Held by	%			
21	Société Civile Les Jardins d'Arcadie	France	1	-	-	Banque Sanpaolo	55.00	55.00	-
22	Société Civile Parisienne de l'Av. Hoche	France	1	-	-	Banque Sanpaolo	100.00	100.00	3
23	Socavie	France	1	3	3	Banque Sanpaolo	99.80	99.80	3
						Société Foncière d'Investissement	0.20	0.20	-
							100.00	100.00	
24	Société Foncière d'Investissement	France	1	-	-	Banque Sanpaolo	99.92	99.92	-
						Société Civile Parisienne de l'Av. Hoche	0.08	0.08	-
							100.00	100.00	
25	Société Immobilière d'Investissement	France	1	-	-	Banque Sanpaolo	99.98	99.98	-
						Société Foncière d'Investissement	0.02	0.02	-
							100.00	100.00	
26	SPB 1650 Van Ness Corp.	USA	1	-	-	SANPAOLO IMI	100.00	100.00	-
27	SPB Delta Towers LLC	USA	1	-	-	SANPAOLO IMI	100.00	100.00	-
28	Spei S.p.A.	Rome	1	-	-	IMI Lease	100.00	100.00	1
29	Apokè Two Srl (in liq.)	Milan	1	-7	1	SANPAOLO IMI	100.00	100.00	-
30	Crediop Finance PLC (in liq.)	United Kingdom	1	-	-	SANPAOLO IMI	100.00	100.00	-
31	Fidimi Consulting S.p.A. (in liq.)	Rome	1	-	-	SANPAOLO IMI	100.00	100.00	- (B)
32	Imifin S.p.A. (in liq.)	Rome	1	-	-	SANPAOLO IMI	100.00	100.00	-
33	IMI Bank A.G. (in liq.)	Germany	1	-	-	IMI Bank (Lux)	95.24	95.24	-
						IMI International	4.76	4.76	-
							100.00	100.00	
34	Sanpaolo U.S. Holding Co. (in liq.)	USA	1	3	-	SANPAOLO IMI	100.00	100.00	3
	Other minor investments								3 (D)

Total investments in Group companies carried at net equity 448

<i>Other</i>									
35	Azimut S.p.A.	Viareggio	8	35	22	LDV Holding	13.33	13.33	5
						NHS-Nuova Holding Subalpina	6.67	6.67	2
							20.00	20.00	
36	Bafin S.p.A.	Castelfidardo	8	7	1	LDV Holding	23.00	23.00	2 (B)
37	Banca Italo-Romena S.p.A.	Milan	8	11	-2	SANPAOLO IMI	20.00	20.00	1
38	Banque Michel Inchauspe S.A. (BAMI)	France	8	21	3	Banque Sanpaolo	20.00	20.00	4
39	Beaujon Immobilière (ex Options Financieres)	France	7	-	-	Banque Sanpaolo	50.00	50.00	-
40	BNC Assicurazioni S.p.A.	Rome	8	149	4	SANPAOLO IMI	30.00	30.00	45 (B)
41	CBE Service	Belgium	8	-	-	SANPAOLO IMI	20.00	20.00	-
42	Conservateur Finance S.A.	France	8	17	-	Banque Sanpaolo	20.00	20.00	3
43	Crediop S.p.A.	Rome	8	722	82	SANPAOLO IMI	40.00	40.00	289 (E)
44	Egida Compagnia di Assicurazioni S.p.A.	Turin	7	8	-	SANPAOLO IMI	50.00	50.00	4 (B)
45	Esatri S.p.A.	Milan	8	58	13	SANPAOLO IMI	31.50	31.50	19
46	Eurofondo S.C.p.A.	Rome	8	-	-	SANPAOLO IMI	25.00	25.00	-
47	Eurosic S.A.	France	8	29	1	Banque Sanpaolo	32.77	32.77	10
48	Finnat Investments S.p.A.	Rome	8	1	1	SANPAOLO IMI	20.00	20.00	- (B)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (Euro/mn) (**)	Net income (loss) (Euro/mn) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book value (Euro/mn)
					Held by	%		
49 IMAB Beteiligungus-GMBH	Austria	8	7	-	LDV Holding	30.00	30.00	2 (B)
50 Inter-Europa Bank Rt.	Hungary	8	35	-12	SANPAOLO IMI	32.51	32.51	8
51 Logiasit S.A.	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
52 Nuova Strategia S.p.A.	Milan	8	-	-	LDV Holding	26.67	26.67	-
53 San Marino Gestion S.A.	Luxembourg	8	1	-	Sanpaolo Bank SA	20.00	20.00	- (B)
54 Societé Civile 26 Rue Richard Gardebled	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
55 Societé Civile 4 Avenue Bouisson Bertrand	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
56 Societé Civile Domaine de La Flambelle	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
57 Societé Civile du 41 Avenue Bouisson Bertrand	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
58 Societé Civile le Jardin de Nazareth	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
59 Societé Civile Le Maestro	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
60 Societé Civile les Jardins du Ponant	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
61 Societé Civile Res Club les Arcades	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
62 Societé Civile St. Gratien Village	France	8	-	-	Banque Sanpaolo	30.00	30.00	-
63 Societé d'Etudes Ficatier-Courbovoie	France	8	-	-	Banque Sanpaolo	50.00	50.00	-
64 Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	2	-	SANPAOLO IMI	32.49	32.49	-
65 Finexpance S.p.A. (in liq.)	Chiavari	8	-8	-	SANPAOLO IMI	30.00	30.00	-
66 Galère 28 (in liq.)	France	8	-	-	Banque Sanpaolo	23.44	23.44	-
67 Galileo Holding (in liq.)	Marghera	8	-18	-8	SANPAOLO IMI	31.52	31.52	- (B)
Other investments								1 (D)
Total other investments carried at equity								395
Total investments carried at equity								843

(*) 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 = associated 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);

(A) The name change is being ratified by the Portuguese authorities.

(B) Shareholders' equity figures refer to the financial statements as of December 31, 1998.

(C) Controlled by Sanpaolo Vita S.p.A., which in turn is carried at equity.

(D) This represents the total value of equity investments shown in the balance sheet at less than Euro 500,000.

(E) The shareholders' equity shown here is consolidated.

The following table provides a list of the more significant investments held by the Group, by amount invested (book value equal to or higher than Euro 2.5 million).

Other investments

Name	Registered offices	Shareholding		Consolidated Book value (Euro/mn)
		Held by	%	
ACEA S.p.A.	Rome	NHS-Nuova Holding Subalpina	0.27	6
ADR International Airport South Africa Ltd	South Africa	LDV Holding	0.37	8
Banca Agricola Mantovana S.p.A.	Mantua	SANPAOLO IMI	9.58	206
Banca d'Italia	Rome	SANPAOLO IMI	2.00	55
Banca Mediocredito S.p.A.	Turin	SANPAOLO IMI	1.11	4
Banco del Desarrollo S.A.	Chile	SANPAOLO IMI	15.89	16
Banco Santander Central Hispano S.A.	Spain	SANPAOLO IMI	1.43	458
		IMI International	0.57	211
			2.00	669
Banksiel S.p.A.	Milan	SANPAOLO IMI	7.00	3
Banque Nationale de Paris S.A.	France	IMI International	0.26	90
Beni Stabili S.p.A.	Rome	SANPAOLO IMI	18.04	102
BIAT S.A.	Tunisia	SANPAOLO IMI	6.73	8
Borsa Italiana S.p.A.	Milan	Banca IMI	7.50	3
Cassa di Compensazione e Garanzia S.p.A.	Rome	Banca IMI	9.09	3
Cassa di Risparmio di Firenze S.p.A.	Florence	NHS-Nuova Holding Subalpina	4.12	35
Cedel International S.A.	Luxembourg	Banca IMI	1.32	3
Compart S.p.A.	Milan	NHS-Nuova Holding Subalpina	6.98	102
Countrywide Assurance Group Plc	United Kingdom	NHS-Nuova Holding Subalpina	4.65	25
Efibanca S.p.A.	Rome	NHS-Nuova Holding Subalpina	6.89	24
Enel S.p.A.	Rome	NHS-Nuova Holding Subalpina	0.04	20
Elsacom NV	Netherlands	NHS-Nuova Holding Subalpina	7.61	8
Fata Group S.p.A.	Pianezza	NHS-Nuova Holding Subalpina	13.17	3
I. N. A. S.p.A.	Rome	SANPAOLO IMI	9.20	825
Milano Assicurazioni S.p.A.	Milan	NHS-Nuova Holding Subalpina	3.20	32
S.M.A. Società Manifesti e Affissioni S.p.A.	Milan	LDV Holding	9.14	4
Salvagnini BV	Netherlands	LDV Holding	9.43	6
Simest S.p.A.	Rome	SANPAOLO IMI	3.31	5
Snia BPD S.p.A.	Milan	NHS-Nuova Holding Subalpina	1.78	14
The Royal Bank of Scotland Plc	United Kingdom	IMI International	0.29	50
Tecnost S.p.A.	Ivrea	SANPAOLO IMI	0.40	60
		NHS-Nuova Holding Subalpina	0.32	47
			0.72	107
Unionvita S.p.A.	Rome	Fideuram Capital	15.00	5
Utet S.p.A.	Turin	LDV Holding	17.90	19
Video Networks Ltd	United Kingdom	NHS-Nuova Holding Subalpina	3.10	6
Other minor investments				38
Total other investments				2,504

Composition of the investment portfolio

Analysis of caption 80 "Investments in Group companies" (table 3.5 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Investment in banks			
1. quoted	-	-	-
2. unquoted	1	392	-99.7
b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	9	5	+80.0
c) Other investments			
1. quoted	-	-	-
2. unquoted	438	374	+17.1
Total	448	771	-41.9

Analysis of caption 70 "Equity investments" (table 3.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Investments in banks			
1. quoted	1,022	111	+820.7
2. unquoted	443	106	+317.9
b) Investments in financial institutions			
1. quoted	10	-	n.s.
2. unquoted	66	147	-55.1
c) Other investments			
1. quoted	1,235	430	+187.2
2. unquoted	123	107	+15.0
Total	2,899	901	+221.8

Changes during the year in the investment portfolio

<i>Investments in Group companies (table 3.6.1 B.I.)</i>	<i>millions of Euro</i>
A. Opening balance	771
B. Increases	
B1. Purchases	152
B2. Writebacks	-
B3. Revaluations	-
B4. other changes	175
C. Decreases	
C1. Sales	219
C2. Adjustments	1
<i>including:</i>	
- permanent writedowns	1
C3. other changes	430
D. Closing balance	448
E. Total revaluations	-
F. Total adjustments	1

Subcaption B.1 "Purchases" mainly reflects the capital increase of Beni Stabili S.p.A. in the course of the spin-off (Euro 138 million) as well as the further increase in the shareholding of that company (Euro 11 million). It also includes (Euro 3 million) investments made during the year to set up Sanpaolo IMI Investments S.A., Sanpaolo IMI Institutional Asset Management SGR S.p.A., Sanpaolo IMI Management Ltd, Sanpaolo Invest Ireland Ltd and FC Factor S.r.l..

Subcaption B.4 "Other changes" essentially refers to the increase in value of equity holdings operating in the insurance sector carried at equity (a total of Euro 76 million). This balance also includes Euro 94 million of capital gains generated by the disposal of a 20% interest in Crediop S.p.A.

Subcaption C.1 "Sales" refer to the disposal of 20% of Crediop S.p.A. (Euro 218 million).

The subcaption C3. "Decreases - other changes" essentially reflects the effects of excluding from the Group the remaining interest (40%) in Crediop S.p.A. (Euro 248 million) and Beni Stabili S.p.A. (18.04%; Euro 149 million), now listed under other investments due to the loss of control over the company which took place during the year.

<i>Other equity investments (table 3.6.2 B.1.)</i>	<i>millions of Euro</i>
A. Opening balance	901
B. Increases	
B1. Purchases	2,002
B2. Writebacks	-
B3. Revaluations	-
B4. other changes	973
C. Decreases	
C1. Sales	584
C2. Adjustments	74
<i>including:</i>	
- permanent writedowns	74
C3. other changes	319
D. Closing balance	2,899
E. Total revaluations	107
F. Total adjustments	364

Subcaption B.1 "Purchases" mainly comprises investments purchased by the Parent Bank directly or through IMI International in INA S.p.A. (Euro 703 million), Banco Santander Central Hispano S.A. (Euro 581 million), Tecnost S.p.A. (Euro 60 million), Banque Nationale de Paris S.A. (Euro 256 million), Royal Bank of Scotland Plc (Euro 50 million), as well as other investments acquired in the merchant banking sector by NHS – Nuova Holding Subalpina S.p.A., also through the subsidiary LDV Holding Bv (Euro 86 million).

Subcaption B.4 "Increases - other changes" refers to the inclusion of the residual interest in Crediop S.p.A. (Euro 248 million) and Beni Stabili S.p.A. (Euro 149 million), which has been reclassified from "Investments in Group companies" to "Other investments" and to the value of the equity investments already held by the newly consolidated NHS – Nuova Holding Subalpina S.p.A. (Euro 274 million).

Subcaption C.1 "Sales" refers to disposals carried out by the Parent Bank amounting to a total of Euro 543 million.

Subcaption C.2 "Adjustments" mainly concerns writedowns of the holdings in Beni Stabili S.p.A. (Euro 58 million), Inter-Europa Bank Rt – exceeding net equity equal to Euro 5 million – and Banca Italo-Romena S.p.A. (Euro 2 million) made by the Parent Bank as well as writedowns made by NHS-Nuova Holding Subalpina S.p.A. concerning holdings in Milano Assicurazioni (Euro 3 million) and Snia BPD (Euro 2 million).

"Decreases - other changes" (subcaption C.3) includes the transfer of investments to the dealing securities portfolio, carried out by the Parent Bank and involving shares in Mediaset S.p.A. (Euro 7 million) and ENI S.p.A. (Euro 28 million), as well as the transfer by IMI International S.A. of a holding in Banque National de Paris S.A. (Euro 166 million) to its dealing portfolio. This balance also includes the value of companies involved in the real estate spin-off (Euro 66 million).

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

The following table sets out the amounts due to and from companies belonging to the San Paolo 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 (table 3.2 B.1.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Assets			
1. due from banks	-	408	-100,0
<i>of which:</i>			
– subordinated	-	-	-
2. due from financial institutions	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	76	251	-69.7
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
Total assets	76	659	-88.5
b) Liabilities			
1. due to banks	-	130	-100.0
2. due to financial institutions	3	1	+200.0
3. due to other customers	72	46	+56.5
4. securities issued	867	150	+478.0
5. subordinated liabilities	-	-	-
Total liabilities	942	327	+188.1
(c) Guarantees and commitments			
1. guarantees given	4	581	-99.3
2. commitments	4	-	n.s.
Total guarantees and commitments	8	581	-98.6

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Assets			
1. due from banks (*)	1,180	904	+30.5
<i>of which:</i>			
<i>a. subordinated</i>	20	-	<i>n.s.</i>
2. due from financial institutions	522	407	+28.3
<i>of which:</i>			
- <i>subordinated</i>	-	-	-
3. due from other customers	2,158	1,893	+14.0
<i>of which:</i>			
<i>a. subordinated</i>	24	-	<i>n.s.</i>
4. bonds and other debt securities	275	264	+4.2
<i>of which:</i>			
- <i>subordinated</i>	-	-	-
Total assets	4,135	3,468	+19.2
(b) Liabilities			
1. due to banks (**)	1,919	175	+996.6
2. due to financial institutions	97	75	+29.3
3. due to other customers	28	185	-84.9
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
Total liabilities	2,044	435	+369.9
(c) Guarantees and commitments			
1. guarantees given	363	406	-10.6
2. commitments	-	33	-100.0
Total guarantees and commitments	363	439	-17.3

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

(**) Including repurchase agreements with the Bank of Italy.

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Tangible fixed assets (caption 120)	1,120	1,606	-30.3
Intangible fixed assets (caption 110)	267	296	-9.8
Total	1,387	1,902	-27.1

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Property			
– operating	948	1,096	-13.5
– non-operating	35	371	-90.6
– undergoing renovation	20	13	+53.8
Furniture and installations			
– electronic equipment	54	41	+31.7
– office furniture and machines	31	56	-44.6
– general and specific installations	31	28	+10.7
– vehicles	1	1	-
Total	1,120	1,606	-30.3

This caption no longer includes:

- The assets spun off in favour of Beni Stabili S.p.A., for a total of Euro 367 million, consisted of non-operating property used by third parties (Euro 173 million), property used by the commercial network (Euro 167 million) and other property for sale (Euro 27 million), of which Euro 19 million relates to non-operating property and Euro 8 million to operating property.
- Operating property (Euro 44 million) owned by IMIGEST S.p.A. and its subsidiary Tradital S.p.A. no longer consolidated because of the property spin-off.

The property is depreciated on the basis of the residual useful life; the depreciation for 1999 was Euro 60 million, of which Euro 13 million relates to property spun off in favour of Beni Stabili S.p.A., depreciated over the period of possession.

*Changes in tangible fixed assets during the year (table 4.1 B.I)**(in millions of Euro)*

A. Opening balance - pro forma	1,606
B. Increases	
B1. purchases	93
B2. writebacks	-
B3. revaluations	-
B4. other changes	7
C. Decreases	
C1. sales	11
C2. adjustments	
(a) depreciation	133
(b) permanent writedowns	-
C3. other changes	442
D. Closing balance	1,120
E. Total revaluations	927
F. Total adjustments	
(a) accumulated depreciation	1,302
(b) permanent writedowns	8

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

	<i>millions of Euro</i>	
	Property	Furniture and equipment
Opening balance - pro forma	1,480	126
Increases		
– purchases	7	86
– other changes		
– incremental costs	3	-
– gains on disposals	3	-
– other	-	1
Decreases		
– sales	10	1
– adjustments		
– depreciation	60	73
– permanent writedowns	-	-
– other changes		
– losses on disposals	-	-
– change in scope of consolidation	44	1
– other	376	21
Closing balance	1,003	117

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Merger differences (goodwill of merged companies)	81	118	-31.4
Goodwill	17	35	-51.4
Other deferred charges	169	143	+18.2
Total	267	296	-9.8

*Changes in intangible fixed assets during the year (table 4.2 B.1.)**millions of Euro*

A. Opening balance - pro forma	296
B. Increases	
B1. Purchases	104
B2. Writebacks	-
B3. Revaluations	-
B4. other changes	7
C. Decreases	
C1. Sales	1
C2. Adjustments	
a) amortization	132
b) permanent writedowns	-
C3. other changes	7
D. Closing balance	267
E. Total revaluations	
F. Total adjustments	
a) accumulated amortization	349
b) permanent writedowns	-

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

	<i>millions of Euro</i>		
	Merger differences (goodwill of merged companies)	Goodwill	Other deferred charges
Opening balance - pro forma	118	35	143
Increases			
– purchases	-	-	104
– writebacks	-	-	-
– revaluations	-	-	-
– other changes	-	-	8
Decreases			
– sales	-	-	1
– adjustments:			
a) amortization	37	18	77
b) permanent writedowns	-	-	-
– other changes	-	-	8
Closing balance	81	17	169

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 amortization of the goodwill relating to the merger of Crediop has been completed in the year.

Goodwill reflects the value generated on acquisition of a business segment in prior years. It is currently being amortized in the financial statements of a finance company that formed part of the IMI Group.

Other deferred charges include:

- Euro 78 million in software costs which will benefit future years, Euro 15 million of which refers to investments made in connection with the introduction of the Euro;
- Euro 57 million for software expenses out of period concerning third party development and modification;
- Euro 19 million for leasehold improvements;
- Euro 2 million for start-up and expansion costs.

The criteria used for booking costs are in line with the current accounting principles and Consob recommendations. The nature of the costs has been analyzed and the booking of intangible assets reflects activities that will not be exhausted in future years although they will continue to benefit future periods.

SECTION 5 - OTHER ASSETS

Consolidated asset captions 90, 100, 130 and 160, not commented upon previously, comprise the following:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Goodwill arising on consolidation (caption 90)	7	11	-36.4
Goodwill arising on application of the equity method (caption 100)	51	48	+6.3
Other assets (caption 150)	16,199	13,707	+18.2
Accrued income and prepaid expenses (caption 160)	4,649	4,431	+4.9
Total	20,906	18,197	+14.9

Goodwill arising on consolidation (caption 90)

Analysis of caption 90 " Goodwill arising on consolidation "

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Sanpaolo IMI Asset Management S.g.r. S.p.A.	5	8	-37.5
Finconsumo S.p.A.	2	3	-33.3
Total	7	11	-36.4

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

Analysis of caption 100 " Goodwill arising on application of the equity method "

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Sanpaolo Vita S.p.A.	24	48	-50.0
Azimut S.p.A.	24	-	n.s.
Bafin S.p.A.	3	-	n.s.
Total	51	48	+6.3

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Valuation of derivatives on interest rates and stockmarket indices	9,289	7,087	+31.1
Due from tax authorities:	1,115	777	+43.5
- tax credits relating to prior years	125	286	-56.3
- tax withholdings overpaid during the year on bank interest income	122	64	+90.6
- taxes withheld during the year	20	26	-23.1
- taxes paid in advance on termination indemnities (Law 662/96)	48	47	+2.1
- prepaid current year direct taxes	684	244	+180.3
- other credits	116	110	+5.5
Unprocessed transactions (a)	1,104	783	+41.0
Effect of currency hedges, forex swap and cross-currency swap transactions	972	471	+106.4
Amounts in transit between branches (a)	605	1,769	-65.8
Deferred tax assets (b)	558	530	+5.3
Premiums paid on purchased options	364	175	+108.0
Tax collection accounts	205	151	+35.8
Transactions by foreign branches	133	607	-78.1
Net effect of translating funds from international agencies using current rates, with the exchange risk borne by third parties	89	48	+85.4
Checks and other instruments held	39	37	+5.4
Items relating to securities transactions	18	30	-40.0
Other	1,708	1,242	+37.5
Total	16,199	13,707	+18.2

*(a) Mostly settled at the beginning of 2000.**(b) More details on deferred tax assets can be found in Part B – Section 7 of these notes.*

As mentioned in Section A of these notes, the criteria adopted for the disclosure of deferred tax assets have been modified in line with indications provided by the Bank of Italy. These are now classified under caption 150 – “Other assets” – rather than under caption 160 b) “prepaid expenses”.

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Accrued income			
– income from derivative contracts	3,349	2,836	+18.1
– interest from loans to customers	636	787	-19.2
– interest on securities	291	481	-39.5
– bank interest	87	76	+14.5
– other income	72	37	+94.6
Prepaid expenses			
– charges on derivative contracts	28	46	-39.1
– commission on placement of securities and mortgage loans	60	39	+53.8
– discounts on bond issues	8	13	-38.5
– other charges	118	116	+1.7
Total	4,649	4,431	+4.9

Distribution of subordinated assets (table 5.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Due from banks	33	21	+57.1
(b) Loans to customers	38	5	+660.0
(c) Bonds and other debt securities	99	105	-5.7
Total	170	131	+29.8

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.

SECTION 6 - PAYABLES

Total Group deposits and other sources of funds are detailed below

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Due to banks (caption 10)	28,012	25,141	+11.4
Due to customers (caption 20)	43,189	45,057	-4.1
Securities issued (caption 30)	35,718	39,373	-9.3
Public funds administered (caption 40)	50	69	-27.5
Total	106,969	109,640	-2.4

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Due to central banks			
– repurchase agreements and securities borrowed	4,477	-	n.s.
– other deposits from central banks	558	196	+184.7
– other deposits from the Italian Exchange Office	35	37	-5.4
– advances	-	25	-100.0
Due to banks			
– deposits	13,661	9,259	+47.5
– medium and long-term loans from international bodies	4,278	4,345	-1.5
– other	2,745	4,446	-38.3
– repurchase agreements and securities borrowed	1,249	5,108	-75.5
– current accounts	1,009	1,725	-41.5
Total	28,012	25,141	+11.4

Detail of “Due to banks” (table 6.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Repurchase agreements	5,624	5,076	+10.8
(b) Securities borrowed	102	32	+218.8

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:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Due to customers			
– current accounts	31,344	26,204	+19.6
– savings deposits	4,752	4,963	-4.3
– repurchase agreements and securities borrowed	3,758	8,863	-57.6
– short-term payables relating to special management services carried out for the government	475	600	-20.8
– other (*)	2,860	4,427	-35.4
Securities issued			
– bonds	23,643	25,897	-8.7
– certificates of deposit	9,090	11,761	-22.7
– bankers' drafts	380	277	+37.2
– other securities	2,605	1,438	+81.2
Total	78,907	84,430	-6.5

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

Detail of "Due to customers" (table 6.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Repurchase agreements	3,748	8,766	-57.2
(b) Securities borrowed	10	97	-89.7

No bonds convertible into own shares or into shares of other companies have been issued, nor securities and similar items or shares.

Other funds administered (caption 40)

Other funds administered, provided by the State and other public entities, are analyzed below:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Funds provided by the State	10	14	-28.6
Funds provided by regional public agencies	20	25	-20.0
Other funds	20	30	-33.3
Total	50	69	-27.5
<i>of which: funds with risk borne by the government under Law 19 of 2/6/87</i>	<i>16</i>	<i>22</i>	<i>-27.3</i>

Other information relating to payables

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

SECTION 7 - PROVISIONS

Provisions that do not adjust asset accounts, reported in consolidated liability captions 70, 80 and 90 are detailed below:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Provision for termination indemnities (caption 70)	438	431	+1.6
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80.a)	62	66	-6.1
– taxation (caption 80.b)	1,029	1,178	-12.6
– other (caption 80.c)	392	375	+4.5
Reserve for possible loan losses (caption 90)	29	19	+52.6
Total	1,950	2,069	-5.8

Provisions for termination indemnities (caption 70)

<i>Changes in the reserve for termination indemnities during the year</i>	<i>millions of Euro</i>
Opening balance - pro forma	431
Increases	
– provisions	41
– transfers	1
– other changes	-
Decreases	
– advances allowed under Law 297/82	20
– indemnities to employees leaving the Bank	14
– transfers	1
– other changes	-
Closing balance	438

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

<i>Changes in the reserve for pensions and similar commitments during the year "</i>	<i>millions of Euro</i>
Opening balance - pro forma	66
Increases	
– provisions	1
– other	-
Decreases	
– utilizations	5
Closing balance	62

This provision was created to cover supplementary pension liabilities for former IMI S.p.A. personnel already in retirement. The potential liability was evaluated on the basis of an independent actuarial appraisal. Utilizations during the year refer to the payment of supplementary pension cheques due for the year under review.

Taxation (caption 80.b)

<i>Changes in the reserve for taxation during the year</i>			<i>millions of Euro</i>
	Current tax liabilities	Deferred tax liabilities	Total
Opening balance - pro forma	916	262	1,178
Increases			
- provision for 1999 income taxes	650	74	724
- transfer from the reserve for deferred taxation	46	-	46
- other changes (*)	6	14	20
Decreases			
- payment of 1999 income taxes	854	-	854
- transfer to current taxes	-	46	46
- other changes	5	34	39
Closing balance	759	270	1,029

(*) Other changes include exchange adjustments to reserves denominated in currencies other than the Euro.

The reserve for taxation covers current income taxes as well as amounts that may be due under outstanding fiscal disputes.

More specifically, the reserve includes fiscal disputes pertaining to the Parent Bank (Euro 47 million) and to Banca Fideuram (Euro 4 million).

The subsidiary Fideuram Vita, carried at equity, is in dispute with the tax authorities regarding the years from 1985 to 1990. Regarding the first three years, the company obtained a favourable ruling from the first level commission, but the rulings from the second and third level courts were unfavourable. In the belief that it will be possible to overturn these rulings, the company has appealed to the High Court. Regarding the three subsequent years, the first level tax commission concurred with all of the company's submissions; the fiscal authorities have appealed against this ruling. The verdict from the hearing before the tax commission in July 1999 is still not known, although the company is confident of a favourable outcome. Accordingly, no specific provisions have been made by the company with regard to these contingencies.

In calculating the reserve for taxes and duties, account has been taken of the incentives pursuant to the Ciampi Law (Law 461/98 and Legislative Decree 153/99) The application of the incentives has however been effected using prudential criteria to assess the amount of the benefit. Furthermore, as a result of the incentives, an average proportion inferior to that theoretically available has been used to calculate prepaid taxes concerning future years and lower prepaid taxes have therefore been required.

As required by CONSOB (27052 of April 7, 2000) Sanpaolo IMI S.p.A. announced that the incentives of the Ciampi Law have been suspended and noted that any net benefit not to be taken (approximately Euro 13 million as prudently calculated) is covered in the provision for taxes and duties for current and potential tax disputes.

In the event that the incentives are not available, the amount posted to the reserve for taxes and duties for current and potential tax disputes would be reduced to approximately Euro 34 million, in line with the risks involved.

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 1999 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.

Detail of deferred tax liabilities

	<i>millions of Euro</i>
Deferred tax liabilities which have been charged to the statement of income:	73
- on the earnings of subsidiary companies (*)	54
- other	19
Deferred tax liabilities charged to shareholders' equity:	197
- on Parent Bank reserves:	149
<i>Reserve for general banking risks</i>	120
<i>Other reserves - Reserve ex Law 169/83</i>	4
<i>Other reserves - Reserve ex Legislative Decree 213/98</i>	25
- on reserves of foreign subsidiaries	48
Total	270

(*) *The item relates to the tax charge to be borne at the moment of distribution or realization of the earnings.*

Changes in deferred tax liabilities charged to the statement of income

<i>Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)</i>	<i>millions of Euro</i>
1. Opening balance	50
2. Increases	
2.1 Deferred tax liabilities arising during the year	63
2.2 other increases	13
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	42
3.2 other decreases	11
4. Closing balance	73

"Other increases" relate to the inclusion of Nuova Holding Subalpina S.p.A. in the scope of consolidation.

"Other decreases" relate to the exclusion of Imigest Immobiliare from the scope of consolidation, following the real estate spin-off.

Changes in deferred tax liabilities charged to shareholders' equity

<i>Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)</i>	<i>millions of Euro</i>
1. Opening balance	212
2. Increases	
2.1 Deferred tax liabilities arising during the year	11
2.2 other increases	1
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	4
3.2 other decreases	23
4. Closing balance	197

"Deferred tax liabilities arising during the year" relate to the taxation of merger differences arising following the company reorganizations effected by the subsidiary Banque San Paolo.

"Deferred tax liabilities reversing during the year" relate 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.

"Other decreases" relate 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.

Detail of deferred tax assets

	<i>millions of Euro</i>
Deferred tax assets credited to the statement of income:	
- adjustments to the value of loans	386
- adjustments to the value of securities, equity investments and property	31
- provisions to reserves, accumulated depreciation and amortization	116
- other non-deductible items	18
- other	7
Total	558

Changes in deferred tax assets credited to the statement of income

<i>Changes in deferred tax assets (Bank of Italy instructions dated 03.08.99)</i>		<i>millions of Euro</i>
1. Opening balance		530
2. Increases		
2.1 Deferred tax assets arising during the year		133
2.2 Other increases		-
3. Decreases		
3.1 Deferred tax assets reversing during the year		105
3.2 Other decreases		-
4. Closing balance		558

Provisions for risks and charges - Other provisions (voce 80.c)

<i>Analysis of caption 80 c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.)</i>				<i>millions of Euro</i>
	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance - pro forma	40	230	105	375
Increases				
- provisions	1	64	24 (*)	89
- other	-	-	-	-
Decreases				
- revaluation of guarantees	1	-	-	1
- coverage of charges deriving from legal disputes and other	-	59	-	59
- payments of long-service bonuses	-	-	8	8
- other	-	4	-	4
Closing balance	40	231	121	392

(*) The provision includes Euro 8 million for personnel leaving incentives booked to "extraordinary expenses".

Provisions for guarantees and commitments, Euro 40 million, cover expected losses in respect of guarantees given and, more generally, the contingencies associated with the Group's guarantees and commitments.

Provisions for other risks and charges, Euro 231 million, include provisions made by the Bank totalling Euro 147 million, to cover expected losses deriving from legal action, especially from repayments claimed by the receivers of bankrupt customers, as well as charges which might arise in connection with guarantees given by the Bank on the disposal of equity investments and from the Bank's commitment to the Interbank Deposit Guarantee Fund and other charges. The balance also comprises provisions made by the subsidiary Banque Sanpaolo (Euro 18 million) and those subsidiaries who market financial products (Euro 54 million); these provisions were made against operating risks that are typical for their sectors. Other provisions, involving minor balances, are reported in the accounts of other Group companies.

The provisions for other personnel charges, Euro 121 million, include:

- Euro 99 million relating to provisions made by the Bank, on the basis of independent actuarial appraisals, to cover its commitment to the independent supplementary pension fund due to unfunded pension liabilities;
- Euro 10 million provided to the technical reserves and designed to cover long-service bonuses to employees;
- Euro 8 million relating to provisions for personnel leaving incentives, resolved during the year and due for implementation in the year 2000.
- Euro 3 million in relation to the provision made to cover potential contributions for the employees of a subsidiary company;
- Euro 1 million relating to likely costs to be incurred in connection with employees and the restructuring of the Bank's Frankfurt and New York branches.

Reserve for possible loan losses (caption 90)

<i>Changes during the year in "Reserves for possible loan losses" (table 7.2 B.I.)</i>		<i>millions of Euro</i>
A. Opening balance - pro forma		19
B. Increases		
B1. provisions		10
B2. other changes		-
C. Decreases		
C1. releases		-
C2. other changes		-
D. Closing balance		29

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.

Within "Increases" the provisions reflect movements made by certain subsidiaries in order to adjust the balance of their reserves for loan losses to the amount deemed adequate to cover possible lending risk.

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

Shareholders' equity is detailed below:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Shareholders' equity			
- capital (caption 150)	3,926	4,345	-9.6
- reserves (caption 170)			
– legal reserve	792	869	-8.9
– reserve for own shares	357	5	n.s.
– other reserves	1,672	2,000	-16.4
- reserve for general banking risks (caption 100)	361	359	+0.6
- negative goodwill arising on consolidation (caption 120)	15	15	-
- negative goodwill arising on application of the equity method (caption 130)	199	166	+19.9
- net income for the year (caption 200)	1,050	909	+15.5
Group interest in shareholders' equity	8,372	8,668	-3.4
Own shares (asset caption 140)	357	5	n.s.
<i>including: own shares held by the Parent Bank (*)</i>	336	-	n.s.
Minority interests (caption 140)	539	145	+271.7
Subordinated liabilities (caption 110)	1,524	1,382	+10.3

(*) 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 and equity reserves (captions 150, 160, 170 and 180)

Capital, additional paid-in capital, the legal reserve, the statutory reserve and retained earnings (if any) reflect the amounts reported in the financial statements of the Bank; "other reserves" comprise the remaining reserves of the Bank changes during the year in the Group's interest in the shareholders' equity of consolidated companies and negative goodwill arising on first-time consolidation of companies forming part of the former IMI Group. The reserve for general banking risks comprises amounts reported by the Bank and by other companies consolidated line-by-line.

Following translation of the share capital into Euro, as described in the introduction to these explanatory notes, the capital amounts to Euro 3,926,117,854.4, represented by 1,402,184,948 ordinary shares, all issued and fully paid, par value Euro 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 Bank's year-end stock of shares used 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".

Effects of the spin-off on shareholders' equity

The real estate spin-off carried out during the year reduced the book value of shareholders' equity by Euro 701 million, as follows:

- the share capital of the Parent Bank decreased by Euro 413 million;
- the legal reserve of the Parent Bank decreased by Euro 83 million;
- other reserves of the Parent Bank decreased by Euro 177, of which Euro 107 million charged to the merger surplus, Euro 61 million to the reserve ex Law 169/83 and Euro 9 million to the reserve ex Law 218/90;
- other reserves of IMIGEST Immobiliare S.p.A. and its subsidiaries TRADITAL S.p.A. and Immobiliare Italia Gestioni decreased by Euro 28 million. These companies were consolidated line-by-line and form part of the group of companies partially spun-off.

Reserve for general banking risks (liability caption 100)

The reserve for general banking risks reflects the reserve shown in the financial statements of the Bank, Euro 336 million, and the reserves set up by certain subsidiary companies, Euro 25 million.

Negative goodwill arising on consolidation (liability caption 120)

Negative goodwill arising on consolidation, Euro 15 million, has been determined according to the accounting principles described in Part A of these Notes; it is unchanged from the balance at the end of the prior year.

As stated in the introduction to these notes, negative goodwill arising on first-time consolidation of companies belonging to the former IMI Group have been booked to "other reserves" for Euro 933 million and to the "reserve for general banking risks" for Euro 4 million, after offsetting the positive differences arising from the merger for Euro 75 million.

Negative goodwill arising on application of the equity method (liability caption 130)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Negative goodwill arising on first-time consolidation	78	80	-2.5
Subsequent adjustments (*)	121	86	40.7
	199	166	19.9

(*) As of December 31, 1999, these include the earnings capitalized by companies operating in the insurance sector, for a total of Euro 110 million.

The decrease is due to the pro-rata disposal of Crediop Overseas, a subsidiary of Crediop S.p.A.

Negative goodwill arising on first-time consolidation also includes differences originating from the merger with IMI S.p.A., Euro 75 million.

Deferred taxation on reserves in suspense for tax purposes

The deferred taxation that refers to shareholders' equity items was booked to the following captions:

- Reserve for General Banking Risks;
- Reserve ex Law 169/83;
- Reserve ex D.Lgs. 213/98;
- Reserves of foreign subsidiaries.

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 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 consolidated financial statements also include the latent tax liability on the reserves of foreign subsidiaries which, if distributed, would result in a tax liability for the company holding the investment.

The deferred taxation on these equity items is shown in Section 7 of the Explanatory Notes.

For completeness, we would also point out that the other items in the Bank's equity that are in suspense for tax purposes, namely the Share Capital (Euro 586 million), the Legal Reserve (Euro 268 million), the Reserve ex Law 218/90 (Euro 80 million) and the Reserve ex D.Lgs. 124/93 (Euro 1 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. No deferred taxation has been calculated on the reserves of Group companies which are in suspense for tax purposes because the events that might give rise to them being taxed are not currently deemed probable.

Minority interests (caption 140)

As of 31 December 1999, the portion of minority interests totalling Euro 539 million essentially relates to the quota attributable to minority shareholders of the Banca Fideuram and Nuova Holding Subalpina sub-groups.

A statement of changes in the Group's share of consolidated shareholders' equity is attached to these notes, together with a reconciliation of the Bank's 1999 net income and shareholders' equity and the corresponding consolidated amounts.

Regulatory capital

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 on approval of these financial statements.

Bank of Italy instructions dated 12.17.98

Category/value	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	7,505	8,045	-6.7%
A.2 Tier 2 capital	1,255	1,277	-1.7%
A.3 Items to be deducted	-737	-116	+535.3%
A.4 Regulatory capital	8,023	9,206	-12.9%
B. Minimum regulatory requirements			
B.1 Lending risk	5,667	5,822	-2.7%
B.2 Market risk	531	760	-30.1%
<i>including:</i>			
- risks on dealing portfolio	505	719	-29.8%
- exchange risks	26	41	-36.6%
- concentration risks	-	-	n.s.
B.3 Other minimum requirements	40	56	-28.6%
B.4 Total minimum requirements	6,238	6,638	-6.0%
C. Risk assets and capital-adequacy ratios			
C.1 Risk-weighted assets	77,975	82,975	-6.0%
C.2 Tier 1 capital/risk weighted assets	9.6%	9.7%	
C.3 Regulatory capital/risk weighted assets	10.3%	11.1%	

Subordinated liabilities (caption 110)

Loan	Book value as of 12/31/99 (Euro/mn)	Original currency (in millions)	Interest rate	Issue date	Maturity date	Book value as of 12/31/98 (pro forma) (Euro/mn)
Notes in Luxembourg francs	25	1,000	7.75%	26/05/93	26/05/00	25
Notes in Luxembourg francs	25	1,000	7.63%	09/07/93	09/07/01	25
Notes in Luxembourg francs	25	1,000	9%	10/02/92	10/02/00	25
Notes in Luxembourg francs	-	600	8%	14/05/93	14/05/99	15
Notes in US dollars	165	165	floating	12/07/93	30/07/03	141
Notes in US dollars	79	79	floating	24/09/93	24/09/03	76
Notes in US dollars	94	94	floating	30/11/93	30/11/05	81
Notes in US dollars	32	32	floating	25/08/95	25/08/00	54
Notes in Canadian dollars	104	151	floating	10/11/93	10/11/03	84
Notes in Italian lire	356	690,000	10.40%	30/06/94	30/06/04	361
Notes in Eurolire	102	198,000	floating	06/07/95	06/07/00	103
Notes in Eurolire	27	52,000	floating	30/12/96	20/01/02	27
Subordinated loan in Italian lire	51	100,000	5.10%	01/06/98	01/06/03	65
Subordinated loan in Italian lire	124	240,000	5.30%	01/01/98	01/01/03	155
Subordinated loan in Italian lire	115	224,000	floating	01/02/98	01/02/03	145
Subordinated loan in Euro	200	200,000	floating	01/10/99	01/10/09	-
Total	1,524					1,382

Subordinated liabilities not included in the calculation of regulatory capital amount to Euro 156 million.

Contractually, subordinated loans 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 loan period must not be less than five years; if no maturity is stated, the contract must state that a notice period of at least five years has to be given;
- in the event that the issuer is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Other information on subordinated liabilities

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

SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Other liabilities (caption 50)	15,715	14,543	+8.1
Accrued expenses and deferred income (caption 60)	5,154	5,077	+1.5
Total	20,869	19,620	+6.4

Other liabilities (caption 50)

Analysis of caption 50 "Other liabilities" (table 9.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Valuation of derivatives on interest rates and stockmarket indices	9,676	6,832	+41.6
Unprocessed transactions	1,462	2,012	-27.3
Amounts available for third parties	1,134	1,152	-1.6
Amounts in transit with branches	584	591	-1.2
Non-liquid balances from portfolio transactions	334	229	+45.9
Transactions involving foreign branches	324	743	-56.4
Premiums collected on options sold	318	257	+23.7
Amounts due to employees	300	253	+18.6
Due to the tax authorities	276	191	+44.5
Amounts payable due to settlement value date	127	-	n.s.
Tax payments accounts	107	56	+91.1
Deposits guaranteeing agricultural and construction loans	35	54	-35.2
Items relating to securities transactions	23	1,210	-98.1
Other	1,015	963	+5.4
Total	15,715	14,543	+8.1

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Accrued expenses			
– charges on derivative contracts	3,266	2,962	+10.3
– interest on securities issued	1,188	1,309	-9.2
– interest on amounts due to banks	157	214	-26.6
– interest on amounts due to customers	119	104	+14.4
– personnel and other operating costs	40	97	-58.8
– other	57	68	-16.2
Deferred income			
– interest on discounted notes	49	70	-30.0
– income from derivative contracts	114	100	+14.0
– other	164	153	+7.2
Total	5,154	5,077	+1.5

SECTION 10 - GUARANTEES AND COMMITMENTS

Consolidated balance sheet captions 10 and 20, relating to guarantees and commitments that involve lending risk, are detailed as follows:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Guarantees given (caption 10)	11,045	11,465	-3.7
Commitments (caption 20)	18,028	18,355	-1.8
Total	29,073	29,820	-2.5

Guarantees to third parties comprise:

Analysis of caption 10 "Guarantees given" (table 10.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Commercial guarantees	9,437	9,298	+1.5
(b) Financial guarantees	1,416	1,982	-28.6
(c) Assets lodged in guarantee	192	185	+3.8
Total	11,045	11,465	-3.7

Commitments outstanding at year end are as follows:

Analysis of caption 20 "Commitments" (table 10.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Commitments to grant finance (certain to be called on)	2,287	3,546	-35.5
(b) Commitments to grant finance (not certain to be called on)	15,741	14,809	+6.3
Total	18,028	18,355	-1.8

Firm commitments are detailed below:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Undrawn lines of credit granted	11,548	9,003	+28.3
Put options issued	2,252	1,691	+33.2
Other commitments certain to be called on	1,548	2,419	-36.0
Mortgage loans to be disbursed	861	2,712	-68.3
Purchase of securities not yet settled	741	1,084	-31.6
Deposits and loans to be made	354	436	-18.8
Membership of Interbank Deposit Guarantee Fund	70	66	+6.1
Other commitments not certain to be called on	654	944	-30.7
Total	18,028	18,355	-1.8

Assets lodged to guarantee the Group's liabilities

(table 10.3 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Portfolio securities lodged with third parties to guarantee repurchase agreements	9,372	13,842	-32.3
Securities lodged with central banks to guarantee advances	205	1,254	-83.7
Securities lodged with the Bank of Italy to guarantee bankers' drafts	70	72	-2.8
Securities lodged with the clearing-house for transactions on the derivatives market	58	174	-66.7
Total	9,705	15,342	-36.7

Unused lines of credit

The Group has unused lines of credit, excluding operating limits, as detailed below:

(table 10.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
(a) Central banks	41	75	-45.3
(b) Other banks	641	933	-31.3
Total	682	1,008	-32.3

Forward transactions

Forward transactions, excluding dealings for third parties, are analyzed as follows:

(table 10.5 B.I.)

	Hedging	Dealing (*)	Other	millions of Euro Total
1. Purchase/sale of				
1.1 securities				
– purchases	-	729	-	729
– sales	-	871	-	871
1.2 currency				
– currency against currency	3,942	615	-	4,557
– purchases against Euro	7,536	2,040	-	9,576
– sales against Euro	5,169	2,688	-	7,857
2. Deposits and loans				
– to be disbursed	1,010	27	397	1,434
– to be received	18	626	506	1,150
3. Derivative contracts				
3.1 with exchange of capital				
a) securities				
– purchases	-	3,966	-	3,966
– sales	421	4,233	-	4,654
b) currency				
– currency against currency	875	561	-	1,436
– purchases against Euro	3,218	2,069	-	5,287
– sales against Euro	866	2,080	-	2,946
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 without exchange of capital				
a) currency				
– currency against currency	223	-	-	223
– purchases against Euro	329	50	-	379
– sales against Euro	4	2	-	6
b) other instruments				
– purchases	11,207	101,687	-	112,894
– sales	11,700	100,421	2,839	114,960
Total	46,518	222,665	3,742	272,925

(*) Including derivative contracts hedging the dealing portfolio.

At year end, hedging contracts, entered into as part of credit intermediation activities, show an unrecognized net loss of Euro 255 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) and/or lending activities. The above-mentioned contracts are in fact recorded on a consistent basis with those adopted for hedging trans-

actions, with the identification of accruals in the financial statements. Had the assets and liabilities being hedged been valued in the same way, this would have led to a gain which would have offset the above loss.

Forward transactions outstanding as of 31 December 1999, presented in the table above, essentially reflect the activities of the Bank and those subsidiaries operating in the stockbroking and credit intermediation sector.

The valuation of derivative contracts is described in the note on dealing securities in part B, section 2 of these notes and in the note on profits (losses) on financial transactions in part C, section 3.

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

Notional amounts	millions of Euro			
	Interest rates	Currency	Stockmarket indices	Other
OTC trading contracts				
- Forward (a)	2,405	4,940	476	-
- Swap (b)	148,506	3,028	-	-
- Options purchased	14,448	868	3,340	-
- Options sold	16,274	866	1,940	-
Exchange traded contracts				
- Futures purchased	5,143	-	872	-
- Futures sold	1,490	-	633	-
- Options purchased	3,907	-	450	-
- Options sold	5,677	-	526	-
Total trading contracts	197,850	9,702	8,237	-
Total non-trading contracts	21,557	22,162	4,391	207
Total contracts	219,407	31,864	12,628	207

(a) Including FRAs and forward currency purchase/sale transactions.

(b) Mainly comprising IRS and CIRS contracts and basis swaps.

Notional amounts of OTC transactions, related market values and add on	millions of Euro			
	Interest rate related	Exchange rate related	Stockmarket index related	Other
Notional amounts	188,927	31,054	9,859	207
Market value of OTC trading contracts				
- positive	4,612	277	663	-
- negative	4,317	286	232	-
Add on	969	157	309	-
Market value of OTC non-trading contracts:				
- positive	456	925	358	-
- negative	562	430	130	-
Add on	134	344	310	25

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 calcula-

tion 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.

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>				<i>millions of Euro</i>
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	
Interest rate related	55,351	86,986	46,590	
Exchange rate related	26,047	4,496	511	
Stockmarket index related	3,054	5,468	1,337	
Other contracts	-	207	-	

<i>Credit quality of OTC derivative contracts, by counterparty</i>				<i>millions of Euro</i>
	Positive market value	Add on	Credit risk equivalent (a) (market value)	
Governments and central banks	34	22	56	
Banks	5,821	1,738	7,559	
Other operators	1,436	488	1,924	
Total	7,291	2,248	9,539	

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days.

The above transactions are backed by secured guarantees totalling Euro 27 million. No losses were incurred during the year on loans linked to derivatives and there are no outstanding derivative contracts matured, but not settled.

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in part B, section 11 of these notes, while forward transactions related to dealing on behalf of third parties are described in part B, section 12.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as “significant exposures” by the Bank of Italy in compliance with EC guidelines. For this purpose, 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.)

	12/31/99
a) Amount (in millions of euro)	10,674
b) Number	5

Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

(table 11.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Governments	4,471	4,827	-7.4
b) Other public entities	5,469	4,012	+36.3
c) Non-financial businesses	40,762	41,076	-0.8
d) Financial institutions	6,751	9,225	-26.8
e) Family businesses	2,498	2,670	-6.4
f) Other operators	13,223	11,158	+18.5
Total	73,174	72,968	+0.3

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.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Other services for sale	5,490	5,807	-5.5
b) Construction and public works	3,711	4,768	-22.2
c) Commerce, salvage and repairs	5,412	4,554	+18.8
e) Energy	2,847	3,555	-19.9
d) Transport	2,840	1,522	+86.6
f) Other sectors	15,691	17,843	-12.1
Total	35,991	38,049	-5.4

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.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Governments	20	-	n.s.
b) Other public entities	13	249	-94.8
c) Banks	795	1,063	-25.2
d) Non-financial businesses	8,860	7,161	+23.7
e) Financial institutions	971	2,653	-63.4
f) Family businesses	95	84	+13.1
g) Other operators	291	255	+14.1
Total	11,045	11,465	-3.7

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:

(tabella 11.5 B.I.)

	12/31/99 (Euro/mn)				12/31/98 (pro forma) (Euro/mn)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	10,131	8,772	3,241	22,144	10,051	10,138	2,269	22,458
1.2 loans to customers	60,999	7,679	4,496	73,174	62,725	6,764	3,479	72,968
1.3 securities	12,608	4,110	1,662	18,380	19,194	3,327	1,380	23,901
Total	83,738	20,561	9,399	113,698	91,970	20,229	7,128	119,327
2. Liabilities								
2.1 due to banks	9,722	7,173	11,117	28,012	6,081	9,843	9,217	25,141
2.2 due to customers	31,958	8,283	2,948	43,189	36,469	6,423	2,165	45,057
2.3 securities issued	25,081	6,459	4,178	35,718	29,520	6,972	2,881	39,373
2.4 other accounts	527	1,047	-	1,574	433	1,018	-	1,451
Total	67,288	22,962	18,243	108,493	72,503	24,256	14,263	111,022
3. Guarantees and commitments	12,974	7,304	8,795	29,073	17,870	4,941	7,008	29,819

Maturities of assets and liabilities

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

(table 11.6 B.I.)

	<i>millions of Euro</i>								Unspecified	Total
	Maturity									
	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			
1. Assets										
1.1 Treasury bonds eligible for refinancing	693	203	312	601	823	502	198	-	3,332	
1.2 due from banks	5,513	12,921	2,417	280	226	95	69	623	22,144	
1.3 loans to customers	12,405	12,252	10,070	9,436	13,290	6,015	7,751	1,955	73,174	
1.4 bonds and other debt securities	504	1,518	1,907	2,707	4,422	1,480	1,067	-	13,605	
1.5 off-balance sheet transactions	4,319	67,336	42,237	58,862	8,752	31,789	1,687	-	214,982	
Total assets	23,434	94,230	56,943	71,886	27,513	39,881	10,772	2,578	327,237	
2. Liabilities										
2.1 due to banks	4,695	15,152	3,657	1,141	1,793	645	929	-	28,012	
2.2 due to customers	33,024	6,583	1,042	531	838	954	217	-	43,189	
2.3 securities issued:										
– bonds	345	740	3,158	5,920	6,773	3,730	2,977	-	23,643	
– certificates of deposit	196	4,049	3,672	1,064	94	15	-	-	9,090	
– other securities	393	2,572	20	-	-	-	-	-	2,985	
2.4 subordinated liabilities	-	90	345	424	435	30	200	-	1,524	
2.5 off-balance sheet transactions	4,490	65,489	41,736	60,269	6,887	32,326	1,681	-	212,878	
Total liabilities	43,143	94,675	53,630	69,349	16,820	37,700	6,004	-	321,321	

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the Euro-zone as of December 31, 1999 are broken down as follows. Figures as of December 31, 1998, reported for comparison purposes, relate to all transactions made in currencies other than the Lire. These include asset and liability balances pertaining to currencies that are part of the Euro-zone for Euro 23,196 million and Euro 22,306 million respectively.

(Table 11.7 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Assets			
1. due from banks	6,453	7,395	-12.7
2. loans to customers	7,956	13,211	-39.8
3. securities	3,196	6,112	-47.7
4. equity investments	125	216	-42.1
5. other accounts	51	96	-46.9
Total assets	17,781	27,030	-34.2
b) Liabilities			
1. due to banks	8,949	13,184	-32.1
2. due to customers	5,626	8,122	-30.7
3. securities issued	7,288	8,545	-14.7
4. other accounts	474	526	-9.9
Total liabilities	22,337	30,377	-26.5

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.

SECTION 12 - 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.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Purchases			
1. settled	42,964	35,342	+21.6
2. not settled	163	75	+117.3
Total purchases	43,127	35,417	+21.8
b) Sales			
1. settled	32,641	33,331	-2.1
2. not settled	34	101	-66.3
Total sales	32,675	33,432	-2.3

Portfolio management

The total market value of portfolios managed on behalf of customers is detailed below:

(table 12.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Asset management (*)	23,953	16,536	+44.9

(*) Pursuant to specific Bank of Italy instructions the information refers solely to personalized management of customers' assets, excluding Group mutual funds, Euro 76,019 million, and technical reserves of insurance subsidiaries for Euro 10,500 million.

Custody and administration of securities

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

(table 12.3 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Third-party securities held on deposit	209,672	180,778	+16.0
b) Third-party securities deposited with third parties	128,231	115,474	+11.0
c) Portfolio securities deposited with third parties (a)	14,087	11,746	+19.9

(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

The Bank has received instructions to collect the receivables of third parties as part of its portfolio transactions. The nominal value of such receivables is Euro 7,814 million.

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

(table 12.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Debit adjustments			
1. current accounts	690	712	-3.1
2. central portfolio	97	78	+24.4
3. cash	-	-	-
4. other accounts	-	-	-
b) Credit adjustments			
1. current accounts	97	78	+24.4
2. transferors of notes and documents	693	714	-2.9
3. other accounts	-	-	-

Other transactions

Fund for applied research

Sanpaolo IMI continues to perform the role of co-ordinator for the Fund for Applied Research on behalf of the Ministry for Universities and Scientific and Technological Research. Now, in association with the same Ministry, it has also started to handle applications for financing under Law 488/1992. This entails evaluating and supervising the implementation of research and industrial development projects and training programmes for researchers from a technical and economic point of view, as well as monitoring research companies formed with government participation.

In 1999, 864 applications were received to finance investments worth Euro 2,229 million. The substantial increase over the prior year is due to the significant proportion of applications received by Sanpaolo IMI under "Law 488 for Research" (this is approximately 50% of total applications, the other 50% being split over the other 9 banks authorised to perform this activity). The increase represents the rise in investments reported by the research and development sector in the second half of the year. 460 preliminary inquiries were carried out and 376 contracts drawn up; assisted loans amounting to Euro 374 million were drawn on public funds and Euro 143 million were drawn on the Bank's funds, taking advantage of interest subsidies provided by the government under Law 346/1988.

Management activities carried out on behalf of the Ministry were recompensed with commission totalling Euro 7 million.

In January 2000, the Ministry for Universities and Scientific and Technological Research began managing the Fund for Applied Research directly and has empowered the ten banks, which were already authorised to operate in depressed areas of the country (pursuant to Law 488/1992), to participate in the new activity of the Fund. Sanpaolo IMI has been assigned the supervision of all outstanding projects.

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, 1999, 4,501 requests had received for a total of Euro 2,494 million, broken down as follows:

- Euro 1,637 million for the consolidation of short term indebtedness;
- Euro 651 million for participating loans;
- Euro 206 million for the acquisition of equity investments.

3,962 requests for loans totalling Euro 1,453 million have been processed, of which 3,814 have been approved. In light of the operations processed to date, the overall amount committed by the Fund totals Euro 906 million, including Euro 711 million relating to guarantees given and Euro 113 million for grants to be disbursed.

Management activities carried out on behalf of the Treasury were recompensed with commission totalling Euro 1.5 million.

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totalled Euro 857 million at year end (Euro 1,396 million in 1998).

Part C - Consolidated Statement of Income

SECTION 1 - INTEREST

Interest income and expense and similar revenues and charges, detailed below, are reported in captions 10 and 20 of the consolidated statement of income:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Interest income and similar revenues (caption 10)	5,966	8,642	-31.0
Interest expense and similar charges (caption 20)	3,934	6,219	-36.7

Interest income and similar revenues (caption 10)

Analysis of caption 10 "Interest income and similar revenues" (table 1.1 B.I)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) On amounts due from banks	715	1,349	-47.0
<i>including:</i>			
– deposits with central banks	24	100	-76.0
b) On loans to customers	4,324	5,672	-23.8
<i>including:</i>			
– loans using public funds	-	-	-
c) On debt securities	915	1,610	-43.2
d) Other interest income	12	11	+9.1
e) Net differential on hedging transactions	-	-	-
Total	5,966	8,642	-31.0

Detail of caption 10 "Interest income and similar revenues" (table 1.3 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) On assets denominated in foreign currency	870	1,633	-46.7

"Interest income and similar revenue" on assets denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone. The figures for 1998 given for comparison purposes have been duly reclassified.

Interest expense and similar charges (caption 20)*Analysis of caption 20 "Interest expense and similar charges" (table 1.2 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) On amounts due to banks	992	1,756	-43.5
b) On amounts due to customers	892	1,573	-43.3
c) On securities issued	1,834	2,607	-29.7
<i>including:</i>			
– certificates of deposit	480	881	-45.5
d) On public funds administered	-	-	-
e) On subordinated liabilities	81	111	-27.0
f) Net differential on hedging transactions (*)	135	172	-21.5
Total	3,934	6,219	-36.7

() This balance represents the net effect of hedging derivative differentials.**Detail of caption 20 "Interest expense and similar charges" (table 1.4 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) On liabilities denominated in foreign currency	839	1,485	-43.5

"Interest expense and similar charges" on liabilities denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone. The figures for 1998 given for comparison purposes have been duly reclassified.

SECTION 2 - COMMISSIONS

Commission income and expense, detailed below, are reported in captions 40 and 50 of the consolidated statement of income:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Commission income (caption 40)	2,587	2,227	+16.2
Commission expense (caption 50)	530	473	+12.1

Commission income (caption 40)

Analysis of caption 40 "Commission income" (table 2.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Guarantees given	44	47	-6.4
b) Collection and payment services	177	183	-3.3
c) Management, dealing and advisory services			
1. dealing in securities	106	108	-1.9
2. dealing in currency	31	30	+3.3
3. portfolio management	123	72	+70.8
4. custody and administration of securities	39	29	+34.5
5. placement of securities	199	175	+13.7
6. advisory services	36	16	+125.0
7. "door-to-door" sales of securities and financial products and services	108	135	-20.0
8. acceptance of instructions	110	114	-3.5
9. management of mutual funds	1,107	837	+32.3
d) Tax collection services	32	31	+3.2
e) Other services	475	450	+5.6
Total	2,587	2,227	+16.2

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Loans granted	143	140	+2.1
Deposits and current account overdrafts	109	120	-9.2
Banking functions in relation to mutual funds deposited	108	75	+44.0
Current accounts	61	65	-6.2
Loan-arrangement activities	1	2	-50.0
Other services	53	48	+10.4
Total	475	450	+5.6

Commission expense (caption 50)*Analysis of caption 50 "Commission expense" (table 2.2 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Collection and payment services	50	56	-10.7
b) Management and dealing services			
1. dealing in securities	42	31	+35.5
2. dealing in currency	1	1	-
3. portfolio management	-	1	-100.0
4. custody and administration of securities	16	9	+77.8
5. placement of securities	1	6	-83.3
6. "door-to-door" sales of securities and financial products and services	369	317	+16.4
7. management of mutual funds	18	8	+125.0
c) Other services	33	44	-25.0
Total	530	473	+12.1

Subcaption (c) "Other services" comprises, in particular:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Loans obtained	12	13	-7.7
Intermediation on financing transactions	8	8	-
Loan-arrangement activities	2	4	-50.0
Guarantees received	1	2	-50.0
Other services	10	17	-41.2
Total	33	44	-25.0

SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Profits (losses) on financial transactions (caption 60)	103	198	-48.0

Profits (losses) on financial transactions (caption 60)

Profits and losses comprise:

Analysis of caption 60 "Profits (losses) on financial transactions" (table 3.1 B.I.)

	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
<i>of which:</i>				
1. on government securities	-204			
2. on other debt securities	65			
3. on equities	284			
4. on security derivatives	-281			

SECTION 4 - ADMINISTRATIVE COSTS

Administrative costs, detailed below, are reported in caption 80 of the consolidated statement of income:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Personnel costs (caption 80.a)	1,534	1,526	+0.5
Other administrative costs (caption 80.b)	932	940	-0.9
Total	2,466	2,466	-

Payroll costs (caption 80.a)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Wages and salaries	1,097	1,091	+0.5
Social security charges	365	364	+0.3
Termination indemnities	69	69	-
Pensions and similar commitments	3	2	+50.0
Total	1,534	1,526	+0.5

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

	12/31/99	12/31/98 (pro forma)	Change %
(a) Executives	338	341	-0.9
(b) Managers	4,388	4,465	-1.7
(c) Other employees	19,490	19,816	-1.6
Total	24,216	24,622	-1.6

Other administrative costs (caption 80.b)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Rental of premises	88	83	+6.0
Consultancy services	84	69	+21.7
Software maintenance and upgrades	83	68	+22.1
Maintenance of operating assets	41	41	-
Postage and telegraph charges	38	38	-
Other expenses for personnel training, travel and assignments	37	36	+2.8
Telephone	32	38	-15.8
Data transmission charges	28	31	-9.7
Energy	26	28	-7.1
External data processing	25	28	-10.7
Advertising and entertainment	24	29	-17.2
Security services	24	25	-4.0
Legal and judiciary expenses	24	24	-
Cleaning of premises	20	20	-
Maintenance of properties owned by the Bank	18	16	+12.5
Office supplies	16	18	-11.1
Databank access charges	16	16	-
Equipment leasing charges	14	19	-26.3
Insurance premiums - banks and customers	11	18	-38.9
Transport and counting of valuables	11	12	-8.3
Investigation/commercial information costs	11	10	+10.0
Courier and transport services	10	11	-9.1
Maintenance of leasehold premises	7	8	-12.5
Contributions and membership fees to trades unions and business associations	6	6	-
Contribution to the Interbank Deposit Guarantee Fund	-	6	-100.0
Other expenses	69	71	-2.8
Total	763	769	-0.8
Indirect duties and taxes			
– stamp duties	120	119	+0.8
– substitute tax (Pres. Decree 601/73)	13	14	-7.1
– non-recoverable VAT on purchases	11	3	+266.7
– local property taxes	10	11	-9.1
– taxes on stock exchange contracts	1	7	-85.7
– other	14	17	-17.6
Total	169	171	-1.2
Total other administration costs	932	940	-0.9

Administrative costs include Euro 4 million of costs connected with the "Euro Project" charged directly to the statement of income. Total costs incurred during the year for the "Euro Project" also include Euro 5 million pertaining to the amortization of capitalized costs, booked under "Adjustments to intangible fixed assets".

SECTION 5 - 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:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Adjustments to intangible and tangible fixed assets (caption 90)	293	302	-3.0
Provisions for risks and charges (caption 100)	81	100	-19.0
Adjustments to loans and provisions for guarantees and commitments (caption 120)	664	779	-14.8
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	361	254	+42.1
Provisions to reserves for possible loan losses (caption 140)	10	6	+66.7
Adjustments to financial fixed assets (caption 150)	89	67	+32.8
Writebacks of adjustments to financial fixed assets (caption 160)	2	-	n.s.

Adjustments to intangible and tangible fixed assets (caption 90)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Adjustments to intangible fixed assets			
– amortization of start-up and capital increase expenses	1	1	-
– amortization of goodwill	18	18	-
– amortization of merger differences	37	37	-
– amortization of software costs	47	38	+23.7
– amortization of other deferred charges	29	23	+26.1
– amortization of goodwill arising on consolidation	4	6	-33.3
– amortization of goodwill arising on application of the equity method	25	32	-21.9
Adjustments to tangible fixed assets			
– depreciation of property	59	64	-7.8
– depreciation of furniture and installations	73	83	-12.0
Total	293	302	-3.0

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, Euro 81 million, made during the year reflect the consolidation of the corresponding provision of the Bank (Euro 57 million) and provisions made by subsidiary companies (Euro 24 million).

Provisions for risks and charges, Euro 57 million, recorded during the year by the Parent Bank, include the following:

- Euro 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;
- Euro 16 million designed to increase the coverage of the reserve for pension and similar commitments, including Euro 6 million to cover long-service bonuses to the Bank's employees, Euro 6 million to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund, Euro 3 million to cover other potential pension charges and Euro 1 million of potential costs connected with the reorganization of the New York and Frankfurt offices.

The provisions made by foreign subsidiaries relate to prudent provisions made by subsidiaries operating in the area of financial services for families for risks connected to the distribution of financial products.

Adjustments to loans and provisions for guarantees and commitments (caption 120)

Analysis of caption 120 "Adjustments to loans and provisions for guarantees and commitments" (table 5.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
a) Adjustments to loans	663	762	-13.0
<i>of which:</i>			
– general adjustments for country risk	56	89	-37.1
– other general adjustments	11	107	-89.7
b) Provisions for guarantees and commitments	1	17	-94.1
<i>of which:</i>			
– general provisions for country risk	-	-	-
– other general provisions	-	13	-100.0
Total	664	779	-14.8

In addition to the above adjustments, default interest of Euro 176 million due during the year has been reversed from interest income.

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

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Revaluation of loans previously written down	134	91	+47.3
Revaluation of loans previously written off	3	15	-80.0
Revaluation of provisions for guarantees and commitments	1	1	-
Collection of loan principal previously written down	116	41	+182.9
Collection of loan principal and interest previously written off	65	53	+22.6
Collection of default interest previously written down	42	53	-20.8
Total	361	254	+42.1

Provisions to reserves for possible loan losses (caption 140)

Provisions to reserves for possible loan losses represent the provisions made by certain subsidiary companies and do not adjust risks which are only potential.

Adjustments to financial fixed assets (caption 150)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Adjustments to investment securities	14	26	-46.2
Adjustments to equity investments	75	41	+82.9
Total	89	67	+32.8

Adjustments to investment securities made by the Parent Bank, Euro 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, Euro 75 million, relate to the writedown of holdings in the following non-consolidated companies:

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Beni Stabili S.p.A.	58	-	n.s.
Inter Europa Bank Rt	4	-	n.s.
Milano Assicurazioni S.p.A.	3	-	n.s.
Snia BPD S.p.A.	2	-	n.s.
Rimoldi Necchi S.p.A.	1	3	-66.7
Sanità S.p.A.	1	-	n.s.
Sviluppi Immobiliari S.p.A. (ex Apokè Six)	-	16	-100.0
Banco de Desarrollo S.A.	-	11	-100.0
Eurotunnel	-	3	-100.0
Abete Sviluppo S.p.A.	-	3	-100.0
Other	6	5	+20.0
Total	75	41	+82.9

In particular:

- Beni Stabili S.p.A. has been written down to adjust the book value to the average quoted price of the shares from listing to the end of the period;
- Inter-Europa Bank Rt. has been further written down with respect to net accounting shareholders' funds to adjust the book value to the average price on the Budapest Stock Exchange in the final six months of the year.

SECTION 6 - OTHER CONSOLIDATED STATEMENT OF INCOME CAPTIONS

Dividends and other revenues (caption 30)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Shares, quotas and other equities			
– dividends	94	75	+25.3
– tax credits	54	43	+25.6
Equity investments, not consolidated line-by-line and carried at equity			
– dividends	69	17	+305.9
– tax credits	33	8	+312.5
Total	250	143	+74.8

Other operating income (caption 70)

Analysis of caption 70 "Other operating income" (table 6.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Expenses recovered from customers			
– stamp duties	115	115	-
– other taxes	16	17	-5.9
– other recoveries	15	24	-37.5
– legal costs	14	11	+27.3
Income from merchant banking activities	28	10	+180.0
Reimbursement of services rendered to third parties	14	7	+100.0
Rent and other income from property	5	23	-78.3
Gains on the sale of leased assets	3	4	-25.0
Other income	14	14	-
Total	224	225	-0.4

Other operating expenses (caption 110)*Analysis of caption 1100 "Other operating expenses" (table 6.2 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Other charges on leasing transactions	11	15	-26.7
Expenses for distribution network of financial consultants	10	9	+11.1
Losses on the sale of leased assets	5	15	-66.7
Real estate leasing charges	3	1	+200.0
Losses from merchant banking activities	2	2	-
Other expenses	9	9	-
Other operating expenses	40	51	-21.6

Extraordinary income (caption 190)*Analysis of caption 190 "Extraordinary income" (table 6.3 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Out-of-period income			
– exchange rate effect on consolidation adjustments	2	8	-75.0
– provision	1	4	-75.0
– collection of default interest	-	1	-100.0
– income taxes for prior years paid in advance	-	86	-100.0
– other out-of-period income	31	9	+244.4
Amounts not payable	2	2	-
Gains on:			
– the disposal of equity investments	327	18	n.s.
– the disposal of tangible fixed assets	3	8	-62.5
– the disposal of investment securities	1	3	-66.7
– the disposal of other financial fixed assets	-	37	-100.0
Total	367	176	+108.5

Gains on the disposal of equity investments include mainly gains recorded by the Parent Bank on the disposal of a 20% interest in Crediop S.p.A. (for a total amount of Euro 94 million) and of the interest in Telecom Italia S.p.A. (Euro 215 million).

Extraordinary expense (caption 200)

Analysis of caption 200 "Extraordinary expense" (table 6.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (pro forma) (Euro/mn)	Change %
Severance bonus incentive for voluntary redundancy	22	24	-8.3
Exchange rate effect on consolidation adjustments	4	3	+33.3
Amounts not collectible	1	3	-66.7
Losses on the disposal of:			
– equity investments	4	2	+100.0
– tangible fixed assets	1	2	-50.0
Other out-of-period expenses	41	22	+86.4
Total	73	56	+30.4

Income taxes for the year (caption 240)

Breakdown of caption 240 "Income taxes for the year" (Bank of Italy instructions dated 8.03.99)

	12/31/99 (Euro/mn)
1. Current income taxes	696
2. Change in deferred tax assets	-28
3. Change in deferred tax liabilities	17
4. Income taxes for the year	685

SECTION 7 - OTHER INFORMATION REGARDING THE CONSOLIDATED STATEMENT OF INCOME

Geographical distribution of revenues

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

Composition (table 7.1 B.I.)

	12/31/99 (Euro/mn)				12/31/98 (pro forma) (Euro/mn)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	4,708	894	364	5,966	6,442	1,507	693	8,642
Dividends and other revenues	220	30	-	250	98	45	-	143
Commission income	1,958	611	18	2,587	1,796	420	11	2,227
Profits (losses) on financial transactions	98	-12	17	103	212	-6	-8	198
Other operating income	194	30	-	224	206	19	-	225
Total revenues	7,178	1,553	399	9,130	8,754	1,985	696	11,435

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

The remuneration of Directors and Statutory Auditors for the performance of their duties on behalf of the Bank and subsidiary companies is as follows:

Remuneration (table 1.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Directors	3	3	-
Statutory Auditors	1	1	-

A detailed analysis of emoluments paid to Directors, Statutory Auditors and General Managers in compliance with Art. 78 of Consob resolution 11971 dated 14 May 1999, has been included in the explanatory notes to the financial statements of the Bank (Part D - Other information).

In line with Consob's recommendations, information on the stock option plan launched by the Parent Bank is provided in the Report on Operations.

Loans and guarantees given

Loans and guarantees given (table 1.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Directors	10	105	-90.5
Statutory Auditors	1	1	-

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors, Euro 0.2 million, and to companies and banks identified pursuant to Article 136 of the Consolidated Banking Act, Euro 11 million, including the drawdown against credit lines granted to the latter.

Attachments to the Consolidated Financial Statements

STATEMENT OF CHANGES IN GROUP SHARE OF CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CONSOLIDATED CASH FLOWS

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

LIST OF SHAREHOLDING INVESTMENTS

STATEMENT OF CHANGES IN GROUP SHARE OF CONSOLIDATED SHAREHOLDERS' EQUITY

millions of Euro

	Capital	Reserves Legal reserve	Other reserves	Reserve for general banking risks	Net income for the year	Total
Pro forma shareholders' equity as of December 31, 1998	4,345	869	2,186	359	909	8,668
Allocation of 1998 net income:						
- to reserves	-	-	257	-	-257	-
- to shareholders	-	-	-	-	-652	-652
Real estate spin-off	-413	-83	-205	-	-	-701
Conversion of share capital into Euro	-6	6	-	-	-	-
Change in the reserve for general banking risks	-	-	-	1	-	1
Differences arising on the translation of foreign currency financial statements and other adjustments	-	-	5	1	-	6
Net income for the year	-	-	-	-	1,050	1,050
Shareholders' equity as of December 31, 1999	3,926	792	2,243	361	1,050	8,372
Own shares in portfolio	-	-	-336	-	-	-336
Shareholders' equity as per the reclassified balance sheet as of December 31, 1999	3,926	792	1,907	361	1,050	8,036

STATEMENT OF CONSOLIDATED CASH FLOWS

millions of Euro

APPLICATION OF FUNDS

Use of funds generated by operations		1,456
Dividends paid	652	
Effect of the real estate spin-off	701	
Use of reserve for termination indemnities	35	
Use of provisions for risks and charges	68	

Increase in funds applied		5,496
Cash and deposits with central banks	107	
Equity investments	1,750	
Intangible fixed assets	131	
Loans to customers	462	
Other asset items	2,710	
Net shareholders' funds	336	

Decrease in funds taken		5,523
Due to customers and securities issued	5,523	

Total		12,475
--------------	--	---------------

millions of Euro

SOURCES OF FUNDS

Funds generated by operations		1,873
Net income for the year	1,050	
Provision for termination indemnities	42	
Net adjustments to loans and provisions for guarantees and commitments	313	
Provisions for risks and charges	81	
Adjustments to tangible fixed assets	133	
Adjustments to intangible fixed assets	160	
Adjustments to financial fixed assets	87	
Exchange differences on translating the net equity of consolidated companies and other adjustments	6	
Change in the reserve for general banking risks	1	
Increase in funds taken		4,488
Due to banks	2,871	
Other liability items	1,081	
Subordinated liabilities	142	
Minority interests	394	
Decrease in funds applied		6,114
Due from banks	267	
Investment securities	573	
Dealing securities	4,920	
Tangible fixed assets	353	
Goodwill arising on consolidation and on application of the equity method	1	
Total		12,475

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

	<i>millions of Euro</i>				
	Net income for the year	Capital, Reserves and Reserve for general banking risks	Shareholders' equity	Reserve for possible loan Losses	Total
Financial statements of the Parent Bank	1,018	6,182	7,200	-	7,200
Balance of subsidiary companies consolidated line-by-line	634	4,347	4,981	29	5,010
Consolidation adjustments:					
- carrying value for equity investments	-	-3,182	-3,182	-	-3,182
- dividends	-559	432	-127	-	-127
- elimination of writedowns made to cover losses of companies consolidated line-by-line and using the equity method	5	-	5	-	5
- amortization of goodwill on consolidation	-28	-87	-115	-	-115
- offsetting of goodwill on consolidation	-	-75	-75	-	-75
- effect of valuation at net equity	118	199	317	-	317
- gains on the disposal of equity investments	-51	33	-18	-	-18
- other (*)	-25	-50	-75	-	-75
- minority interests	-62	-477	-539	-	-539
Balance as per consolidated financial statements	1,050	7,322	8,372	29	8,401

(*) Other consolidation adjustments relate mainly to bringing the accounting principles of the subsidiary companies into line with those of the Parent Bank.

LIST OF SHAREHOLDINGS AT DECEMBER 31, 1999 SUPERIOR TO 10% OF ORDINARY VOTING RIGHTS IN UNQUOTED COMPANIES OR LIMITED LIABILITY COMPANIES (CONSOB 11715 OF NOVEMBER 24, 1998) (1)

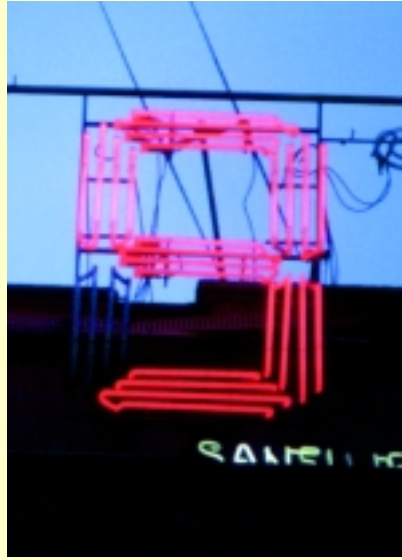
Name	Shareholder	%
1650 Mission associates limited partnership	SPB 1650 Van Ness Corporation	13.75
1650 Mission corporation general partner	SPB 1650 Van Ness Corporation	13.89
Bergamina	SANPAOLO IMI	100.00
Bergamo esattorie	SANPAOLO IMI	11.35
Biessefin in liquidation	SANPAOLO IMI	36.10
Brummel International limited	Wobco Holding	100.00
Celeasing S.r.l.	SANPAOLO IMI	100.00
Chateau bolides	UNO IMMOBILIARE in liquidation	49.00
Cifrali 8	Banque SANPAOLO S.A.	18.30
Cifrali 9	Banque SANPAOLO S.A.	14.09
Cive	SANPAOLO IMI	68.97
Dott.ing. Giuseppe Torno & c. in liquidation	SANPAOLO IMI	21.91
Dulevo	SANPAOLO IMI	16.30
Elvetia edile	SANPAOLO IMI	100.00
Feic- Finanziaria economia ittica cooperativa	SANPAOLO IMI	17.24
Fin.lavori	SANPAOLO IMI	44.22
Findirama in liquidation	APOKE' TWO in liquidation	62.86
	UNO Holding in liquidation	3.96
	TOTAL	66.82
Finlombarda leasing	SANPAOLO IMI	14.00
Fonti di Gaverina	SANPAOLO IMI	51.04
Giacinto in liquidation	APOKE' TWO in liquidation	100.00
Guinness peat aviation a.t.r. ltd	SANPAOLO Bank Ireland Plc	12.50
Iam Piaggio	Banca FIDEURAM	3.86
	SANPAOLO IMI	10.00
	TOTAL	13.86
Immobiliare dell'Isola Cattaneo	SANPAOLO IMI	48.57
Immobiliare Peonia Rosa	SANPAOLO IMI	57.00
Impianti	SANPAOLO IMI	14.16
Integrated shipping company -I.S.Co.	SANPAOLO IMI	100.00
Interbank online system limited	SANPAOLO IMI	12.50
Ittica Ugento	SANPAOLO IMI	26.96
Kish receivables company	Tobuk Limited	19.70
Konig	SANPAOLO IMI	20.00
Kyle receivables company	Tushingam Limited	11.11

Name	Shareholder	%
Leasarte	SOFIR'S	100.00
Lillo	SANPAOLO IMI	50.00
Lo.Se.Ri.	SANPAOLO IMI	18.40
Milanosole	APOKE' TWO in liquidation	32.55
Newgrange financial services company	BONEC LTD	14.79
Nuova Valvotecnic	IMI INTERNATIONAL S.A.	16.67
Pantecna in fallimento	SANPAOLO IMI	15.50
Receivables servicing company	Lackenstar Limited	15.76
Rimoldi Necchi S.r.l.	NHS Nuova Holding Subalpina	16.92
S.A. Immobiliere de construction de Montecel in liquidation	Banque SANPAOLO S.A.	11.30
S.C.I. Balcons Sainte Marie	Banque SANPAOLO S.A.	18.00
S.C.I. Boissy Griselle 7	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
	TOTAL	100.00
S.C.I. Boissy R.E.R. 8	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
	TOTAL	100.00
S.C.I. Boissy R.E.R 5	Société Fonciere d'Investissement	90.00
S.C.I. Boissy Saint Leger 94	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
	TOTAL	100.00
S.C.I. La Source de Saint Hilarie	Société Immobiliere d'Investissement	98.00
S.C.I. Le Chevalier	Société Fonciere d'Investissement	1.00
	Société Immobiliere d'Investissement	99.00
	TOTAL	100.00
S.C.I. Le Clos de Noyer in liquidation	Banque SANPAOLO S.A.	15.00
S.C.I. Les Balcons du Drac	Banque SANPAOLO S.A.	15.41
S.C.I. Les Jardin de Farnese in liquidation	SANPAOLO Gestion Immobiliere	11.11
S.C.I. Plein Ciel	Banque SANPAOLO S.A.	12.00
S.C.I. Praly III	Banque SANPAOLO S.A.	12.00
S.C.I. Rognac – Nord	Société Fonciere d'Investissement	50.00
S.G.R. Società Gestione per il Realizzo	BANCA FIDEURAM	0.63
	SANPAOLO IMI	9.48
	TOTAL	10.11
Sago (2)	SANPAOLO IMI	26.67
Serdi et compagnie	Société Fonciere d'Investissement	1.00
	Société Immobiliere d'Investissement	99.00
	TOTAL	100.00

Name	Shareholder	%
Soc. d'aménagements de zones ind. et comm. – saziç	Société Foncière d'Investissement	99.00
	Société Immobilière d'Investissement	1.00
	TOTAL	100.00
Società italiana di monitoraggio	SANPAOLO IMI	16.67
Società nazionale finanziaria	SOFIR'S	15.25
Sofir's	UNO Holding in liquidation	100.00
Sogepi et C. ie Le Furnas snc	BANQUE SANPAOLO S.A.	12.50
Stare	APOKE' TWO in liquidation	92.77
Tecno idro meteo (2)	SANPAOLO IMI	36.00
Tecnoalimenti (2)	SANPAOLO IMI	30.00
Tecnobiomedica (2)	SANPAOLO IMI	26.32
Tecnocittà S.r.l.	SANPAOLO IMI	12.00
Tecnofarmaci (2)	SANPAOLO IMI	20.50
Tecnogen (2)	SANPAOLO IMI	29.96
Tecnotessile (2)	SANPAOLO IMI	40.00
Torsyl S.A. in liquidation	IMI INTERNATIONAL S.A.	15.79
Uno Broker in liquidation	SOFIR'S	100.00
Uno Holding in liquidation	APOKE' TWO in liquidation	73.76
	FINDIRAMA in liquidation	3.50
	TOTAL	77.26
Uno Immobiliare in liquidation	APOKE' TWO in liquidation	19.31
	UNO Holding in liquidation	56.95
	TOTAL	76.26
Wobco holding	GED. I. T. - GEDEAM INVESTISSEMENTS	100.00
Zwhalen & Mayr S.A.	IMI INTERNATIONAL S.A.	12.96

(1) The list does not include shareholdings already given in Part b, Section 3 of these notes

(2) Shareholdings resulting from transactions pursuant to Law 1089, October 25, 1968 (Fund for Applied Research)



The Bank's Financial Statements and reports

RECLASSIFIED STATEMENT OF INCOME

RECLASSIFIED BALANCE SHEET

RECLASSIFIED STATEMENT OF INCOME

	Full year 1999 (Euro/mn)	Full year 1998 (Euro/mn)	Change '99/'98 (%)	Full year 1999 (L/bln)
NET INTEREST INCOME	1,729	2,071	-16.5	3,347
Net commissions and other net income	1,348	1,164	+15.8	2,611
Profits (losses) on financial transactions and dividends on shares	78	199	-60.8	151
Dividends on equity investments	531	386	+37.6	1,028
NET INTEREST AND OTHER BANKING INCOME	3,686	3,820	-3.5	7,137
Administrative costs	-1,950	-2,016	-3.3	-3,776
- <i>personnel</i>	-1,260	-1,286	-2.0	-2,440
- <i>other administrative costs</i>	-550	-584	-5.8	-1,065
- <i>indirect taxes and similar dues</i>	-140	-146	-4.1	-271
Other operating income, net	168	168	-	327
Adjustments to tangible and intangible fixed assets	-182	-179	+1.7	-353
OPERATING INCOME	1,722	1,793	-4.0	3,335
Provisions for risks and charges	-57	-76	-25.0	-111
Adjustments to loans and provisions for guarantees and commitments, net	-278	-461	-39.7	-539
Writedowns of financial fixed assets, net	-84	-91	-7.7	-163
INCOME BEFORE EXTRAORDINARY ITEMS	1,303	1,165	+11.8	2,522
Net extraordinary items	354	54	+555.6	686
INCOME BEFORE TAXES	1,657	1,219	+35.9	3,208
Income taxes	-639	-478	+33.7	-1,238
NET INCOME	1,018	741	+37.4	1,970

RECLASSIFIED BALANCE SHEET

	12/31/1999 (Euro/mn)	12/31/1998 (Euro/mn)	Change '99/'98 (%)	12/31/1999 (L/bln)
ASSETS				
Cash and deposits with central banks and post offices	421	394	+6.9	816
Loans	82,072	84,144	-2.5	158,914
- due from banks	14,810	14,920	-0.7	28,676
- loans to customers	67,262	69,224	-2.8	130,238
Dealing securities	6,635	14,274	-53.5	12,847
Fixed assets	6,360	6,258	+1.6	12,316
- investment securities	738	1,495	-50.6	1,429
- equity investment	4,544	3,243	+40.1	8,799
- intangible fixed assets	167	191	-12.6	324
- tangible fixed assets	911	1,329	-31.5	1,764
Other assets	12,813	13,275	-3.5	24,810
Total assets	108,301	118,345	-8.5	209,703
LIABILITIES & SHAREHOLDERS' EQUITY				
Payables	85,562	92,650	-7.7	165,673
- due to banks	24,203	24,661	-1.9	46,864
- due to customers and securities issued	61,359	67,989	-9.8	118,809
Reserves:	1,564	1,684	-7.1	3,029
- for taxation	821	957	-14.2	1,591
- for employee termination indemnities	401	396	+1.3	776
- for risks & charges	296	282	+5.0	573
- for pensions & similar obligations	46	49	-6.1	89
Other liabilities	12,972	15,138	-14.3	25,116
Subordinated liabilities	1,339	1,367	-2.0	2,593
Shareholders' equity	6,864	7,506	-8.6	13,292
- capital	3,926	4,345	-9.6	7,602
- equity reserves	1,920	2,509	-23.5	3,720
- net income for the year	1,018	652	+56.1	1,970
Total liabilities & shareholders' equity	108,301	118,345	-8.5	209,703
GUARANTEES AND COMMITMENTS				
Guarantees given	16,506	16,808	-1.8	31,960
Commitments	13,311	13,538	-1.7	25,773

Report on operations

STATEMENT OF INCOME

OPERATING VOLUMES AND ORGANIZATION

CAPITAL AND RESERVES

SUPPLEMENTARY INFORMATION

SIGNIFICANT EVENTS AFTER THE YEAR END

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

REPORT OF THE BOARD OF STATUTORY AUDITORS

INDEPENDENT AUDITORS' REPORT

Statement of income

Net interest income

The Bank's net interest income amounted to Euro 1,729 million, down 16.5% on 1998.

Net interest income suffered from the sharp reduction in interest rates between 1998 and 1999. This led to a narrower spread and a lower net yield on interest-earning assets and interest-bearing liabilities. Net interest income was also penalized by the downturn in volumes handled as a result of the decision to limit the Bank's risk profile.

Net interest and other banking income

Net interest and other banking income totalled Euro 3,686 million, a decrease over the year of 3.5%.

Net commissions increased by 15.8%. This was due to the professional management of customers' savings which went up by 43.2%, thanks to a positive trend in volumes and a larger proportion of higher value-added products.

There was also a rise (37.6%) in dividends received from shareholdings. This was partly due to better results and a higher pay-out on the part of subsidiaries, and partly to an increase in the investments held in companies that do not form part of the Group. This amount includes the extraordinary dividend of Euro 38 million received in November on the Group's investment in INA.

Net profits on financial transactions and dividends on the equity portfolio, on the other hand, showed a drop of 60.8%. This was because of a change in the market scenario, the emphasis given by the Bank to its risk profile, and the spin-off to NHS of the Group's merchant banking activities.

Net interest income

	1999 (Euro/mn)	1998 (Euro/mn)	Change 1999/1998 (%)
Interest income and similar revenues	4,976	7,442	-33.1
Interest expense and similar charges	-3,247	-5,371	-39.5
Net interest income	1,729	2,071	-16.5

Net interest and other banking income

	1999 (Euro/mn)	1998 (Euro/mn)	Change 1999/1998 (%)
Net interest income	1,729	2,071	-16.5
Net commissions and other dealing revenues	1,348	1,164	+15.8
- <i>Management, dealing and consultancy services</i>	899	694	+29.5
- <i>asset management</i>	762	532	+43.2
- <i>brokerage/custody of securities and currency</i>	137	162	-15.4
- <i>Loans and guarantees</i>	166	168	-1.2
- <i>Collection and payment services</i>	102	104	-1.9
- <i>Deposits and current accounts</i>	162	176	-8.0
- <i>Other banking services</i>	19	22	-13.6
Profits (losses) on financial transactions and dividends on shares	78	199	-60.8
Dividends on equity investments	531	386	+37.6
Net interest and other banking income	3,686	3,820	-3.5

Operating income

Operating income was Euro 1,722 million, down 4% on 1998.

Administrative costs fell by 3.3%, thanks to continuing rationalization involving all of the Bank's head office and branch structures. Personnel costs were also down (-2%), as were other administrative costs (-5.8%).

Income before extraordinary items

Income before extraordinary items was Euro 1,303 million, a rise of 11.8% over the year.

Lower doubtful loans and more effective recovery of balances at risk were reflected in a significant reduction (-33%)

in provisions and value adjustments for loans and investment securities.

Adjustments included:

- Euro 58 million for the writedown of the 18% holding in Beni Stabili, which was written down for prudence to the average quoted price for the second half;
- Euro 60 million to write down unsecured loans and investment securities relating to customers in the Russian Federation. As a result, the coverage of this exposure has been raised from 60% to 85% of nominal value.

There were significant collections of doubtful loans at above their net book value, leading to writebacks from collections of Euro 186 million. Losses on transactions and sales were Euro 9 million.

Operating income

	1999 (Euro/mn)	1998 (Euro/mn)	Change 1999/1998 (%)
Net interest and other banking income	3,686	3,820	-3.5
Administrative costs	-1,950	-2,016	-3.3
- payroll	-1,260	-1,286	-2.0
- other administrative costs	-550	-584	-5.8
- indirect taxes	-140	-146	-4.1
Other operating income	168	168	-
Adjustments to tangible fixed assets	-100	-105	-4.8
Adjustments to intangible fixed assets	-82	-74	+10.8
Operating income	1,722	1,793	-4.0

Income before extraordinary items

	1999 (Euro/mn)	1998 (Euro/mn)	Change 1999/1998 (%)
Operating income	1,722	1,793	-4.0
Provisions for risks and charges	-57	-76	-25.0
Adjustments to loans and provisions for guarantees and commitments	-278	-461	-39.7
- net writedowns and losses	-464	-575	-19.3
- provisions for guarantees and commitments	-	-12	n.s.
- writebacks following collections	186	126	+47.6
Adjustments to financial fixed assets	-84	-91	-7.7
- net writedowns of equity investments	-71	-65	+9.2
- net writedowns of investment securities	-13	-26	-50.0
Income before extraordinary items	1,303	1,165	+11.8

Net income

Net income was Euro 1,018 million, up 37.4% on the previous year.

Net extraordinary income contributed Euro 354 million

to net income, of which 128 million were proceeds on the sale of a 20% stake in Crediop to the Dexia Group and 215 million following acceptance of Olivetti's public offer for shares in Telecom Italia. Extraordinary expenses include Euro 22 million incurred for personnel severance incentives.

Net income

	1999 (Euro/mn)	1998 (Euro/mn)	Change 1999/1998 (%)
Income before extraordinary items	1,303	1,165	+11.8
Extraordinary income/(expense):	354	54	n.s.
- <i>net gains on disposal of tangible fixed assets and financial assets</i>	372	8	n.s.
- <i>other extraordinary income, net</i>	-18	46	n.s.
Income before income taxes	1,657	1,219	+35.9
Income taxes	-639	-478	+33.7
Net income	1,018	741	+37.4

Operating volumes and organization

Assets managed on behalf of customers

Financial assets of customers grew during the year by 7.5%. This was thanks to the increase in asset management, which more than offset the decline in traditional forms of direct funding.

Asset management rose by 30.4%, with an inflow over the year of Euro 14,576 million.

Mutual funds and fund-based portfolio management schemes showed an increase of 27.6% and an inflow of Euro 11,678 million, of which 7,716 million of new net deposits and 3,962 million as a result of asset revaluations.

Equity and balanced funds grew in proportion to the total invested in funds, representing 44.4% of assets under management at the end of the year, compared with 23.7% at the end of 1998.

Life technical reserves posted an increase of 77.6% and an inflow of Euro 1,982 million. The technical reserves of unit-linked products, in particular, reached a total of Euro 1,428 million, thanks to net premiums written of Euro 926 million.

The process of converting households' financial assets into various forms of professional savings management was reflected in a 10.1% reduction in direct deposits taken in by the Italian branches. This decline concerned certificates of deposit (-45.2%), repurchase agreements (-40.9%) and bonds (-8.9%), while there was an increase in current accounts and deposit accounts (+4.4%). There was also a reduction in the deposits taken by the foreign branches (-7.5%)

Financial assets of customers

	12/31/1999		12/31/1998		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Asset management;	62,524	34.4	47,948	28.3	+30.4
- mutual funds	43,735	24.0	34,745	20.5	+25.9
- fund-based portfolio management	10,317	5.7	7,629	4.5	+35.2
- portfolio management	3,936	2.2	3,020	1.8	+30.3
- insurance policies	4,536	2.5	2,554	1.5	+77.6
Assets under administration:	58,113	31.9	53,411	31.5	+8.8
Direct customer deposits	61,359	33.7	67,989	40.1	-9.8
- deposits with the domestic branches	52,477	28.8	58,388	34.5	-10.1
- current accounts and savings deposits	25,590	14.1	24,517	14.5	+4.4
- certificates of deposit	4,008	2.2	7,317	4.3	-45.2
- bonds	19,372	10.6	21,262	12.6	-8.9
- commercial paper	-	-	-	-	n.s.
- linked to repurchase agreements	2,434	1.3	4,115	2.4	-40.9
- other	1,073	0.6	1,177	0.7	-8.8
- deposits with the foreign branches	8,882	4.9	9,601	5.7	-7.5
Total customer deposits	181,996	100.0	169,348	100.0	+7.5

Lending

In 1999 loans to customers went down by 2.8%, net of differing trends in the various types of lending.

The decrease in loans mainly involves lending to finance companies, down 35%. On the other hand, loans to consumers were up by 11.9%, with a particular rise in personal loans (21.1%) and mortgage loans (11.2%).

The breakdown of loans by duration changes as a result of differing trends in the various categories of loans: short-term loans fell by 7.5% due to a decline in repurchase agreements in the corporate sector; medium/long-term loans, which account for 60% of the total, remained substantially the same, as the downward trend in loans to the financial sector and to large companies was offset by the positive trend in mortgage loans to households and loans for public works.

Lending

	12/31/1999		12/31/1998		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Short-term	25,239	37.5	27,290	39.4	-7.5
Medium- and long-term	40,487	60.2	40,105	58.0	+1.0
Non-performing loans	1,536	2.3	1,829	2.6	-16.0
Customer loans portfolio	67,262	100.0	69,224	100.0	-2.8

Loans to customers by type of loan

	12/31/1999		12/31/1998		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Consumers	10,555	15.7	9,431	13.6	+11.9
- Domestic network	10,555	15.7	9,429	13.6	+11.9
- overdrafts	699	1.0	647	0.9	+8.0
- personal loans	556	0.8	459	0.7	+21.1
- mortgages	8,613	12.8	7,747	11.2	+11.2
- other	687	1.0	576	0.8	+19.3
- Foreign network	-	-	2	0.0	n.s.
Family businesses, companies, governments, public bodies and other	56,707	84.3	59,793	86.4	-5.2
- Domestic network	50,903	75.7	53,933	77.9	-5.6
- overdrafts	8,477	12.6	8,230	11.9	+3.0
- advances against uncleared items	2,168	3.2	2,447	3.5	-11.4
- instalment-based loans	28,235	42.0	29,084	42.0	-2.9
- repurchase agreements	426	0.6	1,794	2.6	-76.3
- import/export financing	1,290	1.9	1,359	2.0	-5.1
- portfolio risk	672	1.0	801	1.2	-16.1
- other	9,635	14.3	10,218	14.7	-5.7
- Foreign network	5,804	8.6	5,860	8.5	-1.0
Total customer loans	67,262	100.0	69,224	100.0	-2.8

Doubtful loans

The total of non-performing and other problem loans fell by 23.4% during the year, benefiting from the improvement in lending asset quality. For example:

- net non-performing to customers are down by 16%, thereby falling as a percentage of loans from 2.6% to 2.3%. Total coverage in the form of write-downs and write-offs was increased from 66.5% to 71.3%;
- net problem loans, rescheduled loans and loans being rescheduled are down 30.3%, from 2.3% to 1.7% of loans. Coverage, including write-offs, is up from 33.8% to 42%;
- net loans to customers and banks subject to country-risk are down 35.3% mainly as a result of the

increase in the writedown percentage applied to unsecured loans to the Russian Federation from 60% to 85% of their nominal values. Coverage of these loans is up from 40.2% to 57.9%.

Operations in financial markets

There was a 53.2% reduction in the Bank's securities portfolio, partly because of the trends in customer loans and deposits, and partly because of the decision to concentrate brokerage operations at Banca IMI.

This reduction affected both the investment portion of the portfolio, down 50.6%, and the dealing and treasury portion, down 53.5%.

Doubtful loans

	12/31/1999		12/31/1998		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Non-performing	1,536	2.3	1,829	2.6	-16.0
Problem, rescheduled, being rescheduled	1,119	1.7	1,605	2.3	-30.3
Customer loans subject to country risk	45	0.1	96	0.1	-53.1
Normally-performing loans	64,562	95.9	65,694	95.0	-1.7
Total customer loans	67,262	100.0	69,224	100.0	-2.8
Non-performing and problem loans to banks	-		3		n.s.
Loans to banks subject to country risk	85		105		-19.0

Operations in financial markets

	12/31/1999		12/31/1998		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Investment securities	738	10.0	1,495	9.5	-50.6
Dealing securities	6,635	90.0	14,274	90.5	-53.5
Total portfolio	7,373	100.0	15,769	100.0	-53.2
Due from banks, medium- & long-term	1,170		1,311		-10.8
Funding by international institutions	4,278		4,344		-1.5
Due to banks, medium- & long-term	4,734		5,603		-15.5
Net short-term interbank funding	-1,551		-1,105		+40.4
Derivatives and forward forex transactions	228,327		239,651		-4.7

Equity investments

Equity investments rose during 1999 by a net Euro 1,301 million.

The main additions were as follows:

- an increase of 3% to 9.2% in the investment held in INA, for an outlay of Euro 703 million;
- an increase from 0.4% to 1.4% in the direct investment held in Banco Santander Central Hispano, for an outlay of Euro 370 million;
- an 18% stake in Beni Stabili taken on as a result of the spin-off of part of the Bank's real estate business; this investment of Euro 160 million has been prudently written down to Euro 102 million ;
- acquisition of a 9.6% interest in Banca Agricola Mantovana, for an outlay of Euro 206 million, as part of Banca IMI's placement of BAM shares.

After the end of the year, the Bank bought a 15% interest in Cassa di Risparmio di Firenze for Euro 387 million.

Disposals, on the other hand, amounted to Euro 844 million, generating pre-tax capital gains of Euro 377 million. The main transactions were as follows:

- sale of a 20% interest in Crediop to the Dexia Group (France/Belgium) for Euro 218 million, with a pre-tax capital gain at Parent Bank of 128 million;
- acceptance of the Olivetti's takeover bid for Telecom Italia, selling a 0.75% stake for the equivalent of Euro 448 million with a pre-tax capital gain of Euro 215 million.

The branch network

A plan has been launched to reinforce the Bank's domestic network. This envisages more than 100 new branches over the two-year period 2000-2001. Specialization by market segment has also continued, as have the steps to raise operational productivity. To this end, three new private banking units have been created, which brings the total number of branches specialising in asset management for high net-worth individuals to eight.

Equity investments

	12/31/1999		12/31/1998		Change 1999/1998 (%)
	(Euro/mn)	%	(Euro/mn)	%	
Equity investments	4,544	100.0	3,243	100.0	+40.1
- in Group companies	2,530	55.7	2,423	74.7	+4.4
- in other companies	2,014	44.3	820	25.3	+145.6

The branch network

	12/31/1999	12/31/1998	Change 1999/1998 (%)
Banking branches and area offices	1,303	1,300	+0.2
- Italy	1,292	1,289	+0.2
- Abroad	11	11	-
Representative offices	11	12	-8.3

Employees

Rationalization of head office and branch structures

allowed the Bank to achieve a reduction in the workforce of 498, following the reduction of 789 in 1998.

Employees

	12/31/1999		12/31/1998		Change
		%		%	1999/1998 (%)
Year-end headcount	20,012	100.0	20,510	100.0	-2.4
- Executives	206	1.0	204	1.0	+1.0
- Managers	3,342	16.7	3,427	16.7	-2.5
- Other staff	16,464	82.3	16,879	82.3	-2.5
Average headcount	20,261		20,904		-3.1

Capital and reserves

Shareholders' equity

Shareholders' equity in the Bank at the end of 1999 stood at Euro 6,864 million net of own shares. The year's movements are summarized below:

<i>Net shareholders' equity during the year</i>	<i>millions of Euro</i>
Shareholders' equity as of January 1, 1999	7,506
Decreases	
- Dividends	-652
- Real estate spin-off	-673
Increases	
- Net income	1,018
- Other	1
Shareholders' equity as of December 31, 1999	7,200
- Own shares in portfolio	-336
Shareholders' equity as per the reclassified balance sheet	6,864

Own shares

The Bank held none of its own shares at the end of 1998. During 1999 it bought 27,470,250 own shares (nominal value of Euro 76.9 million for a total outlay of Euro 336.1 million) and sold 38,750 own shares (nominal value of Euro 0.1 million for proceeds of Euro 0.5 million, slightly higher than book value). At the end of 1999, the Bank held 27,431,500 own shares (nominal value of Euro 76.8 million with a carrying value of Euro 335.6 million). At March 28, 2000, own shares held by the Bank were reduced to 3,251,000, equal to 0.23% of the capital.

Regulatory capital and capital adequacy

The SANPAOLO IMI Group meets the solvency requirements set by the Bank of Italy.

Regulatory capital and capital adequacy

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)
Regulatory capital		
Tier 1 capital	5,973	6,663
Tier 2 capital	1,065	1,159
less: prescribed deductions	-290	-44
Total capital	6,748	7,778
Weighted assets		
Lending risk	65,549	67,013
Market risk	1,710	5,823
Other requirements	-	-
Total assets	67,259	72,836
Capital adequacy ratios		
Tier 1 capital ratio	8.88%	9.15%
Total capital ratio	10.03%	10.68%

The ratio between regulatory capital and total assets weighted for lending risk and market risk stands at 10.03% compared with 10.68% at the end of 1998. The ratio between Tier 1 capital and total risk-weighted assets comes to 8.88% compared with 9.15% in 1998. The solvency ratio for lending risks alone is 10.3% compared with the 7% minimum required by the regulatory authorities for individual banks.

Supplementary information

The Board of Directors, Executive Committee and Management

The following information is provided in compliance with the CONSOB Recommendation published on February 20, 1997. Under Article 15 of the Articles of Association, the Board of Directors appoints an Executive Committee from among its number, fixing the size of the Committee, the relevant levels of authority and term in office, as well as its working rules and powers, with special reference to lending operations. It also appoints, and decides the terms of reference of, one or more Managing Directors. In addition, the Board is empowered, under Article 20 of the Articles, to appoint one or more General Managers and one or more Deputy General Managers.

The Executive Committee exercises powers conferred by the Board in connection with operations, personnel and expenditure, as well as the authority in urgent cases to take any measures needed to protect the Bank's interests; such action is reported to the Board at its next meeting.

The powers of the Managing Directors, also fixed by the Board, refer to operations, control and management of risk, personnel, organization and expenditure, together - in general or as part of specific mandates - with the levels of authority required for the purposes of day-to-day management of the business of the Bank. In some cases, the latter authority levels are partially restricted by the Articles of Association and other Board resolutions that assign sole responsibility for particular functions elsewhere.

Under Article 20, the General Managers' functions also include:

- implementing the decisions of the Board, its Executive Committee, the Chairman and the Managing Director, together with the management of day-to-day operations;

- supervising the Bank's personnel and the financing of the services provided;
- deciding the departments and functions of personnel, other than executives.

Under delegation arrangements made by the Managing Director, the Deputy General Managers have special powers in relation to their respective areas of responsibility.

Intercompany transactions and transactions with related parties

The arrangements for the rates and prices underlying transactions between the Bank and other Group companies (subsidiaries and those subject to significant influence by the Bank) conform with the relevant legislation. Transactions with related parties as defined in the relevant CONSOB Communications dated February 20, 1997 and February 27, 1998 - including those with personnel and officers of the Sanpaolo IMI Group and companies they control - similarly comply with the legislation and are conducted on an arm's-length basis. The holdings in the Bank and its subsidiaries of directors, statutory auditors and general managers are listed in detail in the report on the consolidated financial statements.

The year's intercompany balance sheet and income statement transactions between the Bank and other members of the Sanpaolo IMI Banking Group are summarized in the Explanatory Notes.

Incentive plan

The Bank has developed a stock option plan for its managers. The plan is explained in the Group report on operations.

The Euro and the Year 2000

The Euro and Year 2000 projects are discussed in the Group report on operations.

Significant events after the year end

Trends in the first two months of the current year are positive: commission income is up thanks to a strong stock-market, and net interest income seems to be recovering.

The outlook for the whole year is optimistic despite considerable investments which will generate returns in future years.

Turin, March 28, 2000

The Board of Directors

Proposal for the approval of the Financial Statements and allocation of net income for the year

Shareholders,

We submit the 1999 financial statements of SANPAOLO IMI for your approval.

Given that the legal reserve exceeds the maximum amount provided for in Article 2430.1 of the Italian Civil Code (20% of share capital), which means that there is no longer any need to allocate 10% of net income to the legal reserve, in accordance with the law and Article 22 of the Articles of Association, we propose the following allocation of net income for the year available for distribution amounting to Euro 1,017,551,057.14 (the equivalent of Lire 1,970,253,585,401):

- Euro 724,168,090.19 (equal to L. 1,402,184,948,000) to the Shareholders, by means of a dividend of L. 1,000 (Euro 0.516) for each of the 1,402,184,948 ordinary shares making up the share capital, to be distributed to the shares in circulation, transferring to the extraordinary reserve any dividends referring to any own shares that the Bank may hold on May 22, 2000, the date that the shares go ex-dividend;
- Euro 260,000,000 (equal to L. 503,430,200,000) to the reserve ex D.Lgs. 153/99 to take advantage of the lower tax rate of 12.5% applicable to earnings posted to this reserve in the event of bank concentrations;
- Euro 811,791.95 (equal to L. 1,571,848,403) to the reserve ex Article 13.c.6. of D.Lgs. 124/93 to take advantage of the tax deductibility deriving from the possibility to set up such a reserve in suspense for tax purposes, for an amount equal to 3% of the portions of employee termination indemnities applied to supplementary pension schemes;
- Euro 32,571,175 (equal to L. 63,066,588,998) to the extraordinary reserve.

Dividends will have a full tax credit (58.73%) in accordance with D.Lgs. 467/97 and will be payable on May 25, 2000.

The proposed distribution is in line with the positive trends that the Bank is seeing in the early months of 2000, without affecting the adequacy of the Bank and the Group's regulatory capital and solvency ratios.

It is proposed to transfer the undistributed portion of net income for the year, namely Euro 142,345.89 (equal to L. 275,620,076), to the extraordinary reserve.

If this proposal is approved, the shareholders' equity of SANPAOLO IMI – after the allocation of net income and without considering the effects of any own shares that may be held by the Bank on May 22, 2000 - will be as follows:

	<i>Euro</i>
<i>Composition of capital and reserves after allocation of the 1999 net income</i>	
Capital	3,926,117,854,40
Legal reserve	792,561,421,30
Other reserves:	1,421,907,600,75
<i>Reserve ex D.Lgs. 153/99</i>	<i>260,000,000,00</i>
<i>Reserve Article 7.3 Law. 218/90</i>	<i>80,359,536,66</i>
<i>Reserve Law. 169/83</i>	<i>11,514,113,06</i>
<i>Reserve Article 21 D.Lgs. 213/98</i>	<i>41,832,297,50</i>
<i>Reserve Article 13.6 D.Lgs. 124/93</i>	<i>1,750,870,95</i>
<i>Residual merger difference</i>	<i>219,051,913,06</i>
<i>Reserve for purchase of own shares</i>	<i>774,685,348,63</i>
<i>Extraordinary reserve</i>	<i>32,713,520,89</i>
Reserve for general banking risks	335,696,984,41
	6,476,283,860,86

Turin, March 28, 2000

The Board of Directors

Report of the Board of Statutory Auditors Pursuant to Article 153 of Legislative Decree 58 of February 24, 1998 and Article 2429, paragraph 3, of the Italian Civil Code

Shareholders,

The Board wishes to point out that Legislative Decree 58 of February 24, 1998, concerning the reform of the financial markets and corporate governance, sets new regulations for the responsibilities of the Boards of Statutory Auditors of companies whose shares are quoted on organized markets.

These regulations assign to the Independent Auditors those activities formerly undertaken by the Board concerning accounting and financial statements, while the Board of Statutory Auditors has other responsibilities concerned with corporate governance and, in particular, supervision and inspection of corporate affairs.

The financial statements for 1999, put before you for your approval, as well as the consolidated financial statements for 1999 which are available to you, have been sent to us as required by law and are presented in accordance with Legislative Decree 87 of January 27, 1992, as well as Banca d'Italia instructions of July 30, 1992 and subsequent revisions.

The reports on operations prepared by the Board of Directors show fully and completely the income statement, balance sheet and financial statements of the Bank and of the Group and the performance during 1999 as well as developments after the end of the year.

The reports on operations, of the Bank and at consolidated level, and the explanatory notes, of the Bank and at consolidated level, contain the information required by Consob Resolution 11971 of May 14, 1999 and Consob Recommendations 97001574 of February 20, 1997, 9801537 of February 27, 1998, 98083971 of October 26, 1998 and 98084143 of October 27, 1998.

The information required by Article 10 of Law 72/83 have been presented in the sections of the explanatory notes concerning revaluations.

In accordance with Consob Recommendation 98079574 of October 9, 1998, the Board, also based on the work of the Independent Auditors, has made the necessary checks on the actions taken by the Managing Directors of the Bank

concerning the Year 2000 problem. These actions are described in detail in the consolidated report on operations.

The Board has taken note that the explanatory notes of the Bank and at consolidated level contain the information required by Consob in Letter 27052 of April 7, 2000 concerning the treatment of the Ciampi Law (Law 461/98 and legislative decree 153/99).

Transactions between members of the Group and related parties are posted in the reports on operations in accordance with current law and on the basis of reciprocal treatment.

The reports on operations, of the Bank and at consolidated level, for the first half of 1999, have been sent to us as required by law by the Board of Directors, and have been presented and published as required by Consob.

In the course of the year ended December 31, 1999, we have undertaken our supervisory activity as prescribed by law taking account, among other things, the principles concerning the Board of Statutory Auditors as set out by the National Accounting Standards Board. In particular:

- we attended 17 meetings of the Board of Directors and 25 meetings of the Executive Committee held in 1999. In the same period, we met 14 times for examination and received from the managing directors quarterly information on the business and significant transactions undertaken by the company (and its subsidiaries), checking that these were in accordance with the articles of the company and not manifestly imprudent, hazardous, in potential conflict of interest or against any resolutions taken by the Shareholders' Meeting;
- we have noted and checked, within our competence, the corporate structure of the company and the principles of correct administration, through direct observation, information gathered from executives and meetings with the Independent Auditors to exchange relevant facts and news;
- we have examined and checked the adequacy of internal controls and of the administrative and accounting systems as well as their suitability to provide correctly the information on operations, through the examination of information from executives, company documents and the analysis of the Independent Auditors.

From these activities, no significant facts to be reported to the Supervisory Authorities or to be included in this report have emerged.

Given the above, and having also examined the reports prepared by Arthur Andersen S.p.A., we recommend approval of the financial statements for 1999, noting that the proposal for the distribution of profits made by the Board of Directors conforms with law and articles and reflect the income and balance sheet data of the Company.

In accordance with Consob Recommendation of February 20, 1997, we also inform you that your Company has mandated Arthur Andersen, in addition to the

annual and interim audits and opinions required pursuant to Article 158 of Legislative Decree 58/98, to the following:

- preparation of Form 20-F related to the quotation of SANPAOLO IMI on the New York Stock Exchange;
- due diligence for the purchase of shares in the Cassa di Risparmio di Firenze;
- valuation of financial portfolios held by the London Branch in the context of the rationalization of investment banking into Banca IMI;
- examination of the pro forma financial statements prepared in connection with the property spin-off;
- checks on work in progress for the year 2000;
- examination of the financial statements of a company in which SANPAOLO IMI has a shareholding;
- analysis of internal audit procedures;
- examination of the Offering Circular for the Euro Medium Term Note programme;

for total remuneration of approximately Lire 3,000 million.

Turin, April 10, 2000

The Board of Statutory Auditors



**Report of the Independent Auditors
on the Parent Bank financial statements pursuant to
Article 156 of Legislative Decree 58 of February 24, 1998**

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino

To the shareholders
of Sanpaolo IMI S.p.A.:

1. We have audited the Parent Bank financial statements of Sanpaolo IMI S.p.A. as at December 31, 1999. The responsibility for the financial statements rests with the managing directors of . Our responsibility is the professional judgement expressed on the consolidated financial statements and based on the audit.
2. Our examination has been conducted according to the auditing standards and procedures recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB"). In accordance with these standards and procedures, the audit has been planned and effected to identify every item necessary to ascertain that the consolidated financial statements are free of significant errors and are together reliable. The audit includes the examination, on the basis of sampling checks, of supporting items and information included in the financial statements, as well as the evaluation of the adequacy and correctness of the accounting principles used and of the reasonable nature of the estimates made by the managing directors. We consider that the work undertaken provides a reasonable basis for the our professional judgement.

The financial statements of subsidiary and affiliated companies have been examined by other auditors who have provided us with their reports. Our judgement, expressed in this report, concerning the value of shareholdings representing 37.5% of the caption and 1.6% of total assets, is also based on the audits conducted by other auditors.

For our judgement on the financial statements for the previous year, whose data are presented for comparison as required by law, reference is made to our report dated April 6, 1999.

3. In our judgement, the Parent Bank financial statements of Sanpaolo IMI S.p.A. as at December 31, 1999 confirms to the rules which govern the principles of exposition; as such, they have been presented clearly and furnish a true and correct account of the balance sheets and income statements of the company and its subsidiaries.



Page 2

4. For further elucidation of the Parent Bank financial statements, attention is directed to the following significant facts described in greater detail in the report on operations and explanatory notes:

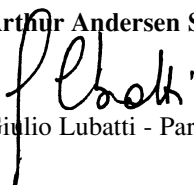
- In determining the reserve for taxes and duties, Sanpaolo IMI S.p.A. has taken account of the incentives envisaged by Law 461 of 1998 (the “Ciampi Law”) and Legislative Decree 153 of 1999. The application of the incentives has however been effected using prudential criteria to assess the amount of the benefit. Furthermore, as a result of the incentives, an average proportion inferior to that theoretically available has been used to calculate prepaid taxes concerning future years and lower prepaid taxes have therefore been required.


As required by CONSOB (27052 of April 7, 2000) Sanpaolo IMI S.p.A. announced that the incentives of the Ciampi Law have been suspended and noted that any net benefit not to be taken (approximately Euro 13 million as prudently calculated) is covered in the provision for taxes and duties for current and potential tax disputes.

- In the course of the year, 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.

Turin, April 10, 2000

Arthur Andersen S.p.A.


Giulio Lubatti - Partner


Mario M. Busso - Partner

Financial Statements

BALANCE SHEET

STATEMENT OF INCOME

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

BALANCE SHEET

(in Euro)

ASSETS	12/31/99	12/31/98
10. Cash and deposits with central banks and post offices	421,444,374	394,498,404
20. Treasury bills and similar bills eligible for refinancing with central banks	1,404,125,988	4,477,836,595
30. Due from banks	14,809,788,319	14,920,117,333
a) repayable on demand	1,765,058,484	2,389,246,548
b) other deposits	13,044,729,835	12,530,870,785
40. Loans to customers	67,262,285,646	69,224,274,067
<i>including:</i>		
- loans using public funds	47,451,295	67,360,931
50. Bonds and other debt securities	5,948,110,330	10,651,719,720
a) public entities	2,547,067,911	7,868,700,183
b) banks	2,622,644,261	2,004,058,281
<i>including:</i>		
- own bonds	850,606,925	528,219,443
c) financial institutions	172,064,462	63,647,274
<i>including:</i>		
- own bonds	-	-
d) other issuers	606,333,696	715,313,982
60. Shares, quotas and other equities	20,694,036	639,482,784
70. Equity investments	2,013,668,438	820,050,266
80. Investments in Group companies	2,530,426,361	2,422,603,271
90. Intangible fixed assets	167,274,269	191,247,201
<i>including:</i>		
- start-up costs	-	-
- goodwill	-	-
100. Tangible fixed assets	910,955,249	1,328,544,729
120. Own shares	335,630,924	-
130. Other assets	8,685,243,475	9,261,320,290
140. Accrued income and prepaid expenses	4,127,937,338	4,013,346,885
a) accrued income	3,957,988,424	3,837,768,770
b) prepaid expenses	169,948,914	175,578,115
<i>including:</i>		
- discounts on bond issues	2,629,919	5,135,847
Total assets	108,637,584,747	118,345,041,545

(in Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY		12/31/99	12/31/98
10.	Due to banks	24.203.135.654	24.661.100.488
	a) repayable on demand	519.392.584	2.576.590.992
	b) time deposits or with notice period	23.683.743.070	22.084.509.496
20.	Due to customers	34.192.170.111	36.799.960.624
	a) repayable on demand	25.458.289.736	24.747.826.463
	b) time deposits or with notice period	8.733.880.375	12.052.134.161
30.	Securities issued	27.117.109.672	31.119.885.390
	a) bonds	19.372.461.223	21.262.324.544
	b) certificates of deposit	7.358.472.456	9.536.957.858
	c) other	386.175.993	320.602.988
40.	Public funds administered	50.457.312	69.348.864
50.	Other liabilities	8.321.644.432	10.531.262.079
60.	Accrued expense and deferred income	4.649.246.270	4.606.205.335
	a) accrued expense	4.462.210.556	4.413.755.530
	b) deferred income	187.035.714	192.449.805
70.	Provision for termination indemnities	400.961.920	396.255.971
80.	Provisions for risks and charges	1.163.481.860	1.288.407.575
	a) pensions and similar commitments	45.926.205	49.151.220
	b) taxation	821.717.557	957.090.486
	c) other	295.838.098	282.165.869
100.	Reserves for general banking risks	335.696.984	335.696.984
110.	Subordinated liabilities	1.338.925.566	1.366.708.406
120.	Capital	3.926.117.854	4.345.008.541
140.	Reserves	1.920.943.709	2.172.857.414
	a) legal reserve	792.561.421	869.001.708
	b) reserve for own shares	335.630.924	-
	c) statutory reserves	-	-
	d) other reserves	792.751.364	1.303.855.706
160.	Profit carried forward	142.346	-
170.	Distributable net income	1.017.551.057	652.343.874
Total liabilities and shareholders' equity		108.637.584.747	118.345.041.545
Guarantees and commitments		12/31/99	12/31/98
10.	Guarantees given	16.505.842.479	16.807.643.448
	<i>including:</i>		
	- acceptances	131.381.542	158.967.364
	- other guarantees	16.374.460.937	16.648.676.084
20.	Commitments	13.310.528.849	13.538.408.050
	<i>including:</i>		
	repurchase agreements	-	-

STATEMENT OF INCOME

(in Euro)

	1999	1998
10. Interest income and similar revenues	4,975,656,141	7,441,733,401
<i>including from:</i>		
– loans to customers	3,953,468,679	5,316,954,378
– debt securities	546,266,646	1,065,093,514
20. Interest expense and similar charge	-3,262,027,241	-5,370,755,092
<i>including on:</i>		
– deposits from customers	-599,120,532	-1,252,040,156
– securities issued	-1,523,441,708	-2,124,141,898
30. Dividends and other revenues	574,426,198	433,508,338
a) from shares, quotas and other equities	28,340,995	47,764,850
b) from equity investments	94,826,532	33,625,452
c) from investments in Group companies	451,258,671	352,118,036
40. Commission income	1,432,634,008	1,255,928,940
50. Commission expense	-87,975,414	-99,226,466
60. Profits (losses) on financial transactions	49,696,253	151,531,694
70. Other operating income	180,582,909	183,945,726
80. Administrative costs	-1,950,322,718	-2,016,420,544
a) payroll	-1,260,343,803	-1,286,017,662
<i>including:</i>		
– wages and salaries	-901,705,912	-920,665,419
– social security charges	-296,677,780	-302,159,000
– termination indemnities	-61,908,465	-62,449,538
– pensions and similar commitments	-51,646	-743,705
b) other	-689,978,915	-730,402,882
90. Adjustments to intangible and tangible fixed assets	-182,178,245	-178,725,026
100. Provisions for risks and charges	-57,333,507	-76,225,731
110. Other operating expenses	-8,047,851	-7,702,111
120. Adjustments to loans and provisions for guarantees and commitments	-590,357,594	-1,185,381,469
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	312,157,861	222,531,281
140. Provisions to the reserve for possible loan losses	-	-
150. Adjustments to financial fixed assets	-85,160,945	-90,678,690
160. Writebacks of adjustments to financial fixed assets	841,056	-
170. Income from operating activities	1,302,590,911	664,064,251
180. Extraordinary income	406,124,961	600,341,661
190. Extraordinary expenses	-51,790,731	-44,945,580
200. Extraordinary income, net	354,334,230	555,396,081
220. Income taxes for the year	-639,374,084	-478,017,210
230. Net income for the year	1,017,551,057	741,443,122
240. Provision to reserve (art, 7,3, Law 218/90)	-	-89,099,248
250. Distributable net income	1,017,551,057	652,343,874

Explanatory notes to the Parent Bank's Financial Statements

Introduction - Background information on the financial statements

- Form and content of the financial statements
- Translation of the share capital into Euro
- Audit of the financial statements
- Half-year report

Part A – Accounting policies

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

Part B – Balance sheet

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

Part C – Statement of income

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

Part D – Other information

- Section 1 – Directors and statutory auditors
- Section 2 – Parent company

Introduction - Background information on the financial statements

Form and content of financial statements

The Bank's financial statements for 1999 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 regulations dated January 27, 1992, and subsequent amendments. All matters not covered by specific legislation will be regulated by the provisions of the Italian Civil Code, while making reference to the accounting principles issued by the Italian Accounting Profession.

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

The financial statements are consistent with the underlying accounting records, which reflect all of the transactions carried out during the year.

Pursuant to Article 16, para. 3 of Legislative Decree 213/98, effective from December 31, 1999 the Bank has opted for the Euro as its reporting currency, for the preparation of all compulsory accounting documents for publication.

The financial statements for 1999 have therefore been prepared in Euro. More specifically, in line with the regulations issued by the Bank of Italy and by Consob, the accounting tables are presented in Euro, whereas the explanatory notes are expressed in millions of Euro.

For comparison purposes, the prior year figures have been converted into millions of Euro at the fixed parity of 1,936.27 Lire to one Euro.

The explanatory notes are presented with comparative figures as of December 31, 1998. These notes provide all the information required by law, including any additional data considered necessary to give a true and fair view of the financial and operating situation. The obligatory tables and the details required by the Bank of Italy are numbered in accordance with Bank of Italy instructions or based on the date of the Instructions.

The following schedules are attached to the financial statements:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- List of properties owned by the Bank.

The financial statements will be lodged at the Bank's registered offices by the legal deadline, together with the latest approved financial statements of subsidiary companies. Draft 1999 financial statements of subsidiaries prepared by the respective Boards of Directors for subsequent approval will also be lodged at the registered offices.

In compliance with Consob regulations (Article 77 Resolution 11971/99), the consolidated financial statements, the auditors' report and the statement of key data of affiliated companies will also be lodged at the company's registered office.

Conversion of the share capital into Euro

In line with the decision to adopt the Euro as its reporting currency, the Bank also converted its share capital into Euro.

The Bank adopted the “simplified” procedure (i.e. by means of a board resolution rather than the Shareholders’ Meeting). The “simplified” procedure can be used in those cases when the par value of the shares is rounded up to the nearest cent of Euro. The conversion resulted in:

- a par value of 2.8 Euro;
- reduction of the share capital by approximately Euro 6 million (Lire 11.8 billion), increasing the legal reserve by the same amount.

Following the conversion, the Bank’s share capital amounts to Euro 3,926,117,854.4, made up of 1,402,184,948 ordinary shares of par value Euro 2.8 each; the legal reserve amounts to Euro 792,561,421.3.

Audit of the financial statements

The Bank’s statutory financial statements are audited by Arthur Andersen S.p.A., in accordance with the shareholders’ resolution dated April 30, 1998, which appointed them as auditors for the three-year period 1998-2000.

Half-year report

SANPAOLO IMI prepared and published a half-year report on operations during the first six months of 1999 as required and in the format prescribed by Consob.

Arthur Andersen S.p.A. carried out a limited audit on SANPAOLO IMI's half-year report, in accordance with Consob Recommendations 97001574 of February 20, 1997 and 10867 of July 31, 1997 and the shareholders' resolution of April 30, 1998.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The financial statements as of December 31, 1999, have been prepared using the accounting policies adopted in relation to the financial statements as of December 31, 1998.

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 has been changed. In particular, where deductible timing differences exceed taxable timing differences, the net tax effect is now classified under caption 130 "other assets" (with a credit to income taxes), rather than under caption 140.b), "prepaid expenses." This change was already implemented in the half-year report for 1999.

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 particular:

- 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, 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 that not lower than those specified by the banking association. In addition, specific positions 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.

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 then applied to the total of performing loans at the end of the year to determine the potential percentage of performing loans which, based on historic experience, 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 this total.

The present value adjustments reflect the difference between book value and:

- estimated realizable value; or
- the discounted present value (“Net Present Value” or NPV) 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 at December 31, 1999, the Bank has used a reference rate of 5.96%, as applied at the end of 1998. This rate is deemed to reflect the best approximation of the original average yield on the problem 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).

For the purpose of classifying loans as non-performing, problem, restructured or exposed to country-risk, the 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.

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 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 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.

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.

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

Investment securities

Investment securities, due to be held long term by the Bank as stable investments, are valued at cost, determined according to the "average daily cost" method, as adjusted by accrued issue discounts and accrued dealing discounts (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, except where suitable guarantees are available. 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, determined with reference to quoted securities with similar characteristics. The original value of such 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. 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 are stated at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual layers. Cost is written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and, where available, market prices. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Differences between the carrying value of "significant investments" and the corresponding proportion of their shareholders' equity as shown in the latest set of financial statements, if lower, represent goodwill and the higher market value of the assets owned by the companies concerned.

Dividends gross of the related tax credits are recorded in the period in which they are collected.

Own shares

Own shares purchased by the Bank are valued at cost, determined according to the "average daily cost" method.

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 in lire indexed to foreign exchange movements, as well as financial fixed assets funded in foreign currencies, or in lire indexed to foreign exchange movements, are valued using the spot exchange rates applying at period-end. Equity investments funded in lire and denominated in foreign currencies subject to local exchange-control restrictions (non-convertible currencies) are stated 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.

Repair and maintenance expenses that do not enhance the value of the related assets are charged against income as 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 and on the merger of Crediop - Credito per le Imprese e le Opere Pubbliche in 1995, 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 in the case of Banca Provinciale Lombarda and Banco Lariano, and over five years with regard to Crediop. 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 in point 1 of this section, 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.

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

The accumulated provisions under this heading relate to supplementary pensions for the retired employees of former IMI S.p.A.. The contingency arising in this connection is assessed 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 income taxes (IRPEG) and the regional tax on business activities (IRAP), taking account of taxes applicable in the countries in which branches operate, deferred taxation, and outstanding or potential fiscal disputes.

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. 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 in future years (in particular, general loan writedowns in excess of the fiscally deductible amount).

Deferred tax liabilities are calculated 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. Deferred tax assets and liabilities relating to the same kind of tax and falling in the same period are offset against each other.

In years when deductible timing differences are higher than taxable timing differences, the resulting net deferred tax asset is booked to the balance sheet under caption 130 – Other assets – and deducted from income taxes payable.

In years when taxable timing differences are higher than deductible timing differences, the resulting deferred tax liability is booked to the balance sheet under subcaption 80.b – Provisions for risks and charges – taxation, and added to income taxes payable.

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.

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 pursuant to Article 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 in the foreseeable future.

Other provisions

Provisions for guarantees and commitments cover losses in respect of guarantees given and, more generally, the contingencies associated with the Bank's 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. 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.

The provision for other personnel charges comprises:

- provisions made on the basis of an independent actuarial report to an independent supplementary pension fund to cover unfunded pension liabilities, as well as provisions for contributions that may be due in relation to the personnel of a merged company;
- provisions made on a mathematical/actuarial basis to set up the technical reserve needed to cover long-service bonuses payable when staff celebrate twenty-five and thirty-five years of employment with the Bank.

Reserve for general banking risks

This reserve covers the general business risks of the Bank and, as such, forms part of stockholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

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

Other aspects

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. 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”) is 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 and/or a general basis 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 adverse market fluctuations. In the case of off-balance sheet items, the hedging objective is achieved via the use of asset and liability management techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- a) intent to enter into a hedge; and
- 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 either one of the conditions above ceases to apply, then the contract is reclassified as “non-hedging”.

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

Balance sheet: the period element of differentials 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 at cost.

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, depending on their nature. If, on the other hand, the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated are treated as “Profits (losses) on financial transactions”. More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest, if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits (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 observa-

tion 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 Bank has adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is based essentially on the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These manage portfolios consisting of various types of derivatives (and sometimes securities); they have their own accounting books and established limits on net risk, and they are responsible for their own results.

These 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. The non-specialized desks initiate these internal deals mainly for hedging purposes.

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

Settlement date

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

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

No adjustments have been recorded solely for fiscal purposes.

Provisions recorded solely for fiscal purposes

No provisions have been recorded solely for fiscal purposes.

Part B - Balance sheet

SECTION 1 - LOANS

Due from banks (caption 30)

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Due from central banks			
- compulsory reserve	597	539	+10.8
- other	35	3	n.s.
Due from other banks			
- repurchase agreements and securities loaned	2,389	4,746	-49.7
- current accounts	374	553	-32.4
- deposits	9,936	7,201	+38.0
- loans	1,392	1,778	-21.7
- subordinated loans	69	57	+21.1
- other	18	43	-58.1
Total	14,810	14,920	-0.7

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

Detail of caption 30 "Due from banks" (table 1.1 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) deposits with central banks	632	542	+16.6
(b) bills eligible for refinancing with central banks	-	-	-
(c) repurchase agreements	2,389	4,723	-49.4
(d) securities loaned	-	23	-100.0

Loans to customers (caption 40)

Loans to customers are analyzed below, by technical form:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Mortgage loans	36,874	36,861	-
Current accounts	9,239	9,001	+2.6
Other forms of finance not in current accounts – Italian branches	7,462	7,484	-0.3
Other forms of finance not in current accounts – foreign branches	5,040	2,967	+69.9
Advances with recourse	2,178	2,459	-11.4
Non-performing loans	1,536	1,829	-16.0
Import-export loans	1,292	1,359	-4.9
Repurchase agreements and securities loaned	924	4,313	-78.6
Risk on portfolio	853	1,036	-17.7
Loans	721	734	-1.8
Personal loans	588	498	+18.1
Other loans to customers	555	683	-18.7
Total	67,262	69,224	-2.8

Detail of caption 40 "Loans to customers" (table 1.2 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Bills eligible for refinancing with central banks	-	-	-
(b) Repurchase agreements	924	4,300	-78.5
(c) Securities loaned	-	13	-100.0

The detail of “secured loans to customers” excluding those granted directly to State or public entities for 9,630 million Euro (Euro 8,616 million at December 31, 1998), is the following:

Secured loans to customers (table 1.3 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Mortgages	16,245	16,484	-1.4
(b) Pledged assets:			
1. cash deposits	108	137	-21.2
2. securities (*)	1,996	5,417	-63.2
3. other instruments	152	162	-6.2
(c) Guarantees given by:			
1. Governments	3,677	4,410	-16.6
2. other public entities	32	12	+166.7
3. banks	866	1,216	-28.8
4. other	5,618	7,296	-23.0
Total	28,694	35,134	-18.3

(*) These include Euro 924 million at 12/31/99 and Euro 4,300 million at 12/31/98 of repurchasing agreements and similar operations guaranteed by securities.

Secured loans to customers and those granted directly to Governments or other public entities represent 57% of total loans to customers (63.2% as of December 31, 1998).

Degree of risk in loan portfolio

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

Following the introduction of discounting, the estimated realizable value of problem loans takes into account not only the likelihood of recovery, but also the financial cost of discounting loans at risk to factor in their total or partial lack of income generation and late repayment. Total adjustments as of December 31, 1999 for discounting purposes total Euro 333 million.

Analysis of loans to customers

(Bank of Italy instructions dated 12.17.98)

			12/31/99 (Euro/mn)			12/31/98 (Euro/mn)
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	5,382	2,682	2,700	6,227	2,697	3,530
A.1 Non-performing loans	3,673	2,137	1,536	3,989	2,160	1,829
A.2 Problem loans	1,531	493	1,038	1,920	464	1,456
A.3 Loans currently being restructured	25	6	19	2	1	1
A.4 Restructured loans	85	23	62	181	33	148
A.5 Unsecured loans exposed to country risk	68	23	45	135	39	96
B. Performing loans	64,780	218	64,562	65,936	242	65,694
Total loans to customers	70,162	2,900	67,262	72,163	2,939	69,224

Non-performing loans and problem loans include unsecured loans to residents of nations exposed to country risk for a total of Euro 7 million and Euro 4 million respectively. Value adjustments made to these loans amount to Euro 4 million for non-performing loans and Euro 3 million for problem loans.

The percentage of coverage on non-performing loans, gross of write-offs, was 71.3% compared with 66.5% of the end of 1998, while the equivalent figure for problem loans rose to 42.2% as against 33.8% a year earlier. As regards the various types of loan, the highest level of coverage is for ordinary loans, while the percentages on agricultural loans are lower given the existence of mortgage guarantees on these positions.

Analysis of loans to banks

(Bank of Italy instructions dated 12.17.98)

			12/31/99 (Euro/mn)			12/31/98 (Euro/mn)
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	251	166	85	208	100	108
A.1 Non-performing loans	10	10	-	3	3	-
A.2 Problem loans	-	-	-	4	1	3
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	241	156	85	201	96	105
B. Performing loans	14,725	-	14,725	14,812	-	14,812
Total loans to banks	14,976	166	14,810	15,020	100	14,920

Non-performing loans include unsecured loans to residents of nations exposed to country risk for a gross exposure of Euro 10 million, written down in full.

Non-performing loans (table 1.4.B.1.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Non-performing loans (net amount, including default interest)	1,536	1,829	-16.0

Movements during the year in gross doubtful loans to customer

(Bank of Italy instructions dated 12.17.98)

millions of Euro

	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of January 1, 1999	3,989	1,920	2	181	135
<i>A.1 including: for default interest</i>	<i>784</i>	<i>55</i>	<i>-</i>	<i>-</i>	<i>-</i>
B. Increases	648	815	25	26	6
B.1 inflows from performing loans	65	550	-	2	-
B.2 default interest	150	13	1	-	-
B.3 transfers from other categories of problem loan	317	61	23	22	-
B.4 other increases	116	191	1	2	6
C. Decreases	964	1,204	2	122	73
C.1 outflows to performing loans	32	146	-	35	25
C.2 write-offs	438	45	-	6	1
C.3 collections	422	678	-	78	36
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of problem loans	72	335	2	3	11
C.6 other decreases	-	-	-	-	-
D. Gross value as of December 31, 1999	3,673	1,531	25	85	68
<i>D.1 including: for default interest</i>	<i>804</i>	<i>46</i>	<i>3</i>	<i>-</i>	<i>-</i>

Movements during the year in gross doubtful amounts due from banks

(Bank of Italy instructions dated 12.17.98)

millions of Euro

	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of January 1, 1999	3	4	-	-	201
<i>A.1 including: for default interest</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
B. Increases	8	-	-	-	61
B.1 inflows from performing loans	7	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfers from other categories of problem loan	1	-	-	-	-
B.4 other increases	-	-	-	-	61
C. Decreases	1	4	-	-	21
C.1 outflows to performing loans	-	-	-	-	5
C.2 write-offs	1	-	-	-	-
C.3 collections	-	3	-	-	16
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of problem loans	-	1	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross value as of December 31, 1999	10	-	-	-	241
<i>D.1 including: for default interest</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Movements during the year in adjustments made to loans granted to customers

*(Bank of Italy instructions dated 12.17.98)**millions of Euro*

	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, 1999	2,160	464	1	33	39	242
<i>A.1 including: for default interest</i>	784	55	-	-	-	5
B. Increases	562	230	7	10	6	12
B.1 Adjustments	478	206	1	4	4	10
<i>B.1.1 including: for default interest</i>	150	13	1	-	-	2
B.2 Use of reserves for possible loan losses	-	-	-	-	-	-
B.3 Transfer from other categories of problem loans	79	22	6	6	-	-
B.4 Other increases	5	2	-	-	2	2
C. Decreases	585	201	2	20	22	36
C.1 Writebacks from valuations	56	41	1	9	9	3
<i>C1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 Writebacks following collections	71	30	-	3	9	11
<i>C2.1 including: for default interest</i>	27	11	-	-	-	2
C.3 Write-offs	438	45	-	6	1	17
C.4 Transfers to other categories of problem loan	20	82	1	2	3	5
C.5 Other decreases	-	3	-	-	-	-
D. Total adjustments as of December 31, 1999	2,137	493	6	23	23	218
<i>D.1 including: for default interest</i>	804	46	3	-	-	5

As already discussed, total adjustments include Euro 333 million relating to the adoption of a policy of actualizing loans. Writedowns for discounting purposes total Euro 252 million on non-performing loans, Euro 73 million on problem loans and Euro 8 million on restructured loans and loans being restructured.

Performing loans include Euro 102 million specifically under observation case by case, covered by writedowns amounting to Euro 12 million. The inherent risk associated with other performing loans is covered by a general writedown of Euro 206 million.

Movements during the year in adjustments made to loans granted to banks

*(Bank of Italy instructions dated 12.17.98)**millions of Euro*

	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, 1999	3	1	-	-	96	-
<i>A.1 including: for default interest</i>	-	-	-	-	-	-
B. Increases	8	-	-	-	67	-
B.1 Adjustments	2	-	-	-	51	-
<i>B.1.1 including: for default interest</i>	-	-	-	-	-	-
B.2 Use of reserves for possible loan losses	-	-	-	-	-	-
B.3 Transfer from other categories of doubtful loan	1	-	-	-	-	-
B.4 Other increases	5	-	-	-	16	-
C. Decreases	1	1	-	-	7	-
C.1 Writebacks from valuations	-	-	-	-	3	-
<i>C.1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 Writebacks following collections	-	-	-	-	4	-
<i>C.2.1 including: for default interest</i>	-	-	-	-	-	-
C.3 Write-offs	1	-	-	-	-	-
C.4 Transfers to other categories of doubtful loan	-	1	-	-	-	-
C.5 Other decreases	-	-	-	-	-	-
D. Total adjustments as of December 31, 1999	10	-	-	-	156	-
<i>D.1 including: for default interest</i>	-	-	-	-	-	-

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

Country	Total exposure as of December 31, 1999	Of which: unsecured:				Net exposure as of December 31, 1998	Change %
		Gross exposure as of December 31, 1999	Gross weighted exposure as of December 31, 1999	Total adjustments as of December 31, 1999	Net exposure as of December 31, 1999		
Russia	616	182	182	155	27	59	-54.2
Brazil	101	57	28	9	48	40	+20.0
Qatar	54	17	17	3	14	16	-12.5
Tunisia	11	9	9	1	8	-	n.s.
Venezuela	21	7	7	1	6	4	+50.0
Philippines	5	5	5	1	4	3	+33.3
South Africa	5	5	5	1	4	15	-73.3
Morocco	20	5	5	1	4	4	-
Croatia	4	4	4	1	3	3	-
Iran	59	4	4	1	3	-	n.s.
India	7	3	3	1	2	8	-75.0
Cameroon	4	3	3	2	1	1	-
Argentina	29	2	2	-	2	11	-81.8
Other countries	286	6	6	2	4	37	-89.2
Total	1,222	309	280	179	130	201	-35.3

Adjustments to unsecured loans exposed to country risk have been made by applying the writedown percentages agreed by the Italian bankers' association. In view of the continuing financial crisis in Russia, the standard 60% writedown for unsecured loans to customers resident in that country was increased to 85% by the Bank (in the half-yearly report, based on information available at that time, this writedown had been prudently calculated at 90%). The additional writedowns following this change totalled Euro 60 million, of which Euro 46 million for loans and Euro 14 million for investment securities.

Secured loans, amounting to Euro 913 million, are insured by SACE, by sureties from banking operators in the OECD area (Euro 593 million) and by other forms of guarantee deemed adequate to cover the lending risk (Euro 320 million). The last mentioned mainly comprise loans of Euro 310 million granted to a prime counterparty resident in Russia that are guaranteed by receivables deriving from supply contracts with leading West European companies. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

Information regarding the distribution of loans, by category of borrower, industry, geographical area, currency and maturity, is provided in part B, section 11 of these notes.

SECTION 2 - SECURITIES

Securities owned by the Bank are analyzed as follows:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	1,404	4,478	-68.6
Bonds and other debt securities (caption 50)	5,948	10,652	-44.2
Shares, quotas and other equities (caption 60)	21	639	-96.7
Total	7,373	15,769	-53.2
of which:			
– investment securities	738	1,495	-50.6
– dealing securities	6,635	14,274	-53.5

“Treasury bills and similar bills eligible for refinancing” represent securities which may be used for refinancing purposes; at the balance sheet date, securities had not been used for this purpose.

Investment securities

Investment securities, amounting to Euro 738 million, are held for the long term as a stable investment and, as such, are generally held through to redemption. The allocation to the investment portfolio is made on the basis of criteria defined in a specific framework resolution approved by the Board of Directors in the following circumstances:

- when there are related forms of funding;
- when there are specific control regulations applied in the countries in which the foreign branches are operating;
- the securities are not readily marketable.

Investment securities (table 2.1 B.I)

	12/31/99 (Euro/mn)		12/31/98 (Euro/mn)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
• quoted	416	438	1,347	1,405
• unquoted	-	-	-	-
1.2 other securities				
• quoted	132	112	99	82
• unquoted	190	184	49	40
2. Equities				
• quoted	-	-	-	-
• unquoted	-	-	-	-
Total	738	734	1,495	1,527

A comparison between the market value and book value of "Government securities" reveals a net unrealized, unrecorded gain of Euro 10 million on securities not hedged by derivative contracts and Euro 12 million on securities hedged by interest rate swaps. The valuation of these derivatives reveals an unrealized potential loss of Euro 14 million.

"Other securities" with a difference between market and book value (Euro 26 million) include South American and Eastern European securities covered by a U.S. Treasury guarantee, the value of which on maturity covers 100% of the face value of the securities concerned.

Negative differences between redemption and book values (issue and dealing discounts), for an amount of Euro 15 million, will be accrued to the income statement.

<i>Changes in investment securities during the year (2.2 B.1)</i>	<i>millions of Euro</i>
A. Opening balance	1,495
B. Increases	
B1. purchases	-
B2. writebacks	1
B3. transfers from dealing portfolio	191
B4. other changes	13
C. Decreases	
C1. sales	1
C2. redemptions	939
C3. adjustments	14
<i>including:</i>	
<i>permanent writedowns</i>	14
C4. transfers to dealing portfolio	-
C5. other changes	8
D. Closing balance	738

No transfers were made from the investment portfolio to the dealing portfolio during the year. On the contrary, securities with high ratings for a total of Euro 191 million were transferred from the dealing portfolio to the investment portfolio, in view of their illiquid nature, notwithstanding high rating status.

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 adjustments reported in subcaption C3, amounting to Euro 14 million, relate to unsecured securities issued by residents in Russia. They are required to apply the new industry-wide writedown percentage for securities issued by residents in Russia, which has been raised from 60% to 85%.

At year-end, the limit of the investment securities portfolio was set at the lower of:

- 15% of the total securities owned;
- regulatory capital.

As of December 31, 1999 the total amount of investment securities was well within this limit. It should be noted that the Board of Directors subsequently increased the limit from 15% to 25% of total own securities. This was done in order to keep the size of the investment portfolio substantially unchanged following the reallocation of the trading activity within the Group.

Dealing securities

These securities, held for treasury and dealing purposes, amount to Euro 6,635 million, and comprise:

- Euro 1,057 million linked to derivative contracts
- Euro 5,578 million not linked to derivative contracts

Dealing securities (table 2.3 B.I)

	12/31/99 (Euro/mn)		12/31/98 (Euro/mn)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
• quoted	2,930	2,930	9,609	9,609
• unquoted	220	220	189	189
1.2 other securities				
• quoted	867	867	1,237	1,237
• unquoted	2,597	2,601	2,599	2,609
2. Equities				
• quoted	20	20	639	639
• unquoted	1	1	1	1
Total	6,635	6,639	14,274	14,284

Unquoted dealing securities not linked to derivative contracts, valued at the lower of cost and market, have led to write-downs and writebacks for Euro 9 million and Euro 2 million.

Own bonds held for dealing purposes amount to Euro 851 million.

<i>Changes in dealing securities during the year (table 2.4 B.I)</i>		<i>millions of Euro</i>
A. Opening balance		14,274
B. Increases		
- debt securities		
– debt securities		
– government securities		72,933
– other securities		14,528
– equities		6,953
B2. writebacks and revaluations		9
B3. transfers from investment portfolio		-
B4. other changes		1,343
C. Decreases		
C1. sales and redemption		
– debt securities		
– government securities		80,469
– other securities		14,921
– equities		7,687
C2. adjustments		84
C3. transfers to investment portfolio		191
C5. other changes		53
D. Closing balance		6,635

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

<i>B4. "Increases - other changes"</i>		<i>millions of Euro</i>
Exchange differences		1,213
Transfers from investment portfolio		35
Capitalization of accrued interest on treasury bills (BOT) and zero coupon bonds		30
Accrued issue discounts		3
Other		62
Total other changes		1,343

Other information relating to securities

The composition of the securities portfolio is analyzed by geographical area, currency and liquidity in part B, section 11 of these notes.

SECTION 3 - EQUITY INVESTMENTS

Equity investments, reported in asset captions 70 and 80 are detailed below:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Equity investments (caption 70)	2,014	820	+145.6
Investments in Group companies (caption 80)	2,530	2,423	+4.4
Total	4,544	3,243	+40.1
<i>of which:</i>			
– <i>significant investments</i>	2,787	2,589	+7.6
– <i>other holdings</i>	1,757	654	+168.7

Significant investments

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

Significant investments (table 3.1 B.I)

Name of company	Registered offices	Business activity	Shareholders' equity (a)	Net income (loss)	Percentage ownership	Book value
<i>millions of Euro</i>						
A. Subsidiary companies						
Banca Fideuram S.p.A.	Milan	banking	408.7	96.0	74.00	57
Banque Sanpaolo S.A.	Paris	banking	430.8	44.9	100.00	386
Banca d'Intermediazione Mobiliare Imi S.p.A.	Milan	banking	352.3	63.9	100.00	304
Consorzio Studi e Ricerche Fiscali	Rome	tax consultancy	0.3	-	50.00	-
Egida S.p.A.	Turin	insurance	8.5	-	50.00	4
Finconsumo S.p.A.	Turin	finance	27.0	8.7	50.00	13
Gedit S.A.	Luxembourg	holding company	-	-	90.00	-
Imi International S.A.	Luxembourg	finance	596.1	31.6	100.00	287
Imi Lease S.p.A.	Rome	leasing	223.3	7.1	100.00	193
NHS - Nuova Holding Subalpina S.p.A.	Rome	finance	736.3	21.3	51.00	374
Prospettive 2001 S.p.A.	Turin	non-finance	13.0	0.6	100.00	13
Sanpaolo Bank S.A.	Luxembourg	banking	36.9	13.6	100.00	41
Sanpaolo Fiduciaria S.p.A.	Turin	trust management	1.8	0.3	100.00	1
Sanpaolo Gestion Internationale S.A.	Luxembourg	finance	1.9	17.7	99.98	3
Sanpaolo Imi Asset Management Sgr S.p.A.	Milan	mutual funds	33.4	24.9	100.00	58
Sanpaolo Imi Bank Ireland P.I.c.	Dublin	banking	426.8	22.4	100.00	421
Sanpaolo Imi Bank (International) S.A.	Madeira	banking	194.0	4.6	69.01	94
Sanpaolo Imi Investments S.A.	Luxembourg	finance	1.0	-	99.90	1
Sanpaolo Imi Us Financial Co.	Wilmington	finance	0.1	-	100.00	-
Sanpaolo Immobiliare S.p.A.	Turin	finance	5.2	-1.4	100.00	3
Sanpaolo Invest Sim S.p.A.	Rome	sales network management	58	20.9	100.00	30
Sanpaolo Leasint S.p.A.	Milan	leasing	51.3	5.4	100.00	54
Sanpaolo Riscossioni Genova S.p.A.	Genoa	tax collection	4.3	2.8	100.00	4
Sanpaolo Riscossioni Prato S.p.A.	Prato	tax collection	1.1	1.3	100.00	3
Sanpaolo Services Luxembourg S.A.	Luxembourg	operating	0.5	0.2	99.60	-
Sanpaolo Vita S.p.A.	Milan	insurance	97.4	23.6	100.00	198
Sep S.p.A.	Turin	services	1.8	0.5	100.00	2
Spb 1650 Van Ness Corp.	Los Angeles	operating	-	-	100.00	-
Spb Delta Towers L.I.c.	New York	operating	-	-	100.00	-
Apoké Two S.r.l. - in liquidation	Milan	non-finance	-7.3	0.7	100.00	-
Crediop Finance P.I.c. - in liquidation	London	finance	-	-	100.00	-
Fidimi Consulting S.p.A. - in liquidation (b)	Rome	non-finance	0.2	-	100.00	-
Imifin S.p.A. - in liquidation	Rome	finance	-	-	100.00	-
Sanpaolo Us Holding Co. - in liquidation	Wilmington	finance	3.2	0.1	100.00	3
Total						2,547

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

(b) Final financial statements for liquidation as of 12/15/98.

Significant investments (table 3.1 B.I)

Name of company	Registered offices	Business activity	Shareholders' equity (a)	Net income (loss)	Percentage ownership	millions of Euro
						Book value
B. Companies subject to significant influence						
Banca Italo-Romena S.p.A.	Rome	banking	10.2	-1.7	20.00	1
Bnc Assicurazioni S.p.A. (b)	Rome	insurance	149.2	3.9	30.00	46
Cbe Service Sprl	Brussels	non-finance	0.1	0.1	20.00	-
Crediop S.p.A.	Rome	banking	503.9	49.0	40.00	180
Esatri S.p.A.	Milan	tax collection	39.5	13.1	31.50	4
Eurofondo S.C.p.A.	Rome	finance	-	-	25.00	-
Finnat Investments S.p.A.	Rome	finance	0.8	0.9	20.00	-
Inter-Europa Bank RT	Budapest	banking	35.3	-12.1	32.51	8
Consorzio Bancario Sir S.p.A. - in liquidation (b)	Rome	finance	1.5	-0.1	32.49	1
Finexpance S.p.A. - in liquidation (b)	Chiavari	non-finance	-8.3	-	30.00	-
Galileo Holding S.p.A. - in liquidation (b)	Venice	holding company	-18.5	-8.5	31.52	-
Total						240

(a) Excluding share of net income due for distribution

(b) Financial statements as of December 31, 1998

As described in part A, section 1 of these notes, the difference between the book value of significant investments and the value of the Bank's share of their latest reported shareholders' equity, if lower, can generally be justified as goodwill and the higher market value of their tangible fixed assets. In particular:

- the book value of Apokè Two, formed as part of the debt restructuring of the Uno Holding group, was written off from 1995. The negative shareholders' equity resulting from the financial statements as of December 31, 1999 should be offset by future gains on the liquidation of assets. The restructured loans not yet repaid to the Bank are covered by specific writedowns;
- the differences relating to Sanpaolo Bank, Sanpaolo Imi Asset Management SGR, Sanpaolo Gestion Internationale, Sanpaolo Riscossioni Prato, Sanpaolo Vita, Sanpaolo Leasint and Bnc Assicurazioni, reflect purchased goodwill representing the income-earning potential of the individual companies. The controlling interest in Sanpaolo Vita was acquired during 1996; the higher book value with respect to its shareholders' equity reflects goodwill determined with reference to independent appraisals;
- as regards the investment in Galileo Holding, acquired as part of the restructuring of that group, the company's equity deficit should be offset by the effect of the completion of the debt restructuring. This is likely to entail the Bank waiving its receivables, which have in any case been fully written down;

Other equity investments

Among the other equity investments held by the Bank, the principal in terms of their book value are listed below:

Name and location of registered offices	Activity	Percentage ownership	<i>millions of Euro</i>
			Book value
Ina S.p.A. - Rome	insurance	9.20	825
Banco Santander Central Hispano S.A. - Santander	banking	1.43	458
Banca Agricola Mantovana S.p.A. - Mantua	banking	9.58	206
Beni Stabili S.p.A. - Rome	non-finance	18.04	102
Tecnost S.p.A. - Ivrea	non-finance	0.40	60
Banca d'Italia - Rome	banking	2.00	55
Banco del Desarrollo S.A. - Santiago (Chile)	banking	15.89	16
Biat S.A. - Tunis	banking	6.73	8
Simest S.p.A. - Rome	finance	3.31	5
Banca Mediocredito S.p.A. - Turin	banking	1.11	4
Banksiel S.p.A. - Milan	services	7.00	3
Ubae S.p.A. - Rome	banking	2.00	2
European Investment Fund - Luxembourg	banking	0.56	2
Other			11
Total			1,757

Composition of investment portfolio

Analysis of caption 80 - Investments in Group companies (table 3.5 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Investment in banks			
1. quoted	57	57	-
2. unquoted	1,247	1,449	-13.9
b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	1,013	701	+44.5
c) Other investments			
1. quoted	-	-	-
2. unquoted	213	216	-1.4
Total	2,530	2,423	+4.4

Analysis of caption 70 - Equity investments (table 3.4 B.1)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Investment in banks			
1. quoted	680	128	+431.3
2. unquoted	261	83	+214.5
b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	29	34	-14.7
c) Other investments			
1. quoted	989	428	+131.1
2. unquoted	55	147	-62.6
Total	2,014	820	+145.6

Changes during the year in the investment portfolio

<i>Investments in Group companies (table 3.6.1 B.I)</i>	<i>millions of Euro</i>
A. Opening balance	2,423
B. Increases	
B1. purchases	630
B2. writebacks	-
B3. revaluations	-
B4. other changes	207
C. Decreases	
C1. sales	277
C2. adjustments	-
<i>including:</i>	
- permanent writedowns	-
C3. other changes	453
D. Closing balance	2,530
E. Total revaluations	43
F. Total adjustments	348

The subcaption B.1 “Purchases” is made up principally by the following transactions:

- a 51% equity investment in the share capital of Nuova Holding Subalpina S.p.A. for a book value of Euro 374 million taken on following the conferral to this company of the Bank’s merchant banking business;
- subscription to a capital increase to Beni Stabili S.p.A. as part of the spin-off of the real estate business, for Euro 138 million; during the year the interest in this company has been increased by Euro 11 million;
- recapitalization of LDV Holding B.V. for Euro 29 million; the company was subsequently transferred to NHS S.p.A.;
- subscription to a share capital increase to Sanpaolo Invest SIM S.p.A., for Euro 23 million;
- subscription to a share capital increase to BIM Imi S.p.A. through the conferral of the interest held in Intersim S.p.A., for Euro 16 million;
- recapitalization of Sanpaolo Fondi S.p.A. (now called Sanpaolo Imi Asset Management SGR S.p.A.), for Euro 16 million;
- recapitalization of Sviluppo Immobiliari S.p.A. (formerly Apokè Six S.r.l.) for Euro 9 million; the company was subsequently included in the real estate spin-off;

The subcaption C.1 “Sales” refers mainly to the following transactions:

- sale of the Bank’s 20% interest in Crediop S.p.A. to Gruppo Dexia for Euro 218 million, with a capital gain of Euro 128 million;
- sale, for Euro 32 million and with a capital gain of Euro 21 million, of the interest in the former Sanpaolo Asset Management Sim S.p.A. to the former Sanpaolo Fondi S.p.A., which then finalized the merger; this transaction is part of the plan to centralize supervision the Group’s asset management activities in Sanpaolo Fondi S.p.A. (now Sanpaolo Imi Asset Management SGR S.p.A.);
- sale of the interest in Imi Fideuram Asset Management SIM S.p.A. to Banca Fideuram for Euro 7 million and a capital gain of Euro 2 million;
- sale of the interest in Imitec S.p.A. to Banca Fideuram S.p.A. for Euro 3 million.

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

<i>B4. "Increases - other changes"</i>	<i>millions of Euro</i>
Gains on disposals	155
Translation effect	52
Total	207

<i>C3. "Decreases - other changes"</i>	<i>millions of Euro</i>
Transfer to "other equity investments" (*)	329
Conferral of LDV Holding and Sanpaolo IMI Private Equity to NHS S.p.A.	81
Spin-off of Imigest Immobiliare S.p.A. and Sviluppo Immobiliari S.p.A. to Beni Stabili S.p.A.	26
Conferral of Intersim S.p.A. to BIM Imi S.p.A.	16
Other	1
Total	453

(*) The transfer concerned the investment in Beni Stabili S.p.A. (Euro 149 million) and in Crediop S.p.A. (Euro 180 million).

<i>Other equity investments (table 3.6.2 B.1)</i>	<i>millions of Euro</i>
A. Opening balance	820
B. Increases	
B1. purchases	1,427
B2. writebacks	-
B3. revaluations	-
B4. other changes	566
C. Decreases	
C1. sales	566
C2. adjustments	71
including:	
- permanent writedowns	71
C3. other changes	162
D. Closing balance	2,014
E. Total revaluations	107
F. Total adjustments	308

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

- purchase of shares in INA S.p.A. for Euro 703 million;
- purchase of shares in BSCH S.A. for Euro 370 million, as part of the plans for a greater integration with the Spanish group; the plans also involve increasing the interest held up to 3% of the share capital;
- purchase of shares in BAM for Euro 206 million;
- acquisition of an interest in Tecnost S.p.A. for a total of Euro 60 million, following the take-over bid launched by Olivetti for Telecom Italia S.p.A.;
- as part of the agreements to reduce exposure to the Fedorex Group, the acquisition from Gedeam S.A., for Euro 37 million, of a 37% interest in Società dell'Acqua Pia Antica Marcia, subsequently transferred to Beni Stabili as part of the real estate spin-off;

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

- sale, for Euro 448 million, of the interest in Telecom Italia S.p.A. as part of the Olivetti bid, with a capital gain of Euro 215 million;
- sale to the Fedorex Group of the interest in Gedeam S.A., for Euro 60 million;
- sale of other quoted shareholdings for Euro 13 million with a capital gain of Euro 5 million;

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

<i>B4. "Increases - other changes"</i>	<i>millions of Euro</i>
Gains on disposals	222
Translation effect	1
Transfer from "investments in Group Companies"	329
Assignment of shares in Beni Stabili S.p.A. against own shares in portfolio	7
Other	7
Total	566

<i>C3. "Decreases - other changes"</i>	<i>millions of Euro</i>
Real estate spin-off	52
Conferral of the merchant banking business to NHS S.p.A.	35
Transfer to the dealing portfolio	35
Losses from sales	24
Extraordinary reserve distributed by Unim S.p.A.	8
Other	8
Total	162

The real estate spin-off resulted in the splitting of investments in Unim S.p.A. (Euro 15 million) and Acqua Marcia S.p.A. (Euro 37 million) in favour of Beni Stabili S.p.A.

The conferral of the merchant banking business to Nuova Holding Subalpina S.p.A. involved the following investments: Abete Sviluppo S.p.A., Acea S.p.A., Alfa Stamp Srl, Eurofly S.p.A, Fata Group S.p.A., Fiat Serene S.p.A., Mediaset S.p.A, Rimoldi Necchi Srl and Snia S.p.A.

Shareholding transfers to the dealing portfolio concern shares in quoted companies in which stable shareholdings are not envisaged.

Amounts due to and from Group companies and non-Group companies

The following table sets out the amounts due to and from Group companies, as defined pursuant to Article 4 of Decree 87/92, and the amounts due to and from companies subject to considerable influence that are not part of the Group:

Group companies	<i>millions of Euro</i>				
	Assets (a)	Liabilities	Guarantees and commitments	Revenues (b)	Charges
@Imiweb Sim S.p.A.	-	1	6	1	-
Apokè Two S.r.l. in liquidation	40	1	2	-	-
Bim Imi S.p.A.	343	21	-	20	7
Banca Fideuram S.p.A.	163	21	-	2	1
Banque Sanpaolo S.A.	389	8	15	10	2
Consorzio Studi e Ricerche Fiscali	-	-	-	-	1
Fideuram Bank S.A.	-	37	-	-	-
Imi Bank (Lux) S.A.	36	1	-	2	1
Imi Lease S.p.A.	35	2	1	4	-
Imitec S.p.A.	-	1	-	1	4
Ldv Holding B.V.	2	1	-	-	-
NHS - Nuova Holding Subalpina S.p.A.	15	186	-	-	2
Prospettive 2001 S.p.A.	-	3	-	-	-
Sanpaolo Imi Bank Ireland P.l.c.	303	71	15	14	1
Sanpaolo Vita S.p.A.	36	19	-	43	1
Sanpaolo Bank Austria A.G.	-	3	-	-	1
Sanpaolo Bank S.A.	86	512	44	4	12
Sanpaolo Fiduciaria S.p.A.	-	1	-	-	-
Sanpaolo Gestion International S.A.	-	-	-	44	-
Sanpaolo Imi Asset Mng Sgr S.p.A.	1	120	-	643	2
Sanpaolo Imi Bank (International) S.A.	-	4,394	4,329	-	227
Sanpaolo Imi Us Financial Co.	-	1,560	1,566	-	54
Sanpaolo Immobiliare S.p.A.	68	2	-	1	-
Sanpaolo Invest Sim S.p.A.	-	82	-	1	4
Sanpaolo Leasint S.p.A.	1,161	1	234	26	3
Sanpaolo Riscossioni Genova S.p.A.	67	-	-	2	1
Sanpaolo Riscossioni Prato S.p.A.	18	-	8	-	-
Sep S.p.A.	-	1	-	1	7
Total Group companies	2,763	7,049	6,220	819	331
Jointly-held subsidiaries					
Egida S.p.A.	-	2	-	-	-
Fc Factor S.r.l.	-	1	-	-	-
Finconsumo S.p.A.	70	-	36	2	-
Total	2,833	7,052	6,256	821	331

(a) Excluding the book value of the investment

(b) Excluding dividends received

Other significant investments	<i>millions of Euro</i>				
	Assets (a)	Liabilities	Guarantees and commitments	Revenues (b)	Expenses
Banca Italo-Romena S.p.A.	21	-	-	1	-
BNC Assicurazioni S.p.A.	-	7	1	-	1
Crediop S.p.A.	308	17	1	20	2
Esatri S.p.A.	286	-	168	3	-
Inter-Europa Bank RT	39	9	20	1	-
Galileo Holding S.p.A.	2	-	-	-	-
Total	656	33	190	25	3

(a) Excluding the book value of the investment

(b) Excluding dividends received

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Assets			
1. due from banks	1,170	1,921	-39.1
<i>of which:</i>			
– subordinated	35	35	-
2. due from financial institutions	1,367	1,681	-18.7
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	76	212	-64.2
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	150	351	-57.3
<i>of which:</i>			
– subordinated	148	20	+640,0
Total assets	2,763	4,165	-33.7
(b) Liabilities			
1. due to banks	5,066	5,651	-10.4
2. due to financial institutions	1,956	1,143	+71.1
3. due to other customers	25	4	+525.0
4. securities issued	-	-	-
5. subordinated liabilities	2	8	-75.0
Total liabilities	7,049	6,806	+3.6
(c) Guarantees and commitments			
1. guarantees given	6,140	6,603	-7.0
2. commitments	80	80	-
Total guarantees and commitments	6,220	6,683	-6.9

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Assets			
1. due from banks (*)	1,059	767	+38.1
<i>of which:</i>			
– subordinated	20	-	-
2. due from financial institutions	522	395	+32.2
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	111	1,819	-93.9
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	275	264	+4.2
<i>of which:</i>			
– subordinated	-	-	-
Total assets	1,967	3,245	-39.4
(b) Liabilities			
1. due to banks	1,899	162	n.s.
2. due to financial institutions	85	75	+13.3
3. due to other customers	28	179	-84.4
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
Total liabilities	2,012	416	+383.7
(c) Guarantees and commitments			
1. guarantees given	260	404	-35.6
2. commitments	-	33	-100.0
Total guarantees and commitments	260	437	-40.5

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

Details of revenues and expenses arising from transactions with Group companies, and with investments that are not part of the Group, are included in part C, section 7 of these notes.

Other information relating to equity investments

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Cost pre revaluations	4,395	3,093	+42.1
L. 72/83 (a)	43	43	-
L. 218/90 (b)	76	76	-
Merger of Crediop	30	30	-
Total revaluations	149	149	-
Gross book value	4,544	3,242	+40.1

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets (caption 100)

They comprise the following:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Property			
– operating	817	1,053	-22.4
– non-operating	35	219	-84.0
Furniture and installations			
– office furniture and machines	11	15	-26.7
– electronic machines	34	28	+21.4
– general and specific installations	14	14	-
Total	911	1,329	-31.5

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

millions of Euro

A. Opening balance	1,329
B. Increases	
B1. purchases	53
B2. writebacks	-
B3. revaluations	-
B4. other changes	4
C. Decreases	
C1. Sales	8
C2. Adjustments	
• depreciation	100
• permanent writedowns	-
C3. other changes	367
D. Closing balance	911
E. Total revaluations	919
F. Total adjustments	
- accumulated depreciation	1,088
- permanent writedowns	6

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

	<i>millions of Euro</i>	
	Property	Furniture and installations
Opening balance	1,272	57
Increases		
– purchases	1	52
– other changes:		
– incremental costs	3	-
– gains on disposals	1	-
Decreases		
– sales	7	1
– adjustments		
– depreciation	51	49
– other changes		
– spin-off in favour of Beni Stabili S.p.A.	367	-
Closing balance	852	59
Total revaluations	919	-
Total adjustments		
– accumulated depreciation	433	655
– permanent writedowns	6	-

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

The assets spun-off in favour of Beni Stabili S.p.A., for a total of Euro 367 million, consisted of non-operating property used by third parties (Euro 173 million), property used by the commercial network (Euro 167 million) and other property for sale (Euro 27 million), of which Euro 19 million relates to non-operating property and Euro 8 million to operating property.

The property is depreciated on the basis of the residual useful life; the depreciation for 1999 was Euro 51 million, of which Euro 13 million relates to property spun-off in favour of Beni Stabili S.p.A., depreciated over the period of possession.

Intangible fixed assets (caption 90)

They comprise the following:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Merger differences (goodwill of merged companies)	81	118	-31.4
Software in use	19	23	-17.4
Software not yet in use	57	39	+46.2
Other deferred charges	10	11	-9.1
Total	167	191	-12.6

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

millions of Euro

A. Opening balance	191
B. Increases	
B1. purchases	57
B2. writebacks	-
B3. revaluations	-
B4. other changes	8
C. Decreases	
C1. sales	-
C2. adjustments	
(a) amortization	82
(b) permanent writedowns	-
C3. other changes	7
D. Closing balance	167
E. Total revaluations	-
F. Total adjustments	
(a) accumulated amortization	255
(b) permanent writedowns	-

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

	millions of Euro			
	Merger differences (goodwill of merged companies)	Software in use	Software non yet in use	Other deferred charges
Opening balance	118	23	39	11
Increases				
(a) purchases	-	10	45	2
(c) other changes:				
– transfer of internally-developed software	-	7	-	-
– exchange differences	-	-	-	1
Decreases				
– sales	-	-	-	-
– adjustments:				
– amortization	37	21	20	4
– permanent writedowns	-	-	-	-
– other changes				
– transfer of internally-developed software	-	-	7	-
– exchange differences and other changes	-	-	-	-
Closing balance	81	19	57	10
Total revaluations	-	-	-	-
Total adjustments				
– accumulated amortization	190	18	36	11
– permanent writedowns	-	-	-	-

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 amortization of the goodwill relating to the merger of Crediop has been completed in the year.

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 programs and procedures being developed by third parties.

Other deferred charges include leasehold improvements of Euro 10 million..

Costs incurred during the year in connection with the introduction of the Euro relate mainly to procedural changes and new software applications, for Euro 5 million, and are included in "software not yet in use" for Euro 1 million and in "software in use" for Euro 1 million; the balance of Euro 3 million has been booked to "administrative costs".

Total costs incurred in connection with the introduction of the Euro and charged to software amount to Euro 4 million, net of amortization for Euro 4 million, of which Euro 2 million pertaining to the year.

Costs connected to the Y2K project pertaining to the year, for Euro 11 million, have been booked to software for Euro 1 million and to administrative costs for Euro 10 million.

The criteria used for booking costs connected with the Euro and Y2K projects are in line with the current accounting principles and Consob recommendations. The nature of the costs has been analyzed and the booking of intangible assets to assets that benefit future years has been kept to the minimum.

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

Other information relating to tangible and intangible fixed assets

The information required pursuant to article 10 of Law 72/83 is set out below:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Historical cost	372	572	-35.0
Law 823/73 (a)	14	20	-30.0
Law 576/75 (a)	17	21	-19.0
Law 72/83 (a)	168	208	-19.2
Others (a)	8	10	-20.0
Law 218/90 (b)	447	583	-23.3
Law 408/90 (a)	133	238	-44.1
Law 413/91 (a)	29	37	-21.6
Merger of Banca Provinciale Lombarda and Banco Lariano	103	122	-15.6
Merger of Crediop	-	12	-100.0
Total revaluations	919	1,251	-26.5
Gross book value	1,291	1,823	-29.2

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

(b) Higher values attributed at the transformation from a public credit institution into a limited company

SECTION 5 - OTHER ASSETS

Other assets (caption 130)

Analysis of caption 130 "Other assets" (table 5.1 B I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Dervatives and foreign exchange:	4,265	4,722	-9.7
– interest rate and equity contracts	3,486	4,480	-22.2
– forex futures, cross currency swaps and forex swap	767	196	+291.3
– premiums on options	12	24	-50.0
– clearing house derivative deposits	-	22	-100.0
Foreign branch movements in course:	1,829	2,512	-27.2
– in course with Italian branches (a)	1,222	895	+36.5
– passing through Italian branches (a)	474	1,011	-53.1
– positions of foreign branches	133	606	-78.1
Tax credits:	1,061	634	+67.5
– credited during the year	630	207	+204.3
– accrued during the year	143	85	+68.2
– withholding on bank interest over during the year	122	64	+90.6
– tax credits for previous years	120	233	-48.5
– advance termination indemnities - L. 662/96	46	45	+2.2
Prepaid taxes for period against income taxes	466	479	-2.7
Other	444	425	+4.5
To be settled with other banks (b)	413	178	+132.0
Advance on purchases of shares	93	-	-
Net effect of current forex movements with international organizations (exchange risk borne by third parties)	89	48	+85.4
Cheques and other in cash	19	27	-29.6
Securities	6	22	-72.7
Debts for settlement	-	214	-100.0
Total	8,685	9,261	-6.2

(a) Mostly settled at the beginning of 2000.

(b) Setted at the beginning of 2000.

The above assets have not been adjusted.

Accrued income and prepaid expenses (caption 140)*Analysis of caption 140 "Accrued income and prepaid expenses" (table 5.2 B.I)*

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Accrued income			
– income from derivative contracts (a)	3,161	2,671	+18.3
– interest from loans to customers	609	772	-21.1
– interest on securities	108	320	-66.3
– bank interest	73	67	+9.0
– other income	7	8	-12.5
Prepaid expenses			
– charges on derivative contracts	27	42	-35.7
– commission on placement of securities and mortgage loans	54	96	-43.8
– discounts on bond issues	3	5	-40.0
– other charges	86	32	+168.8
Total	4,128	4,013	+2.9

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

Distribution of subordinated assets (table 5.4 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Due from banks	69	57	+21.1
(b) Loans to customers	-	-	-
(c) Bonds and other debt securities	184	47	+291.5
Total	253	104	+143.3

SECTION 6 - PAYABLES

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Due to central banks			
– repurchase agreements and securities borrowed	1,848	-	n.s.
– other deposits from the Italian Exchange Office	35	37	-5.4
– other deposits from central banks	555	196	+183.2
– advances	-	24	-100.0
Due to banks			
– deposits	12,186	10,478	+16.3
– repurchase agreements and securities borrowed	48	3,172	-98.5
– long-term loans from international bodies	4,278	4,345	-1.5
– current accounts	362	677	-46.5
– other	20	37	-45.9
– other loans	4,871	5,695	-14.5
Total	24,203	24,661	-1.9

Detail of "Due to banks" (detail 6.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Repurchase agreements	1,896	3,140	-39.6
b) Securities borrowed	-	32	-100.0

Long-term loans from international bodies include loans used to finance investment projects in industrial sectors and 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:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Due to customers			
– current accounts	27,842	24,825	+12.2
– repurchase agreements and securities borrowed	2,478	7,872	-68.5
– savings deposits	3,189	3,271	-2.5
– short-term payables relating to special management services carried out for the government	475	600	-20.8
– other	208	232	-10.3
Securities issued			
– bonds	19,372	21,262	-8.9
– certificates of deposit	7,359	9,537	-22.8
– bankers' drafts	373	271	+37.6
– other securities	13	50	-74.0
Total	61,309	67,920	-9.7

Detail of "Due to customers" (table 6.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Repurchase agreements	2,478	7,864	-68.5
b) Securities borrowed	-	8	-100.0

Securities issued comprise those due or ready for repayment amounting to Euro 47 million.

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

Public funds administered (caption 40)

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Funds provided by the State	10	14	-28.6
Funds provided by regional public agencies	20	25	-20.0
Other funds	20	30	-33.3
Total	50	69	-27.5
<i>of which: Funds with risk borne by the government under Law 6/2/87 n. 19</i>	<i>16</i>	<i>22</i>	<i>-27.3</i>

Other information relating to payables

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

SECTION 7 - PROVISIONS

Provisions are detailed below:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Provision for termination indemnities (caption 70)	401	396	+1.3
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80.a)	46	49	-6.1
– taxation (caption 80b)	821	957	-14.2
– other provisions (caption 80c)			
– provisions for guarantees and commitments	28	29	-3.4
– provisions for other risks and charges	147	148	-0.7
– provisions for other personnel charges	121	105	+15.2
Total	1,564	1,684	-7.1

Provision for termination indemnities (caption 70)

<i>Changes in "Provision for termination indemnities" during the year</i>	<i>millions of Euro</i>
Opening balance	396
Increases	
– provisions	34
– transfers	-
Decreases	
– advances allowed under Law 297/82	19
– indemnities to employees leaving the Bank	9
– transfers	1
– other changes	-
Closing balance	401

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

<i>Changes in "Pensions and similar commitments" during the year "</i>	<i>millions of Euro</i>
Opening balance	49
Increases	
– provisions	-
Decreases	
– utilizations	3
Closing balance	46

This provision was created to cover supplementary pension liabilities for former IMI S.p.A. personnel already in retirement. The potential liability was evaluated on the basis of an independent actuarial appraisal.

Utilizations during the year refer to the payment of supplementary pensions due for the year under review.

Taxation (caption 80b)

<i>Changes in "Taxation" during the year "</i>					<i>millions of Euro</i>
	Income taxes	Deferred taxation on the Reserve for General Banking Risks	Deferred taxes on the Reserve ex L. 169/83	Deferred taxes on the Reserve ex Decree 213/98	Total
Opening balance	782	124	27	24	957
Increases					
– provision for 1999 income taxes	630	-	-	-	630
– deferred taxation	-	-	-	-	-
– exchange differences	2	-	-	-	2
– other changes	-	-	-	1	1
Decreases					
– payment of income taxes	742	4	-	-	746
– exchange differences	-	-	-	-	-
– other changes	-	-	23	-	23
Closing balance	672	120	4	25	821

Current taxes cover income taxes due, including local taxes payable by foreign branches, as well as outstanding and potential fiscal disputes.

In calculating the reserve for taxes and duties, account has been taken of the incentives pursuant to the Ciampi Law (Law 461/98 and Legislative Decree 153/99) The application of the incentives has however been effected using prudential criteria to assess the amount of the benefit. Furthermore, as a result of the incentives, an average proportion inferior to that theoretically available has been used to calculate prepaid taxes concerning future years and lower prepaid taxes have therefore been required.

As required by CONSOB (27052 of April 7, 2000) Sanpaolo IMI S.p.A. announced that the incentives of the Ciampi Law have been suspended and noted that any net benefit not to be taken (approximately Euro 13 million as prudently calculated) is covered in the provision for taxes and duties for current and potential tax disputes.

In the event that the incentives are not available, the amount posted to the reserve for taxes and duties for current and potential tax disputes would be reduced to approximately Euro 34 million, in line with the risks involved.

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

<i>Deferred tax assets credited to the statement of income (Bank of Italy instructions dated 08.03.99)</i>		<i>millions of Euro</i>
1. Opening balance		479
2. Increases		75
2.1 Deferred tax assets arising during the year		75
2.2 Other increases		-
3. Decreases		88
3.1 Deferred tax assets reversing during the year		88
3.2 Other decreases		-
4. Closing balance		466

The bank reports in the balance sheet deferred tax assets amounting to approximately Euro 466 million; these taxes refer to timing differences between the book value and fiscal value of assets and liabilities accrued in 1999 and in prior years, which are reasonably certain to reverse in the future to the benefit of the Bank.

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

<i>Principal timing differences</i>	<i>millions of Euro</i>	
	IRPEG	IRAP
A. Deductible timing differences		
Adjustments of receivables deductible in future years	321	40
Provision for future charges	83	-
Writedown of securities, property and equity investments	17	1
Other	12	1
B. Taxable timing differences		
Accrued capital gains	8	1
Total	425	41

Deductible timing differences are offset against taxable timing differences if they involve the same type of tax and are going to reverse in the same year. According to our estimates, there will never be taxable timing differences in future years higher than the deductible timing differences. This is the reason why the Bank is not showing any deferred tax liabilities charged to the statement of income.

Deferred tax liabilities have been booked against certain equity reserves that are in suspense for tax purposes, which have already been reported in the table of changes in "Taxation". The following table gives details of the movements in these liabilities:

<i>Deferred tax liabilities charged to shareholders' equity (Bank of Italy instructions dated 3.8.99)</i>	<i>millions of Euro</i>
1. Opening balance	175
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	23
4. Closing balance	149

The "Other increases" refer to the increase in the Reserve ex D.Lgs 213/98 due to the realization of capital losses on an equity investment expressed in a Euro-participating currency. At December 31, 1998 the exchange difference on this amount was booked to a non-distributable reserve in suspense for tax purposes, in accordance with Article 21 of the Decree.

The deferred tax liabilities that reversed during the year relate to the utilisation of the reserve for deferred taxation on the reserve for general banking risks to cover loan losses incurred during the year, but not deductible for tax purposes.

The "Other decreases" concern deferred taxes on the portion of the Reserve ex Law 169/83 which has been reduced as a result of the real estate spin-off.

Provisions for risks and charges - Other provisions (caption 80c)

Analysis of subcaption 80c) "Provisions for risks and charges: other" (table 7.3 B.I.) *millions of Euro*

	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance	29	148	105	282
Increases				
– provisions	-	41	24 (*)	65
Decreases				
– released to cover losses on guarantees given	1	-	-	1
– used to cover charges on settlement of disputes	-	42	-	42
– used to cover long-service bonuses and other payments	-	-	8	8
Closing balance	28	147	121	296

(*) The provision includes Euro 8 million for personnel leaving incentives booked to "extraordinary expenses".

Provisions for guarantees and commitments, Euro 28 million, cover expected losses in respect of guarantees given and, more generally, the contingencies associated with the Bank's guarantees and commitments.

Provisions for other risks and charges, Euro 147 million, cover expected losses deriving from legal action including, in particular, from repayments claimed by the receivers of bankrupt customers, as well as charges which might arise in connection with guarantees given on disposal of equity investments and from the Bank's commitment to the Interbank Deposit Guarantee Fund and from other future liabilities.

The provision for other personnel charges at December 31, 1999, Euro 121 million, includes:

- Euro 99 million relating to provisions made by the Bank, on the basis of independent actuarial appraisals, to cover its commitment to the independent supplementary pension fund due to unfunded pension liabilities;
- Euro 10 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;
- Euro 8 million relating to provisions for personnel leaving incentives, resolved during the year and due for implementation in the year 2000.
- Euro 3 million to cover potential contributions for the employees of the Bank and a merged subsidiary;
- Euro 1 million relating to potential costs in connection with the renovation of the Bank's Frankfurt and New York branch offices.

SECTION 8 - CAPITAL, RESERVES AND SUBORDINATED LIABILITIES

Shareholders' equity is detailed below:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Shareholders' equity			
– capital (caption 120)	3,926	4,345	-9.6
– reserve for general banking risks (caption 100)	336	336	-
– reserves (caption 140)			
a) legal reserve	792	869	-8.9
b) reserve for own shares	336	-	n.s.
c) other reserves:	792	1,304	-39.3
– reserve (Article 7.3, Law 218/90)	80	89	-10.1
– reserve (Article 13.6, Decree 124/93)	1	1	-
– unrestricted reserve for the purchase of own shares	439	-	n.s.
– reserve ex Law 169/83	11	72	-84.7
– reserve ex Law 213/98	42	41	+2.4
– merger differences	219	1,101	-80.1
– retained earnings (caption 160)	-	-	-
– distributable net income (caption 170)	1,018	652	+56.1
Total shareholders' equity	7,200	7,506	-4.1
Own shares in portfolio (*)	336	-	n.s.
Subordinated liabilities (caption 110)	1,339	1,367	-2.0

(*) In the reclassified balance sheet, own shares are shown as a deduction from shareholders' equity.

Effects of the spin-off on shareholders' equity

The real estate spin-off carried out during the year reduced the book value of shareholders' equity by Euro 673 million, as follows:

- share capital decreased by Euro 413 million;
- the legal reserve decreased by Euro 83 million;
- other reserves decreased by Euro 177, of which Euro 107 million charged to the merger surplus, Euro 61 million to the reserve ex Law 169/83 and Euro 9 million to the reserve ex Law 218/90.

Conversion of the share capital into Euro

The Bank converted its share capital into Euro by adopting the "simplified" procedure, as provided for in cases where the par value of the shares is rounded up to the nearest cent of Euro. The conversion resulted in the following:

- a nominal value of Euro 2.8;
- reduction of the share capital by Euro 6 million, increasing the legal reserve by the same amount.

Following the conversion, the Bank's share capital amounts to Euro 3,926,117,854.4, made up of 1,402,184,948 ordinary shares of par value 2.8 Euro each; the legal reserve amounts to Euro 792,561,421.3.

Other reserves

Other reserves include:

- Reserve (Article 7.3, Law 218/90), set up under the so-called "Amato Law" to benefit from the tax relief granted for banking concentrations, such as that carried out by the Bank;
- Reserve (Article 13.6, Legislative Decree 124/93), set up to benefit from the tax relief available on partial allocation of termination indemnities to supplementary pension funds;
- Reserve ex Law 169/83, set up by the former IMI for capital gains realized on the stock market, held in suspense for tax purposes on reinvestment in fixed assets;
- Reserve ex Legislative Decree 213/98, set up in 1998 for the revaluation of equity investments expressed in Euro-participating currencies on their translation into Euro at the fixed conversion rate.

Operations in own shares

The shareholders' meeting held on April 30, 1999 authorized the allocation of a reserve for the purchase of own shares amounting to Euro 775 million. This reserve was funded by a transfer from the merger surplus reserve that arose on the merger with the former IMI S.p.A. The maximum number of own shares which can be purchased, on one or more occasions, is 140 million shares.

In the second half of 1999 SANPAOLO IMI purchased 27,470,250 own shares (par value Euro 76.9 million) for a total of Euro 336.1 million and sold 38,750 own shares (nominal value Euro 0.1 million) for a total of Euro 0.5 million.

At the end of 1999 the Bank holds 27,431,500 own shares (nominal value Euro 76.8 million), booked for Euro 335.6 million.

The amount available for the purchase of own shares not against securities in the portfolio (Euro 439 million) is included in other reserves.

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 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 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 D.Lgs. 213/98* (Article 21). At the end of 1998, 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 Section 7 of these Explanatory Notes.

For the sake of completeness, we would also point out that the other items in SANPAOLO IMI's net equity that are in suspense for tax purposes, namely the Share Capital (Euro 586 million), the Legal Reserve (Euro 268 million), the Reserve ex Law 218/90 (Euro 80 million) and the Reserve ex D.Lgs. 124/93 (Euro 1 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.

Other information

In line with Bank of Italy guidelines on disclosure of information, we provide below the breakdown of the regulatory capital as well as a description of the minimum requirements for supervisory purposes:

(Bank of Italy instructions dated 12.17.98)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	5,973	6,663	-10.4
A.2 Tier 2 capital	1,065	1,159	-8.1
A.3 Items to be deducted	290	44	+559.1
A.4 Regulatory capital	6,748	7,778	-13.2
B. Minimum regulatory requirements			
B.1 Lending risk	4,588	4,691	-2.2
B.2 Market risk	120	466	-74.2
<i>of which:</i>			
- risks on trading portfolio	103	447	-77.0
- exchange risks	17	19	-10.5
B.3 Other minimum requirements	-	-	-
B.4 Total minimum requirements	4,708	5,157	-8.7
C. Risk assets and capital-adequacy ratios			
C.1 Risk-weighted assets	67,259	72,836	-7.7
C.2 Tier 1 capital/risk-weighted assets	8.9%	9.1%	
C.3 Regulatory capital/risk-weighted assets	10.0%	10.7%	

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

Subordinated liabilities (caption 110)

Loan	Book value as of 12/31/99 (Euro/mn)	Original currency (in millions)	Interest rate	Issue date	Maturity date	Book value as of 12/31/98 (Euro/mn)
Notes in Luxembourg francs	25	1,000	7.75%	26/05/93	26/05/00	25
Notes in Luxembourg francs	25	1,000	7.63%	09/07/93	09/07/01	25
Notes in Luxembourg francs	25	1,000	9%	10/02/92	10/02/00	25
Notes in US dollars	165	165	floating	12/07/93	30/07/03	141
Notes in US dollars	89	89	floating	24/09/93	24/09/03	76
Notes in US dollars	94	94	floating	30/11/93	30/11/05	81
Notes in US dollars	32	32	floating	25/08/95	25/08/00	54
Notes in Canadian dollars	104	151	floating	10/11/93	10/11/03	84
Notes in Italian lire	361	700,000	10.40%	30/06/94	30/06/04	361
Notes in Eurolire	102	198,000	floating	06/07/95	06/07/00	103
Notes in Eurolire	27	52,000	floating	30/12/96	20/01/02	27
Subordinated loan in Italian lire	51	100,000	5.10%	01/06/98	01/06/03	65
Subordinated loan in Italian lire	124	240,000	5.30%	01/01/98	01/01/03	155
Subordinated loan in Italian lire	115	224,000	floating	01/02/98	01/02/03	145
Total	1,339					1,367

Subordinated liabilities not included in the calculation of capital for Bank of Italy monitoring purposes amount to Euro 156 million.

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

Other information relating to subordinated liabilities

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

SECTION 9 - OTHER LIABILITIES

Other liabilities (caption 50)

Analysis of caption 50 "Other liabilities" (table 9.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Valuation of derivatives on interest rates and stockmarket indices	3,660	3,988	-8.2
Unprocessed transactions (a)	1,298	1,886	-31.2
Amounts available for third parties	1,094	1,111	-1.5
Amounts in transit with branches (a)	481	366	+31.4
Non-liquid balances from portfolio transactions	331	229	+44.5
Transactions involving foreign branches	324	743	-56.4
Amounts due to employees	243	227	+7.0
Due to the tax authorities	116	164	-29.3
Value date adjustments	127	-	n.s.
Deposits guaranteeing agricultural and construction loans	35	54	-35.2
Items relating to securities transactions	22	1,188	-98.1
<i>of which "short position"</i>	17	1,139	-98.5
Premiums collected on options sold	14	25	-44.0
Other	577	550	+4.9
Total	8,322	10,531	-21.0

(a) Mostly settled at the beginning of 2000.

Accrued expenses and deferred income (caption 60)

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Accrued expenses			
– charges on derivative contracts (a)	3,058	2,772	+10.3
– interest on securities issued	1,081	1,193	-9.4
– interest on amounts due to banks	203	284	-28.5
– interest on amounts due to customers	86	72	+19.4
– payroll and other operating costs	33	93	-64.5
– other	-	-	-
Deferred income			
– interest on discounted notes	50	70	-28.6
– income from derivative contracts	114	97	+17.5
– other	24	25	-4.0
Total	4,649	4,606	+0.9

(a) Accrued expenses relating to derivative contracts are recorded on a contract-by-contract basis with reference to the interest rates ruling at the time.

SECTION 10 - GUARANTEES AND COMMITMENTS

Guarantees given (caption 10)

Analysis of caption 10 "Guarantees given" (table 10.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Commercial guarantees	9,042	8,796	+2.8
b) Financial guarantees	7,423	7,976	-6.9
c) Assets lodged in guarantee	41	36	+13.9
Total	16,506	16,808	-1.8

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Endorsements and sureties	10,660	12,712	-16.1
Documentary credits	401	363	+10.5
Acceptances	131	159	-17.6
Other	5,273	3,538	+49.0
Assets lodged in guarantee:			
– securities	21	5	+320.0
– other	20	31	-35.5
Total	16,506	16,808	-1.8

Commitments (caption 20)

Analysis of caption 20 "Commitments" (table 10.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Commitments to grant finance (certain to be called on)	1,819	2,273	-20.0
(b) Commitments to grant finance (not certain to be called on)	11,492	11,265	+2.0
Total	13,311	13,538	-1.7

Firm commitments are detailed below:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Undrawn lines of credit granted	11,258	8,603	+30.9
Deposits and loans to be made	419	409	+2.4
Purchase of securities	137	498	-72.5
Put options issued	136	1,690	-92.0
Mortgage loans to be disbursed	877	1,166	-24.8
Holders of former Crediop bonds transferred to the new Crediop S.p.A. (*)	-	844	-100.0
Membership of Interbank Deposit Guarantee Fund	66	63	+4.8
Other commitments certain to be called on	386	200	+93.0
Other commitments not certain to be called on	32	65	-50.8
Total	13,311	13,538	-1.7

(*) Cancelled following the sale of a controlling stake in Crediop S.p.A. to the Dexia Group during the year.

Assets lodged to guarantee the Bank's liabilities

(table 10.3 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Securities lodged with third parties to guarantee repurchase agreements	2,588	6,554	-60.5
Securities lodged to guarantee advances from central banks	205	1,254	-83.7
Securities lodged with the Bank of Italy to guarantee bankers' drafts	70	46	+52.2
Securities lodged with the clearing-house for the Italian futures exchange (MIF)	-	45	-100.0
Total	2,863	7,899	-63.8

Unused lines of credit

The Bank has unused lines of credit, excluding operating limits, as detailed below:

(table 10.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Central banks	41	68	-39.7
(b) Other banks	641	933	-31.3
Total	682	1,001	-31.9

Forward transactions

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

(table 10.5 B.I.)

	Hedging	Dealing	Other	Total
<i>millions of Euro</i>				
1. Purchase/sale of				
1.1 Securities				
– purchases	-	137	-	137
– sales	-	98	-	98
1.2 Currency				
– currency against currency	2,624	240	-	2,864
– purchases against lire	7,266	295	-	7,561
– sales against lire	5,173	324	-	5,497
2. Deposits and loans				
– to be disbursed	-	-	419	419
– to be received	-	-	568	568
3. Derivative contracts				
3.1 with exchange of capital				
a) securities				
– purchases	-	303	-	303
– sales	421	507	-	928
b) currency				
– currency against currency	515	276	-	791
– purchases against lire	3,243	1,494	-	4,737
– sales against lire	354	1,601	-	1,955
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 without exchange of capital				
a) currency				
– currency against currency	-	-	-	-
– purchases against lire	329	4	-	333
– sales against lire	4	-	-	4
b) other instruments				
– purchases	13,551	87,442	-	100,993
– sales	14,583	84,939	2,839	102,361
Total	48,063	177,660	3,826	229,549

At year end, hedging contracts, entered into as part of credit intermediation activities, show an unrecognized net loss of Euro 255 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 activi-

ties. The above-mentioned contracts are in fact recorded on a consistent basis with those adopted for hedging transactions, with the identification of accruals in the financial statements. Had the assets and liabilities being hedged been valued in the same way, this would have led to a gain which would have offset the above loss.

Derivative transactions hedging trading transactions and shown among dealing transactions amount to Euro 1,251 million.

Internal deal contracts

The nominal amount of derivative contracts between Head office, the foreign branches and the various organizational units is Euro 3,176 million. The following table provides a breakdown of internal deals, reporting the same contract in both purchases and sales.

	<i>millions of Euro</i>	
	Hedging	Dealing
Derivative contracts with exchange of capital		
a) securities		
– purchases	-	-
– sales	-	-
b) currency		
– currency against currency	-	3
– purchases against lire	622	9
– sales against lire	-	631
Derivative contracts without exchange of capital		
b) other instruments		
– purchases	989	1,554
– sales	507	2,036
Total	2,119	4,233

Marking to market internal deals made to hedge assets or liabilities valued at cost gives rise to an unrealized net gain of Euro 49 million. In line with what was said in connection with derivative transactions carried out on the market for the Bank's own account, this value, in accordance with the Bank's accounting policies, has not been booked to the financial statements given their purpose of hedging interest rate or exchange rate risks in connection with funding and lending operations. These contracts have in fact been recorded in the same way as the operations being hedged. If the assets and liabilities were valued in the same way, a loss would emerge that would offset the gain mentioned above.

See part C, section 3 on profits and losses on financial transactions for the results of the valuation of derivative contracts.

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

<i>Notional amounts</i>	<i>millions of Euro</i>			
	Interest rates	Currency	Stockmarket indices	Other
OTC trading contracts				
- Forward (a)	2,558	858	-	-
- Swaps (b)	143,733	2,093	-	-
- Options purchased	11,930	641	874	-
- Options sold	11,922	641	872	-
Exchange traded contracts				
- Futures purchased	490	-	-	-
- Futures sold	403	-	5	-
- Options purchased	37	-	65	-
- Options sold	139	-	164	-
Total trading contracts	171,212	4,233	1,980	-
Total non-trading contracts	26,132	19,509	5,054	207
Total contracts	197,344	23,742	7,034	207

(a) Including FRAs and forward currency purchase/sale transactions.

(b) Mainly comprising IRS and CIRS contracts, and basis swap transactions.

<i>Notional amounts of OTC transactions, related market values and add on</i>	<i>millions of Euro</i>			
	Interest rate related	Exchange rate related	Stockmarket index related	Other
Notional amounts	194,890	23,742	7,029	207
Market value of OTC trading contracts				
- positive	5,416	167	280	-
- negative	5,330	239	298	-
Add on	980	104	131	-
Market value of OTC non-trading contracts				
- positive	620	855	247	-
- negative	835	397	156	-
Add on	172	307	311	25

Market values of hedging and dealing derivatives contracts 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 result deriving from the spot rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>			<i>millions of Euro</i>
	Up to 12 months	Between 1 and 5 years	Beyond 5 years
Interest rate related	48,233	103,928	42,729
Exchange rate related	19,049	4,122	571
Stockmarket index related	1,556	4,294	1,179
Other contracts	-	207	-

<i>Credit quality of OTC derivative contracts, by counterparty</i>			<i>millions of Euro</i>
	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks	5	-	5
Banks	6,632	1,666	8,298
Other operators	948	364	1,312
Total	7,585	2,030	9,615

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements allows a reduction in the equivalent credit risk of Euro 5,447 million for banks and of Euro 522 million for other operators.

The above transactions are backed by secured guarantees amounting to Euro 27 million. No losses were incurred during the year on loans linked to derivatives and there are no outstanding derivative contracts matured, but not settled.

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in part B, section 11 of these notes, while forward transactions related to dealing on behalf of third parties are described in part B, section 12.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

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

<i>(table 11.1 B.I.)</i>		12/31/99
a) Amount (in millions of Euro)		11,645
b) Number		7

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

Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

<i>(table 11.2 B.I.)</i>	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Governments	4,246	4,615	-8.0
b) Other public entities	5,384	4,001	+34.6
c) Non-financial businesses	36,961	37,303	-0.9
d) Financial institutions	7,045	10,851	-35.1
e) Family businesses	2,497	2,610	-4.3
f) Other operators	11,129	9,844	+13.1
Total	67,262	69,224	-2.8

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:

<i>(table 11.3 B.I.)</i>	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Sales and distribution services	5,193	5,735	-9.5
b) Commerce, salvage and repairs	5,117	4,304	+18.9
c) Construction and public works	3,533	4,560	-22.5
d) Transport	2,818	1,484	+89.9
e) Energy	2,769	3,490	-20.7
f) Other sectors	14,754	16,920	-12.8
Total	34,184	36,493	-6.3

Distribution of guarantees given, by category of counterparty

Guarantees given by the Bank are classified as follows:

(table 11.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Governments			
b) Other public entities	13	122	-89.3
c) Banks	4,934	5,543	-11.0
d) Non-financial businesses	8,421	8,246	+2.1
e) Financial institutions	2,798	2,582	+8.4
f) Family businesses	95	83	+14.5
g) Other operators	245	232	+5.6
Total	16,506	16,808	-1.8

Geographical distribution of assets and liabilities

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

(table 11.5 B.I.)

	12/31/99				12/31/98			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
<i>millions of Euro</i>								
1. Assets								
1.1 due from banks	6,836	5,395	2,579	14,810	6,972	6,089	1,859	14,920
1.2 loans to customers	59,808	3,446	4,008	67,262	61,937	4,143	3,144	69,224
1.3 securities	5,373	558	1,442	7,373	13,443	1,223	1,103	15,769
Total	72,017	9,399	8,029	89,445	82,352	11,455	6,106	99,913
2. Liabilities								
2.1 due to banks	3,770	9,666	10,767	24,203	2,150	13,478	9,033	24,661
2.2 due to customers	27,997	2,231	3,964	34,192	31,934	2,169	2,697	36,800
2.3 securities issued	23,767	781	2,569	27,117	28,921	598	1,601	31,120
2.4 other accounts	342	1,047	-	1,389	433	1,003	-	1,436
Total	55,876	13,725	17,300	86,901	63,438	17,248	13,331	94,017
3. Guarantees and commitments	11,543	8,438	9,836	29,817	13,120	8,457	8,769	30,346

Maturities of assets and liabilities

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

(table 11.6 B.I.)

	<i>millions of Euro</i>								Total
	On demand	Up to 3 months	Specified maturity				Unspecified maturity		
			Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years			
			Fixed rate	Indexed rate	Fixed rate	Indexed rate			
1. Assets									
1.1 Treasury bonds eligible for refinancing	63	24	200	488	343	246	40	-	1,404
1.2 due from banks	4,108	7,946	1,374	293	259	157	69	604	14,810
1.3 loans to customers	12,015	11,248	9,051	8,294	12,217	5,234	7,287	1,916	67,262
1.4 bonds and other debt securities	496	778	914	652	1,751	315	1,042	-	5,948
1.5 off-balance sheet transactions"	3,037	70,305	46,145	45,071	5,384	19,155	2,733	-	191,830
Total assets	19,719	90,301	57,684	54,798	19,954	25,107	11,171	2,520	281,254
2. Liabilities									
2.1 due to banks	1,893	11,417	4,373	1,832	2,899	803	986	-	24,203
2.2 due to customers	26,625	6,188	1,191	117	42	29	-	-	34,192
2.3 securities issued									
– bonds	345	570	2,225	4,828	5,798	3,176	2,430	-	19,372
– certificates of deposit	196	3,189	3,445	472	57	-	-	-	7,359
– other securities	386	-	-	-	-	-	-	-	386
2.4 subordinated liabilities	-	90	345	438	436	-	30	-	1,339
2.5 off-balance sheet transactions"	3,348	69,384	47,839	42,586	4,198	21,347	2,608	-	191,310
Total liabilities	32,793	90,838	59,418	50,273	13,430	25,355	6,054	-	278,161

Assets and liabilities denominated in foreign currencies

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Assets			
1. due from banks	4,584	2,450	+87.1
2. loans to customers	6,986	6,115	+14.2
3. securities	1,969	1,666	+18.2
4. equity investments	397	363	+9.4
5. other accounts	50	31	+61.3
Total assets	13,986	10,625	+31.6
b) Liabilities			
1. due to banks	10,889	10,126	+7.5
2. due to customers	4,624	3,640	+27.0
3. securities issued	2,962	1,982	+49.5
4. other accounts	483	437	+10.5
Total liabilities	18,958	16,185	+17.1

The December 31, 1998 figures have been adjusted to exclude the currencies of Euro-participating countries.

The principal spot exchange rates, as of December 31, 1999, used to translate the Bank's foreign currency assets and liabilities are indicated below on a comparative basis with December 31, 1998 exchange rates:

	12/31/99	12/31/98	Change %
US dollar	1,927.404	1,653.100	+16.6
Swiss franc	1,206.324	1,208.410	-0.2
Pound sterling	3,114.476	2,763.160	+12.7
Japanese yen	18.848	14.375	+31.1

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales of securities on behalf of third parties during the year exclusively relate to futures contracts and options on futures, as summarized below:

(table 12.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Purchases			
1. settled	57	10,612	-99.5
2. not settled	-	-	-
Total purchases	57	10,612	-99.5
(b) Sales			
1. settled	57	9,937	-99.4
2. not settled	-	-	-
Total sales	57	9,937	-99.4

The reduction in trading volumes is related to the reorganization of the Group's investment banking business, which is now carried out by subsidiaries.

Portfolio management

The total market value of portfolios managed on behalf of customers is detailed below:

(table 12.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Asset management			
1. securities issued by the Bank that prepares the financial statements	-	-	-
2. other securities	-	28	-100.0

The assets managed directly by the Bank on behalf of customers have a zero balance in 1999 because of the centralization of asset management activities in Sanpaolo IMI Asset Management SGR SpA.

Custody and administration of securities

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

(table 12.3 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Third-party securities held on deposit (excluding portfolio management)			
1. securities issued by the Bank that prepares the financial statements	14,881	21,119	-29.5
2. other securities	120,080	128,120	-6.3
b) Third-party securities deposited with third parties	94,569	96,120	-1.6
c) Portfolio securities deposited with third parties	7,835	9,048	-13.4

Collection of receivables on behalf of third parties

The Bank has received instructions to collect the receivables of third parties as part of its portfolio transactions. The nominal value of such receivables is Euro 7,814 million.

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

(table 12.4 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Debit adjustments			
1. current accounts	690	712	-3.1
2. central portfolio	97	78	+24.4
3. cash	-	-	-
4. other accounts	-	-	-
b) Credit adjustments			
1. current accounts	97	78	+24.4
2. transferors of notes and documents	690	712	-3.1
3. other accounts	-	-	-

Other transactions

Fund for applied research

Sanpaolo IMI continues to perform the role of co-ordinator for the Fund for Applied Research on behalf of the Ministry for Universities and Scientific and Technological Research. In association with the same Ministry, it also handles applications for financing under Law 488/1992. This entails evaluating and supervising the implementation of research and industrial development projects and training programmes for researchers from a technical and economic point of view, as well as monitoring research companies formed with government participation.

In 1999, 864 applications were received to finance investments worth Euro 2,229 million. The substantial increase over the prior year is due to the significant proportion of applications received by SANPAOLO IMI under "Law 488 for Research" (this is approximately 50% of total applications, the other 50% being split over the other nine banks authorized to perform this activity). The increase represents the rise in investments reported by the research and development sector in the second half of the year. 460 preliminary inquiries were carried out and 376 contracts drawn up; assisted loans amounting to Euro 374 million were drawn on public funds and Euro 143 million were drawn on the Bank's funds, taking advantage of interest subsidies provided by the government under Law 346/1988.

Management activities carried out on behalf of the Ministry were recompensed with commissions amounting to Euro 7 million.

In January 2000, the Ministry for Universities and Scientific and Technological Research began managing the Fund for Applied Research directly and has empowered the ten banks, which were already authorized to operate in depressed areas of the country (pursuant to Law 488/1992), to participate in the new activity of the Fund. SANPAOLO IMI has been assigned the supervision of all outstanding projects.

Guarantee Fund for small and medium-sized undertakings 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 medium- and 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, 1999, 4,501 requests had received for a total of Euro 2,494 million, broken down as follows:

- Euro 1,637 million for the consolidation of short term indebtedness;
- Euro 651 million for participating loans;
- Euro 206 million for the acquisition of equity investments.

3,962 requests for loans amounting to Euro 1,453 million have been processed, of which 3,814 have been approved. In light of the operations processed to date, the amount committed by the Fund totals Euro 906 million, including Euro 711 million relating to guarantees given and Euro 113 million for grants to be disbursed.

Management activities carried out on behalf of the Treasury were recompensed with commissions amounting to Euro 1.5 million.

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Group for third parties without a representation mandate totalled Euro 857 million at year end (Euro 1,396 million at the end of 1998).

Asset management services rendered by third parties

As of December 31, 1999, the value of asset management services rendered to customers by Group companies amounts to Euro 3,931 million.

Part C - Statement of Income

SECTION 1 - INTEREST

Interest income and similar revenues (caption 10)

Analysis of caption 10 "Interest income and similar revenues" (table 1.1 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) On amounts due from banks	472	1,055	-55.3
<i>including</i>			
- deposits with central banks	20	97	-79.4
(b) On loans to customers	3,954	5,317	-25.6
<i>including</i>			
- loans using public funds	-	-	-
(c) On debt securities	546	1,065	-48.7
(d) Other interest income	4	5	-20.0
(e) Net differential on hedging transactions	-	-	-
Total	4,976	7,442	-33.1

Detail of caption 10 "Interest income and similar revenues" (table 1.3 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) On assets denominated in foreign currency	526	651	-19.2

The December 31, 1998 figure has been adjusted to exclude amounts denominated in Euro-participating currencies.

Default interest amounting to Euro 166 million has been prudently eliminated from the statement of income, since collection is considered unlikely.

Interest income includes Euro 164 million relating to repurchase agreements.

Interest expense and similar charges (caption 20)

Analysis of caption 20 "Interest expense and similar charges" (table 1.2 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) On amounts due to banks	963	1,783	-46.0
(b) On amounts due to customers	582	1,231	-52.7
(c) On securities issued	1,510	2,102	-28.2
<i>including:</i>			
– certificates of deposit	413	708	-41.7
(d) On public funds administered	-	-	-
(e) On subordinated liabilities	81	104	-22.1
(f) Net differential on hedging transactions	126	151	-16.6
Total	3,262	5,371	-39.3

Detail of caption 20 "Interest expense and similar charges" (table 1.4 B.I)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) On liabilities denominated in foreign currency	590	1,050	-43.8

The December 31, 1998 figure has been adjusted to exclude amounts denominated in Euro-participating currencies.

Interest expense includes the annual charge of Euro 0.27 million relating to issue discounts on bonds and certificates of deposit. The caption also includes charges of Euro 211 million relating to repurchase agreements.

Other information relating to interest

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

SECTION 2 - COMMISSION

Commission income (caption 40)

Analysis of caption 40 "Commission income" (table 2.1 B.1)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Guarantees given	41	45	-8.9
(b) Collection and payment services	147	155	-5.2
(c) Management, dealing and consultancy services			
1. dealing in securities	11	8	+37.5
2. dealing in currency	25	29	-13.8
3. portfolio management	31	29	+6.9
4. custody and administration of securities	20	18	+11.1
5. placement of securities (a)	703	500	+40.6
6. consultancy services	-	-	-
1. "door-to-door" sales of securities and financial products and services	-	-	-
8. acceptance of instructions	70	83	-15.7
(d) Tax collection services	-	-	-
(e) Other services	385	389	-1.0
Total	1.433	1.256	+14.1

a) Commission received for the placement of securities also includes that relating to the placement of mutual funds and insurance products amounting, respectively, to Euro 624 and Euro 53 million as of December 31, 1999, and Euro 431 and Euro 35 million as of December 31, 1998.

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Loans granted	139	136	+2.2
Deposits and current account overdrafts	102	115	-11.3
Current accounts	60	61	-1.6
Banking functions in relation to mutual funds deposited	53	39	+35.9
Loan-arrangement activities	2	3	-33.3
Other services - Italy	24	28	-14.3
Other services - foreign branches	5	7	-28.6
Total	385	389	-1.0

Commission expense (caption 50)

Analysis of caption 50 "Commission expense" (table 2.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
a) Collection and payment services	45	51	-11.8
b) Management and dealing services			
1. dealing in securities	5	3	+66.7
2. dealing in currency	-	1	-100.0
3. portfolio management	-	-	-
4. custody and administration of securities	8	5	+60.0
5. placement of securities	-	1	-100.0
6. "door-to-door" sales of securities and financial products and services	-	-	-
c) Other services	30	38	-21.1
Total	88	99	-11.1

Subcaption (c) "Other services" comprises, in particular:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Intermediation on financial transactions	3	8	-62.5
Loans obtained	12	13	-7.7
Guarantees received	1	2	-50.0
Loan-arrangement activities	2	1	+100.0
Other services - Italy	10	10	-
Other services - foreign branches	2	4	-50.0
Total	30	38	-21.1

Other information relating to commission

Information concerning commissions arising on transactions with Group companies is reported in part C, section 7 of these notes, together with information on commissions earned in relation to securities, since this is required to determine the payment to the National Guarantee Fund.

SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

Profits (losses) on financial transactions (caption 60)

Analysis of caption 60 "Profits (losses) on financial transactions" (table 3.1. B.I.) *millions of Euro*

	Securities transactions	Currency transactions	Other transactions	Total
A1. Revaluations	12 (a)	-	1,026	1,038
A2. Writedowns	-93 (b)	-	-1,230	-1,323
B. Other profits and losses	-66 (c)	44 (d)	357	335
Total	-147	44	153	50
<i>of which:</i>				
1. on government securities	-193			
2. on other debt securities	-3			
3. on equities	68			
4. on security derivatives	-19			

(a) of which Euro 9 million on securities and Euro 3 million on derivative contracts on securities.

(b) of which Euro 84 million on securities and Euro 9 million on derivative contracts on securities.

(c) of which Euro 53 million of losses on securities and Euro 13 million of losses on derivative contracts on securities.

(d) includes profits on currencies for Euro 42 million and profits on transactions in currency derivative contracts for Euro 2 million.

SECTION 4 - ADMINISTRATIVE COSTS

Personnel costs (caption 80.a)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Wages and salaries	902	921	-2.1
Social security charges	297	302	-1.7
Termination indemnities			
– provision for termination indemnities	34	39	-12.8
– indemnities accrued and paid during the year	1	1	-
– provisions for supplementary pension fund	26	22	+18.2
Pensions and similar commitments	-	1	-100.0
Total	1,260	1,286	-2.0

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

	12/31/99	12/31/98	Change %
(a) Executives	205	215	-4.7
(b) Managers	3,384	3,541	-4.4
(c) Other employees	16,672	17,148	-2.8
Total	20,261	20,904	-3.1

Other administrative costs (caption 80.b)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Rental of premises	67	64	+4.7
Maintenance of operating assets	34	37	-8.1
Software maintenance and upgrades	43	44	-2.3
Postage and telegraph charges	27	28	-3.6
Consultancy services	57	56	+1.8
Data transmission charges	20	25	-20.0
Public utilities	23	25	-8.0
Advertising and entertainment	18	20	-10.0
Telephone	22	25	-12.0
Security services	23	24	-4.2
Equipment leasing charges	13	18	-27.8
Insurance premiums - banks and customers	8	15	-46.7
Legal and judiciary expenses	21	19	+10.5
Cleaning of premises	18	18	-
Office supplies	12	14	-14.3
External data processing	25	23	+8.7
Maintenance of properties owned by the Bank	17	15	+13.3
Transport and counting of valuables	10	11	-9.1
Databank access charges	10	12	-16.7
Courier and transport services	8	9	-11.1
Investigation/commercial information costs	9	9	-
Maintenance of leasehold premises	4	6	-33.3
Contributions and membership fees to trades unions and business associations	5	5	-
Contribution to the Interbank Deposit Guarantee Fund	-	6	-100.0
Other expenses for personnel training, travel and assignments	35	34	+2.9
Other expenses	21	22	-4.5
Total	550	584	-5.8
Indirect duties and taxes			
– stamp duties	106	106	-
– taxes on stock exchange contracts	-	6	-100.0
– local property taxes	9	10	-10.0
– substitute tax (Pres. Decree 601/73)	13	14	-7.1
– other	12	10	+20.0
Total	140	146	-4.1
Total other administrative costs	690	730	-5.5

Administrative costs include Euro 3 million of costs connected with the "Euro Project" and Euro 10 million of costs connected with the updating of software for the year 2000. The bulk of these costs has been charged to software maintenance and updating.

Consultancy services include fees paid to Arthur Andersen for obligatory audits:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Financial statements of the Bank and consolidated financial statements	0.5	0.5	-
Financial statements of foreign branches	0.7	0.4	+75.0
Half-year report of the Bank and Group	0.2	0.2	-
Half-year financial statements of foreign branches	0.2	0.1	+100.0
Total	1.6	1.2	+33.3

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments to intangible and tangible fixed assets (caption 90)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Adjustments to intangible fixed assets			
– amortization of start-up and capital increase expenses	-	-	-
– amortization of goodwill	-	-	-
– amortization of merger differences	37	37	-
– amortization of software costs	21	18	+16.7
– amortization of software not yet in use	20	13	+53.8
– amortization of other costs	4	6	-33.3
Adjustments to tangible fixed assets			
– depreciation of property	51	54	-5.6
– depreciation of furniture and installations	49	51	-3.9
Total	182	179	+1.7

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, Euro 57 million, recorded during the year, include the following:

- Euro 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.
- Euro 16 million designed to increase the coverage of the reserve for pension and similar commitments, including Euro 6 million to cover long-service bonuses to the Bank's employees, Euro 6 to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund, Euro 3 million to cover other potential charges and Euro 1 million of costs connected with the reorganization of the New York and Frankfurt offices.

Adjustments to loans and provisions for guarantees and commitments (caption 120)

Analysis of caption 120 "Adjustments to loans and provisions for guarantees and commitments" (table 5.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
(a) Adjustments to loans	590	1,173	-49.7
<i>Of which:</i>			
– general adjustments for country risk	55	88	-37.5
– other general adjustments	5	107	-95.3
(b) Provisions for guarantees and commitments	-	12	-100.0
<i>Of which:</i>			
– general provisions for country risk	-	-	-
– other general provisions	-	12	-100.0
Total	590	1,185	-50.2

Adjustments to loans include losses on transactions and sales of Euro 9 million. Losses realized in 1998 (Euro 37 million) were not taken against the income statement but the former IMI loan risk reserve.

In addition to the above adjustments, default interest of Euro 166 million due during the year has been reversed from interest income.

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

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Revaluation of loans previously written down	122	87	+40.2
Revaluation of loans previously written off	3	10	-70.0
Revaluation of provisions for guarantees and commitments	1	-	+100.0
Collection of default interest previously written down	40	52	-23.1
Collection of loans previously written off	58	50	+16.0
Collection of loan principal previously written down	88	24	+266.7
Total	312	223	+39.9

Adjustments to financial fixed assets (caption 150)

Adjustments to investment securities

Adjustments to investment securities, Euro 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

Adjustments to equity investments relate to the writedown of holdings in the following companies to take account of permanent losses in value:

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Beni Stabili S.p.A.	58	-	n.s.
Inter Europa Bank RT	9	9	-
Banca Italo Romena S.p.A.	1	-	n.s.
Sanità S.p.A.	1	-	n.s.
Sviluppi Immobiliari S.p.A. (formerly Apokè Six)	-	16	n.s.
Banco del Desarrollo S.A.	-	11	n.s.
Gedeam I.G. Inc. S.A.	-	9	n.s.
Bnc Assicurazioni S.p.A.	-	5	n.s.
Other	2	14	-85.7
Total	71	65	+9.4

In detail:

- the writedown of Beni Stabili S.p.A. has been made to bring the book value into line with the average stockmarket price from the first day of listing until the end of 1999;
- the writedown of Inter Europa Bank RT has been made to bring the book value into line with the average price posted on the Budapest Stock Exchange during the second half of the year;
- the writedown of Banca Italo Romena S.p.A. is due to the company's poor results;
- the writedown of Sanità S.p.A. has been made in view of the company's estimated loss as of December 31, 1999.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

Dividends and other revenues (caption 30)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Shares, quotas and other equities			
– dividends	18	31	-41.9
– tax credits	10	17	-41.2
Equity investments			
– dividends			
– Imi International S.A.	105	89	+18.0
– Banca Fideuram S.p.A.	59	38	+55.3
– Ina S.p.A.	31	4	+675.0
– Banca d’Intermediazione Mobiliare IMI S.p.A.	30	19	+57.9
– Banque Sanpaolo S.A.	44	26	+69.2
– Intersim S.p.A.	25	10	+150.0
– Crediop S.p.A.	19	12	+58.3
– Banca Agricola Mantovana S.p.A.	15	-	n.s
– Sanpaolo Imi Bank Ireland P.l.c.	20	30	-33.3
– Sanpaolo Imi Asset Management Sgr S.p.A. (ex Sanpaolo Fondi S.p.A.)	11	4	+175.0
– Sanpaolo Invest S.p.A.	10	6	+66.7
– Sanpaolo Gestion Internationale S.A.	11	-	n.s
– Sanpaolo Leasint S.p.A.	5	5	-
– Banco Santander Central Hispano S.A.	8	-	n.s
– Sanpaolo Asset Management Sim S.p.A.	4	-	n.s
– Esatri S.p.A.	3	3	-
– Sanpaolo Bank S.A.	5	4	+25.0
– Imi Fideuram Asset Management Sim S.p.A.	2	2	-
– Sanpaolo Riscossioni Genova S.p.A.	2	1	+100.0
– other	8	65	-87.7
– tax credits	129	68	+89.7
Total	574	434	+32.3

Other operating income (caption 70)*(table 6.1 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Expenses recovered from customers			
– stamp duties	102	102	-
– other taxes	15	17	-11.8
– legal costs	13	11	+18.2
– other recoveries	1	3	-66.7
Reimbursement of services rendered to third parties	30	25	+20.0
Property rental income	10	12	-16.7
Income from merchant banking activities	5	9	-44.4
Other income	5	5	-
Total	181	184	-1.6

Other operating expenses (caption 110)*(table 6.2 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Finance leasing charges	6	6	-
Losses from merchant banking activities	2	2	-
Total	8	8	-

Extraordinary income (caption 180)*(table 6.3 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Out-of-period income			
– use of IMI's reserve for possible loan losses (item 90)	-	501	n.s.
– income taxes paid in advance relating to prior years	-	55	n.s.
– collection of default interest previously considered recoverable	-	1	n.s.
– other out-of-period income	16	23	-30.4
Gain from the conferral of the merchant banking business	16	-	n.s.
Gains on:			
– disposal of financial fixed assets - equity investments *	372	12	n.s.
– disposal of financial fixed assets - investment securities	1	-	n.s.
– disposal of tangible fixed assets	1	8	-87.5
Total	406	600	-32.3

(*) Details of the gains on the disposal equity investments are provided in Part B – Section 3 of these notes.

Extraordinary expenses (voce 190)*(table 6.4 B.I.)*

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Severance bonus incentive for voluntary redundancy	22	22	-
Other out-of-period expenses	27	10	+170.0
Amounts not collectible	1	1	-
Losses on:			
– disposal of financial fixed assets	1	10	-87.0
– disposal of tangible fixed assets	1	2	-32.2
Total	52	45	+17.7

Income taxes for the year (caption 220)*Breakdown of caption 220 "Income taxes for the year" (Bank of Italy instructions dated 03.08.99)**millions of Euro*

1. Current income taxes	630
2. Change in deferred tax assets	13
3. Change in deferred tax liabilities	-4
4. Income taxes for the year	639

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Current income taxes	623	745	-16.4
Local taxes applicable to foreign branches	7	10	-30.0
Total current income taxes and charges from possible fiscal disputes	630	755	-16.6
Deferred tax assets that reversed during the year	88	57	+54.4
Deferred tax assets that arose during the year	-75	-334	-77.5
Use of the deferred tax reserve on the Reserve for general banking risks	-4	-	n.s.
Income taxes for the year	639	478	+33.7

Deferred tax assets that arose during the year amount to Euro 75 million. Deferred tax assets for Euro 88 million have been cancelled during the year.

SECTION 7 - OTHER INFORMATION REGARDING THE STATEMENT OF INCOME

Other information provided below regarding the statement of income covers the geographical distribution of the Bank's revenues, the information required for the calculation of the payment to the National Guarantee Fund and transactions with the SANPAOLO IMI Banking Group companies and with other companies that are not part of the Group.

Geographical distribution of revenues

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

(table 7.1 B.I.)

	12/31/99				12/31/98			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	4,141	482	353	4,976	5,710	1,053	679	7,442
Dividends and other revenues	548	26	-	574	390	44	-	434
Commission income	1,399	17	17	1,433	1,232	14	10	1,256
Profits (losses) on financial transactions	73	-39	16	50	160	1	-9	152
Other operating income	180	1	-	181	183	1	-	184
Total revenues	6,341	487	386	7,214	7,675	1,113	680	9,468

millions of Euro

Information regarding the calculation of the payment to the National Guarantee Fund

The information required for the calculation of the payment to the National Guarantee Fund for stockbroking companies, pursuant to Article 15 of Law 1/1991, is provided below:

(table 7.2 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Commission earned:			
- dealing in securities on behalf of third parties	-	2	-
- placement and distribution of securities, with or without prior subscriptions or commitments to purchase, or underwriting of issues	671	53	n.s.
- asset management via security transactions, with or without trust status	-	21	-
- acceptance of instructions to buy or sell securities	70	84	-16.7
- consultancy in relation to securities	-	-	-
- soliciting the savings of the general public	-	-	-
Dealing volumes:			
- dealing in securities on own account			
- shares	3,125	1,360	+129.8
- bonds	21,174	30,923	-31.5
- government securities	97,128	135,155	-28.1
Average monthly balance of assets managed:			
- asset management via security transactions, with or without trust status	-	515	-

Income and expenses arising from transactions with Group companies and investments in non-Group companies

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

	12/31/99			12/31/98		
	Group companies	Non-Group companies	Total	Group companies	Non-Group companies	Total
<i>millions of Euro</i>						
Income						
– interest income and similar revenues	68	58	126	223	116	339
– dividends and other revenues	422	119	541	352	25	377
– commission income	729	1	730	502	-	502
– other operating income	22	2	24	24	1	25
Total	1,241	180	1,421	1,101	142	1,243
Expenses						
– interest expense and similar charges	309	87	396	551	131	682
– commission expense	7	-	7	4	1	5
– other operating expenses	15	3	18	18	1	19
Total	331	90	421	573	133	706

Assets and liabilities outstanding at year-end in relation to Group companies and investments in non-Group companies are indicated in part B, section 3 of these notes.

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

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

(table 1.1 B.I.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Directors	2	2	-
Statutory Auditors	-	1	n.s.

The remuneration due to the Statutory Auditors for 1999 amounts to Euro 0.3 million.

In compliance with Article 78 of Consob resolution 11971 of May 14, 1999, we provide below the detail of the remuneration pertaining to 1999 paid to Directors, Statutory Auditors and General Managers.

REMUNERATION 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

SUBJECT Name	Position		Remuneration (in millions of lire)			
	Position held	Term of office	Emoluments	Benefits in kind	Bonuses and other incentives (1)	Other emoluments (3)
ARCUTI Luigi	Chairman (2)	1998 / 2000	618			54
ALBANI CASTELBARCO VISCONTI Carlo	Director	1998 / 2000	112			
BOTIN Emilio	Director	1998 / 2000	78			48
FABRIZI Pier Luigi	Director (2)	1/1 - 15/6/1999	76			48
FONTANA Giuseppe	Director	1998 / 2000	115			67
GALATERI DI GENOLA Gabriele	Director (2)	1998 / 2000	163			
INCIARTE Juan Rodriguez	Director (2)	1998 / 2000	139			
GRONCHI Divo	Director	1/1 - 16/5/1999	32 (4)			
MARANZANA Luigi	Managing Director (2) General Manager	1998 / 2000	466 800	5	700	(a)
MARRONE Virgilio	Director	1998 / 2000	141 (5)			50 (5)
MASERA Rainer Stefano	Managing Director (2) General Manager	1998 / 2000	466 813	39	700	(b)
MASINI Mario	Director	1998 / 2000	115			
MIHALICH Iti	Director (2)	1998 / 2000	164			48
OTTOLENGHI Emilio	Director	1998 / 2000	115			32
PREDA Stefano	Director (2)	1998 / 2000	171			56

SUBJECT Name	Position held	Position Term of office	Emoluments	Remuneration (in millions of lire)		
				Benefits in kind	Bonuses and other incentives (1)	Other emoluments (3)
SALZA Enrico	Director (2)	1998 / 2000	166			
SCLAVI Antonio	Director (2)	25/5/99 - 2000	76			
VERCELLI Alessandro	Director	22/6/99 - 2000	41			
VERMEIREN Remi François	Director	1998 / 2000	105			48
JONA CELESIA Lamberto	Chairman of Statutory Auditors	1/1 - 30/4/1999	44			209
PAOLILLO Mario	Statutory Auditor	1/1/ - 30/4/99	155			161
	Chairman of Statutory Auditors	1/5/99 - 2001				
BENEDETTI Aureliano	Statutory Auditor	1999 / 2001	115			127
DALLOCCCHIO Maurizio	Statutory Auditor	30/4/99 - 2001	84			
MIGLIETTA Angelo	Statutory Auditor	1999 / 2001	119			12
RAGAZZONI Ruggero	Statutory Auditor	1999 / 2001	116			67

(1) The members of the Board of Directors are entitled to a bonus amounting to Lire 2,031 million, based on the Group's results. The amount to be distributed to each member will be calculated after the 1999 financial statements have been approved.

(2) Members of the Executive Committee

(3) Remuneration received from subsidiary companies

(4) Paid to Monte dei Paschi di Siena S.p.A.

(5) Paid to IFI S.p.A.

(a) L. 53 million paid to SANPAOLO IMI

(b) L. 50 million paid to SANPAOLO IMI

In line with Consob's recommendations, information on the stock option plan launched by the Bank is provided in the Consolidated Report on Operations (page 54).

Loans and guarantees given

(table 1.2 B.1.)

	12/31/99 (Euro/mn)	12/31/98 (Euro/mn)	Change %
Directors	10	105	-90.5
Statutory Auditors	1	1	-

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors, Euro 0.2 million, and to companies and banks identified pursuant to Article 136 of the Consolidated Banking Act, Euro 11 million, including the drawdown against credit lines granted to the latter.

SECTION 2 - PARENT COMPANY

2.1 - Name

SANPAOLO IMI S.p.A.

2.2 - Registered office

Piazza San Carlo, 156
10121 Turin, Italy

Secondary office

Viale dell'Arte, 25
00144 Rome, Italy

Registered banking group No. 1025/6

Attachments

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CASH FLOWS

LIST OF PROPERTIES OWNED BY THE BANK

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<i>millions of Euro</i>											
	Capital	Legal reserve	Reserve for purchase of own shares (available)	Reserve for purchase of own shares (unavail.)	Reserve (Article 13.6, Dec. 124/93)	Reserve (Article 7.3, L. 218/90)	Merger surplus	Reserve ex Law 169/83	Reserve ex L. Decree 213/98	Reserve for general banking risks	Net income for the year	Total
Shareholders' equity as of January 1, 1999	4,345	869	-	-	1	89	1,101	72	41	336	652	7,506
Allocation of 1998 net income												
- Reserve (Article 13.6, Dec. 124/93)												
- Dividends distributed											-652	-652
Creation of unrestricted reserve for the purchase of own shares				775			-775					
Restricted reserve for purchase of own shares			-336	336								
Real estate spin-off to Beni Stabili S.p.A.	-413	-83				-9	-107	-61				-673
Conversion of share capital into Euro	-6	6										
Increase in reserve ex L. Decree 213/98 for conferral of Ldv to NHS									1			1
Net income for 1999											1,018	1,018
Shareholders' equity as of December 31, 1999	3,926	792	439	336	1	80	219	11	42	336	1,018	7,200
Own shares in portfolio				-336								-336
Shareholders' equity as per the reclassified balance sheet	3,926	792	439	-	1	80	219	11	42	336	1,018	6,864

STATEMENT OF CASH FLOWS

millions of Euro

USE AND APPLICATION OF FUNDS

Use of funds generated by operations		1,405
Dividends paid	652	
Effect of property spin-off	673	
Use of reserves for termination indemnities and pensions	29	
Use of provisions for risks and charges	51	
Increase in funds applied		1,457
Cash and deposits with central banks	27	
Equity investments	1,372	
Intangible fixed assets	58	
Decrease in funds taken		9,748
Due to banks	458	
Due to customers and securities issued	6,630	
Other liabilities	2,298	
Subordinated liabilities	28	
Shareholders' equity	334	
Total		12,610

millions of Euro

SOURCES OF FUNDS

Funds generated by operations		1,653
Net income for the year	1,018	
Provision for termination indemnities	34	
Net adjustments to loans and provisions for guarantees and commitments	278	
Provisions for risks and charges	57	
Adjustments to tangible fixed assets	100	
Adjustments to intangible fixed assets	82	
Adjustments to financial fixed assets	84	
Increase in funds taken		-
Decrease in funds applied		10,957
Due from banks	64	
Due to customers	1,730	
Investment securities	744	
Dealing securities	7,639	
Tangible fixed assets	318	
Other assets	462	
Total		12,610

LIST OF PROPERTIES OWNED BY THE BANK

LOCATION	Sq.m.	INVESTMENT	REVALUATIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
ACQUI TERME Piazza Italia 10	2,105	849,412	2,033,539	2,882,951	1,163,421	1,719,530
AGNADELLO Piazza della Chiesa 5/15	199	57,439	181,033	238,472	78,230	160,242
ALASSIO Via Don Bosco 2	1,031	197,019	2,764,136	2,961,155	1,027,120	1,934,035
ALBA Piazza Savona 1	1,168	438,982	1,750,827	2,189,809	860,155	1,329,653
ALBA Via Cuneo 9 ang. Vic. San Biagio	54	4,132	36,637	40,769	17,304	23,465
ALBENGA Fil. 1 Via Genova 86	70	38,044	142,126	180,170	41,121	139,049
ALBENGA Via Valle d'Aosta 6	1,400	2,857,520	-	2,857,520	681,460	2,176,060
ALBESE Via Vittorio Veneto 6/a	262	27,531	343,585	371,116	107,078	264,038
ALBINO Via Mazzini 182	982	1,125,876	491,047	1,616,923	358,261	1,258,662
ALESSANDRIA Fil. 1 Corso Roma 17/19	1,386	361,391	2,337,334	2,698,725	665,555	2,033,170
ALESSANDRIA P.zza Garibaldi 57-58 / Via Savona	5,670	4,669,561	4,308,845	8,978,406	3,188,374	5,790,032
ALMENNO SAN BARTOLOMEO V. Martiri d.Libertà	456	383,874	315,395	699,269	383,285	315,984
ALPIGNANO Via Mazzini 5	1,366	1,048,209	1,044,667	2,092,875	1,133,919	958,956
ANCONA Via Montebello 49/63	2,270	1,702,125	2,024,756	3,726,881	1,530,183	2,196,698
ANTEGNATE Via Muoni 13	356	6,136	248,900	255,036	86,339	168,697
ANTEY ST. ANDRE' Via Grandi Mulini S.S. 40	94	30,833	90,431	121,265	48,900	72,364
AOSTA Fil. 1 Corso Battaglione D'Aosta 65	771	273,361	946,495	1,219,857	438,432	781,425
AOSTA Sede Piazza Chanoux 38 / Via del Collegio 2	2,738	1,480,126	5,147,213	6,627,339	2,100,278	4,527,061
APPIANO GENTILE Via Volta 14	278	105,878	300,541	406,419	119,040	287,378
ARCONATE Piazza Libertà 1	589	58,567	697,808	756,376	221,303	535,073
ARENA PO Via Roma 10	360	225,860	108,316	334,175	118,109	216,067
AREZZO Via Mecenate 2	3,258	279,190	-	279,190	8,376	270,814
ARGEGNO Via Lungotelo di Destra 6	118	20,669	97,819	118,489	40,783	77,705
ARONA Corso Repubblica 1	1,021	456,387	1,562,959	2,019,346	799,906	1,219,440
ARQUATA SCRIVIA Via Libarna 211	490	148,512	401,501	550,013	203,571	346,442
ARZANO Via Rimini 6	488	560,296	351,353	911,650	452,738	458,911
ASTI Via C. Battisti 3 / C.Dante 6	1,712	1,533,240	2,809,100	4,342,340	1,504,509	2,837,830
AVELLINO Via Guarini 40 / Via De Conciliis 14	942	1,365,834	339,923	1,705,757	460,778	1,244,979
AVIGLIANA Fil. Corso Torino 158	1,439	988,495	1,834,966	2,823,461	1,445,376	1,378,085
AZZANELLO Via A. Valcarenghi 10	187	340	120,867	121,207	33,721	87,486
BARDONECCHIA Via Medail 53	508	156,949	826,849	983,799	400,232	583,567
BARI Fil. 1 Via Amendola 168/5	1,647	102,845	-	102,845	9,256	93,589
BARI Via De Rossi 51-53	509	172,595	458,011	630,606	250,653	379,953
BELGIOIOSO Via XX Settembre 30	220	377,014	-	377,014	45,084	331,929
BELLAGIO Lungo Lario Manzoni 32/34	413	58,377	682,962	741,338	212,936	528,402
BERGAMO CENTRO SERVIZI Via dei Caniana 2	15,038	14,438,375	21,645,159	36,083,534	21,721,925	14,361,609
BERGAMO Fil. 13 Sede Via XX Settembre 57	3,113	439,999	7,926,401	8,366,400	3,101,318	5,265,082
BERGAMO Fil. 4 Via S. Bernardino 72/d	772	57,423	1,252,893	1,310,317	433,144	877,172
BERGAMO Fil. 5 Via Suardi 85/87	1,060	464,306	1,233,039	1,697,346	587,854	1,109,491
BERGAMO Fil. 6 Via Statuto 18	339	46,226	530,697	576,923	168,425	408,498
BERGAMO Sede Via Camozzi 27/ Piazza Cavour 3	8,166	9,372,468	14,300,568	23,673,036	6,900,587	16,772,450
BERGAMO Via Sthendal 5/Via Campagnola	6,645	118,785	-	118,785	14,254	104,531
BIELLA Fil. 1 Via Cottolengo	475	435,655	55,625	491,280	140,436	350,844
BIELLA Via G. Marconi 9	2,443	268,104	3,006,845	3,274,949	828,674	2,446,275
BIELLA Via Lamarmora/Torino/Delleani	314	570,829	-	570,829	17,125	553,705
BISTAGNO Corso Italia 46	386	32,284	292,760	325,044	118,507	206,537
BOLLATE Via Vittorio Veneto 2	801	304,750	1,098,518	1,403,268	398,189	1,005,079
BOLOGNA Via Rizzoli 20	1,032	379,718	3,678,600	4,058,318	974,005	3,084,313
BONATE SOTTO Via V. Veneto 57/b	724	52,844	599,467	652,311	152,121	500,190
BORDIGHERA Corso Italia 32	832	1,501,502	299,923	1,801,425	573,677	1,227,748
BORGHETTO LODIGIANO Piazza Dalla Chiesa 1/a	270	2,167	305,515	307,682	65,982	241,700
BORGHETTO S.S. Via IV Novembre 8	580	100,891	1,187,594	1,288,485	400,864	887,621
BORGO SAN DALMAZZO Corso Barale 22	1,643	984,452	785,597	1,770,048	536,651	1,233,397
BORGO SAN GIACOMO Via Ferrari 5	250	413	222,672	223,085	47,959	175,125
BORGOFRANCO D'IVREA Via Aosta 28	314	108,082	314,750	422,831	146,297	276,534
BORGONE DI SUSÀ Via A. Abegg 5 bis	565	97,785	437,012	534,797	215,204	319,592
BORGOSERIA Viale Carlo Fasso' 2	2,435	1,124,384	2,627,497	3,751,881	1,605,669	2,146,212
BOSCOMARENGO Via Roma 6 bis	479	267,939	113,157	381,096	156,359	224,738
BOSCOREALE Via S.Ten.Cirilillo 12/ Via S.Felice 2	627	462,373	316,558	778,931	339,526	439,405
BOSISIO PARINI Piazza Parini 12	462	413,246	155,778	569,024	189,433	379,591
BRA Via Principi di Piemonte 32	1,143	242,935	1,679,278	1,922,213	591,659	1,330,553
BRANDIZZO Via Torino 196	612	185,833	618,311	804,144	281,589	522,555

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

LOCATION	Sq.m.	INVESTMENT	REVALUA- TIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
BREMBIO Via Garibaldi 10	289	258	202,166	202,425	48,531	153,894
BRESCIA Pza Garibaldi 5 /Via Tartaglia	2,647	5,081,754	-	5,081,754	1,210,289	3,871,465
BRIGA NOVARESE Via Borgomanero 19/21	729	167,722	612,411	780,132	330,533	449,599
BRONI Piazza Garibaldi 7 ang. Via Cavour	827	557,772	1,468,747	2,026,519	687,603	1,338,916
BURAGO DI MOLGORA Via Enrico Toti 2/3	756	348,771	578,372	927,143	312,951	614,192
BUSTO ARSIZIO Fil. 2 Via Gavinana 8	526	358,294	316,705	675,000	231,063	443,937
BUSTO ARSIZIO Fil. 3 Via Torino 48	645	194,204	479,338	673,541	174,528	499,013
BUSTO ARSIZIO Fil. 4 Sacconago - P.za Chiesa Vecchia, 6/b	577	67,500	575,735	643,235	180,617	462,618
BUSTO ARSIZIO Fil. 5 Borsano - Via Novara 1	245	516	327,373	327,889	85,803	242,086
BUSTO ARSIZIO Piazza Manzoni/ Via Matteotti	1,329	2,393,155	-	2,393,155	287,151	2,106,004
BUSTO ARSIZIO Sede Via Milano 14	4,925	102,023	7,060,357	7,162,380	2,208,644	4,953,736
BUSTO GAROLFO Piazza Lombardia 3	358	128,460	277,931	406,390	120,398	285,993
CABIATE Via A. Grandi 6	379	92,466	346,141	438,607	133,947	304,660
CAGLIARI Piazza Deffenu 4	4,403	4,437,128	6,995,519	11,432,647	4,127,919	7,304,728
CAGLIARI Via Paoli 31/33	743	658,820	374,094	1,032,914	247,899	785,014
CAGLIARI Via Paoli 33	10	5,787	926	6,714	1,611	5,103
CAIRO MONTENOTTE Piazza della Vittoria 24	712	129,842	876,957	1,006,799	298,986	707,813
CALOSSO Via R. Margherita 24/26	271	48,368	109,390	157,757	67,671	90,086
CALUSCO D'ADDA Via Marconi 36-38	1,008	355,554	786,934	1,142,488	288,962	853,526
CALUSO Via San Clemente 1	437	116,737	375,565	492,303	166,831	325,471
CALVATONE Via Umberto I 83	215	6,823	185,280	192,103	64,391	127,711
CAMPOMORONE Via A. Gavino 110/d	655	167,138	887,393	1,054,530	398,249	656,281
CANDELO Via Mazzini ang. Via Moglia 1	607	183,256	313,591	496,847	112,419	384,428
CANELLI P.za A. d' Aosta 20/Via M. d'Azeglio 2	860	319,705	437,056	756,761	240,391	516,370
CANICATTI' Via Carlo Alberto 4/12	870	237,494	372,526	610,019	274,534	335,485
CANICATTI' Via Regina Margherita 2	1,000	118,519	1,078,155	1,196,674	481,820	714,855
CANTOIRA Via Roma 21	82	42,741	40,954	83,695	47,231	36,464
CANTU' Piazza degli Alpini 1	1,075	71,208	1,410,596	1,481,804	419,721	1,062,083
CAPRIOLO Via IV Novembre 90	785	157,868	695,990	853,858	212,595	641,263
CARAGLIO Pza Garibaldi 10, ang. Via Roma	351	511,292	-	511,292	106,770	404,522
CARAMAGNA Via Luigi Ornato 37	377	1,019,058	152,817	1,171,875	270,223	901,652
CARESANA Corso Italia 32	166	5,501	99,561	105,061	35,150	69,912
CARIGNANO Via Umberto I 118	609	176,124	649,770	825,893	358,399	467,495
CARMAGNOLA Piazza Martiri della Liberta' 31	856	223,694	941,106	1,164,800	471,800	693,001
CARRU' Piazza Generale Perotti 11	292	12,853	352,144	364,997	151,492	213,504
CASALE MONFERRATO Via Magnocavallo 23	2,983	1,296,262	2,911,375	4,207,637	1,589,098	2,618,538
CASALMAGGIORE Via Cairoli 7	743	448,683	579,848	1,028,531	312,426	716,105
CASALPUSTERLENGO Via Garibaldi 22	477	102,221	486,338	588,559	203,764	384,795
CASAZZA Via della Pieve, 1	1,212	1,031,881	321,174	1,353,055	305,245	1,047,810
CASELLE LANDI Via IV Novembre 10	254	3,357	144,002	147,359	37,721	109,638
CASELLE TORINESE Via Cuorgne' 86 bis	719	213,015	669,070	882,086	301,719	580,366
CASNIGO Piazza Caduti 7	435	50,228	305,215	355,443	96,188	259,255
CASOREZZO Piazza S. Giorgio 9	403	9,933	368,537	378,470	106,452	272,018
CASSINA DE' PECCCHI Via Trento 2 ang. Via Venezia	1,283	698,699	1,983,075	2,681,774	1,146,991	1,534,782
CASTAGNOLE MONFERRATO Piazza Statuto 1/b	184	34,068	107,000	141,067	44,350	96,717
CASTEL GOFFREDO Piazza Gonzaga 3	590	516,457	364,877	881,334	299,098	582,236
CASTELLAMONTE Piazza Martiri della Liberta' 2	515	87,140	438,749	525,889	179,517	346,372
CASTELLANZA Via Matteotti 16/b	842	160,663	759,713	920,376	278,918	641,458
CASTELLEONE Via Cappi 4	915	1,117,613	258,914	1,376,527	448,447	928,080
CASTELNUOVO BOCCA D'ADDA Via Umberto I 1	234	767	184,427	185,195	51,207	133,987
CASTELNUOVO SCRIVIA Via Nino Bixio 15	910	293,370	528,871	822,241	347,564	474,677
CASTELVETRANO Piazza Matteotti 9/10	270	477,598	397,819	875,418	442,104	433,314
CASTIGLIONE D'ADDA Via della Chiesa 1	259	3,109	223,302	226,411	56,235	170,176
CASTROFILIPPO Corso Umberto 42	194	12,527	109,751	122,278	51,731	70,547
CAVA MANARA Via Garibaldi 19	499	168,417	258,534	426,951	153,336	273,616
CAVENAGO D'ADDA Via G. Conti 6-4	140	211	117,004	117,215	29,347	87,869
CENTALLO Via Bonifanti 3/5/7	250	260,130	30,851	290,982	79,523	211,459
CERAMI Via Roma 88/90/92	110	70,668	114,984	185,652	92,141	93,511
CERCOLA Via D. Riccardi 127	1,054	1,033,862	285,923	1,319,785	484,216	835,569
CERMENATE Via G. da Cermenate / Via Matteotti 45	494	468,735	128,407	597,142	124,722	472,420
CERNOBBIO Via Dell'Orto 3	487	8,557	655,505	664,063	193,716	470,347
CERNUSCO SUL NAVIGLIO Piazza Ghezzi 5	959	983,202	1,373,131	2,356,333	1,032,944	1,323,390
CERRO MAGGIORE Via S. Bartolomeo 8	176	14,564	201,473	216,037	58,816	157,221
CESANA TORINESE Via Roma 14	471	79,161	358,516	437,677	160,394	277,283
CEVA Via Moretti 7	472	200,483	458,351	658,834	311,487	347,347
CHIARI Via delle Battaglie 3/e	798	1,331,426	142,893	1,474,319	345,162	1,129,157

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

LOCATION	Sq.m.	INVESTMENT	REVALUA- TIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
CHIAVARI Corso Dante Alighieri 73	812	369,381	1,588,965	1,958,346	582,436	1,375,910
CHIERI Piazza Cavour 1	1,109	168,926	1,325,426	1,494,351	544,125	950,226
CHIERI Piazza Cavour 8	4,100	4,989,100	1,941,281	6,930,381	2,019,931	4,910,450
CHIGNOLO PO Via Garibaldi 143	247	13,025	175,662	188,687	53,027	135,660
CHIVASSO Piazza A. Carletti 1/c	1,151	237,386	1,649,516	1,886,903	606,642	1,280,261
CIGLIANO Corso Umberto I 46	689	103,625	481,364	584,990	215,960	369,030
CILAVEGNA Piazza Garibaldi 5	359	43,648	253,441	297,089	109,927	187,162
CIRIE' Via San Ciriaco 25	1,898	1,204,250	2,049,313	3,253,563	835,587	2,417,976
CODOGNO Via Alberici 28	946	332,120	1,409,709	1,741,829	403,712	1,338,117
COGNE Via Grappein	212	191,849	160,738	352,587	152,851	199,736
COLLEGNO Via Manzoni 1	1,974	1,321,784	1,642,511	2,964,295	1,397,237	1,567,058
COMO Fil. 2 Via Milano 178	422	108,784	575,323	684,107	219,918	464,189
COMO Fil. 4 Albate / Via Canturina 186	340	372,221	168,080	540,301	167,945	372,356
COMO Fil. 5 Via Bellinzona 349	213	22,977	318,511	341,487	127,244	214,243
COMO Piazza Cavour 15	5.021	405,974	14,536,785	14,942,759	3,911,526	11,031,234
CORNAREDO Piazza Libertà 54	1.059	160,596	1,365,419	1,526,015	481,322	1,044,693
CORNAREDO Via Milano 95	522	283.906	463,323	747,228	156,934	590,295
CORSICO Fil. 1 Via Dante ang. via Monti 31/b	845	2,334,632	-	2,334,632	486,873	1,847,759
CORSICO Via Caboto 37/41	1,927	2,019,769	3,102,633	5,122,402	2,299,554	2,822,848
COSSATO Via del Mercato 40	310	464,580	127,332	591,912	161,184	430,728
COSTIGLIOLE D'ASTI Piazza Umberto I 21	636	225,379	425,510	650,889	307,859	343,030
COURMAYEUR Via M. Bianco 29/P.za Brocherelle 3	601	208,699	1,941,270	2,149,968	589,913	1,560,055
CREMA Fil. 1 Via De Gasperi 62	1,500	145,771	-	145,771	34,728	111,043
CREMA Piazza Duomo 1/Via dei Racchetti 1	1,006	147,021	1,329,412	1,476,434	455,486	1,020,947
CREMONA Fil.1 C.so Garibaldi 232/ Via Montello	1,720	1,104,141	2,012,235	3,116,376	1,430,036	1,686,340
CREMONA Sede Piazza Cavour 1/Via Gramsci	3,881	397,862	5,333,302	5,731,164	1,931,061	3,800,103
CREMONA Via dei Tigli 3	204	64,688	62,641	127,330	67,184	60,146
CRESCENTINO Corso Roma 55/57	808	108,924	635,213	744,137	255,873	488,265
CUNEO Corso Giolitti ang. P.za Europa	2,370	1,317,944	4,558,279	5,876,223	2,302,080	3,574,144
CUORGNE' Via Ivrea 7	857	159,055	761,652	920,707	302,123	618,584
DAIRAGO Via XXV Aprile 52/c	383	52,139	410,583	462,722	140,080	322,642
DALMINE Via Betelli 11	1,601	763,944	1,441,818	2,205,762	498,636	1,707,126
DOGLIANI Piazza Carlo Alberto 30/Via 31 Luglio 21	677	393,484	520,251	913,735	493,194	420,541
DOMODOSSOLA Piazza Matteotti 16/Via Gramsci	1,012	1,153,246	455,363	1,608,609	380,229	1,228,379
DONNAS Via Roma 36	1,280	309,046	1,083,002	1,392,048	617,304	774,744
DOSOLO Via XXIII Aprile 6/8/10	199	10,302	154,121	164,424	43,755	120,669
ENDINE GAIANO Via Tonale 49	296	297	190,096	190,393	52,895	137,498
ENNA Piazza VI Dicembre 6	1,388	2,027,243	93,584	2,120,827	651,114	1,469,714
ERBA Corso XXV Aprile 64	1,549	637,991	1,978,059	2,616,050	831,089	1,784,961
ESTE Via Matteotti 49/51	650	1,361,328	-	1,361,328	317,025	1,044,303
FAGNANO OLONA Piazza XX Settembre 5	639	66,910	561,447	628,357	190,472	437,885
FALOPPIO Via Roma 4	150	167,330	-	167,330	29,428	137,902
FERRERA ERBOGNONE Corso della Repubblica 27	217	105,777	121,392	227,169	82,426	144,743
FINALE LIGURE Via Concezione 34/35	370	382,652	971,678	1,354,330	547,502	806,827
FINO MORNASCO Via Garibaldi 135	743	64,184	867,137	931,322	297,379	633,943
FIORANO AL SERIO Via Roma 11/B	777	125,725	696,111	821,836	187,368	634,467
FIRENZE Piazza della Repubblica 4	890	89,609	3,240,455	3,330,064	820,633	2,509,431
FIRENZE Via de' Conti 3 ang. Via dell'Alloro	705	452,834	1,683,987	2,136,821	686,288	1,450,532
FOGGIA Piazza Puglia/via Bari 62	1,963	2,647,878	2,314,962	4,962,840	2,682,172	2,280,668
FONTANELLA Piazza Matteotti 18/via Lazzari 2	561	573,449	267,434	840,883	279,714	561,169
FORNO CANAVESE Via Truchetti 7	498	49,471	351,676	401,147	155,135	246,013
FOSSANO Via Roma 81/Via Cavour 1	1,633	306,685	1,838,768	2,145,453	701,102	1,444,351
FRESONARA Via Boscomarengo 5	226	142,253	66,301	208,554	78,259	130,295
GALLARATE Corso Sempione 9	1,934	2,231,538	518,802	2,750,340	719,482	2,030,858
GALLIATE Via L.da Vinci 21 ang. Via Volta	1,003	367,530	1,024,642	1,392,172	632,204	759,969
GAMBARA Piazza IV Novembre 5	269	516	201,364	201,881	54,459	147,422
GAMBOLO' Corso Umberto I 4	488	254,724	344,941	599,664	162,486	437,179
GARLASCO Corso Cavour 172	597	104,712	646,169	750,881	176,439	574,442
GATTINARA Piazza Italia 10/C.so Cavour 1	554	106,174	434,486	540,660	216,504	324,157
GENOVA Piazza Matteotti 2	665	1,727,120	-	1,727,120	323,603	1,403,517
GENOVA Fil. 1 Via A. Cantore 44 / Via Pedemonte	3,157	1,596,390	3,791,994	5,388,385	2,091,996	3,296,388
GENOVA Fil. 2 ex V.G.B.Magnaghi 1 / V.Cecchi 60	630	591,621	1,736,535	2,328,156	873,192	1,454,965
GENOVA Fil. 4 Viale Causa 2 / Via Albaro 38	875	223,243	1,750,329	1,973,572	647,142	1,326,431
GENOVA Fil. 5 Via F. Cavallotti 46r/48/13/4	583	392,291	817,151	1,209,442	467,468	741,974
GENOVA Fil. 6 Via Cairoli 6	957	212,175	1,498,893	1,711,068	597,095	1,113,973
GENOVA Fil. 7 Via Sestri 225/r / Via d'Andrade	1,096	343,317	1,488,676	1,831,993	754,434	1,077,559
GENOVA Fil. 8 Via C. Camozzini 11/r / Via Cialdini	585	404,704	642,998	1,047,702	508,047	539,655

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

LOCATION	Sq.m.	INVESTMENT	REVALUA- TIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
GENOVA Fil.10 Via Rossini 8 - Rivarolo	1,011	1,022,588	593,608	1,616,196	570,231	1,045,965
GENOVA Sede Via Fieschi 4	5,614	4,143,785	17,254,898	21,398,683	7,117,718	14,280,965
GENOVA Via Dante ang. Via Fieschi	1,065	1,450,616	615,212	2,065,828	345,841	1,719,986
GENOVA Via Gran Madre di Dio	142	71,512	263,115	334,627	135,068	199,559
GIAVENO Piazza San Lorenzo 15	545	191,130	502,196	693,326	333,462	359,864
GORLE Via Don Mazza 1/B	600	252,518	528,040	780,558	257,247	523,311
GRASSOBBIO Via Roma 5/7	444	95,449	340,804	436,253	133,990	302,263
GRESSONEY ST. JEAN Strada Eyematten	255	14,843	246,714	261,557	85,531	176,025
GROMO Piazza Marconi 2	202	1,709	163,605	165,315	40,707	124,607
GRONTARDO Piazza Roma 11	241	105	167,338	167,442	36,926	130,516
GROPELLO CAIROLI Via Libertà 108	585	383,202	390,497	773,699	273,685	500,014
GRUGLIASCO Viale Gramsci 108	99	4,354	177,417	181,771	31,938	149,833
GRUGLIASCO Viale Gramsci 78/80	1,170	727,469	1,453,765	2,181,234	881,556	1,299,677
IMPERIA Via Cascione 11 / Piazza Marconi 2	1,800	1,655,451	2,318,309	3,973,760	1,200,845	2,772,915
INCISA SCAPACCINO Via della Repubblica 3	393	29,229	209,654	238,882	100,616	138,266
INVERIGO Via Generale Cantore 52	268	6,921	262,306	269,227	86,238	182,989
IVREA Piazza Balla 7	4,510	4,895,811	3,209,109	8,104,919	2,168,308	5,936,612
IVREA Via Palestro 22	650	3,228	1,074,530	1,077,758	276,218	801,540
IVREA Vicolo Baratono 3	30	12,911	9,425	22,337	10,991	11,346
LA SPEZIA Viale Italia 162	1,364	1,625,665	2,428,770	4,054,436	1,922,476	2,131,960
LAIGUEGLIA Via Roma 102	567	203,459	839,815	1,043,274	230,220	813,054
LAINATE Via Meda 1/A	761	231,915	680,210	912,124	248,008	664,117
LANDRIANO Via Rocca 6	292	83,373	295,906	379,279	140,828	238,451
LANZO INTELVI Piazza Novi 8	180	9,435	142,907	152,343	49,101	103,242
LANZO TORINESE Via Roma 6/a	638	70,279	633,251	703,530	234,715	468,814
LECCE Piazza Mazzini / Via N.Sauro	2,200	1,670,627	3,754,941	5,425,568	2,292,810	3,132,758
LECCO Corso Martiri della Libertà	3,282	3,769,774	2,347,136	6,116,910	2,256,253	3,860,657
LEGNAGO Via Fiume 10	763	987,026	105,109	1,092,135	255,720	836,415
LEGNANO Fil. 1 Via Venegoni 51	477	200,713	428,873	629,585	225,601	403,985
LEGNANO Fil. 2 Via Monte Rosa / Via Battisti	586	229,907	399,635	629,542	204,676	424,866
LENNO Via Statale Regina 91	246	40,521	340,249	380,770	91,628	289,143
LEONFORTE Corso Umberto 201/b	260	152,565	92,058	244,623	132,402	112,221
LIVORNO FERRARIS Via L. Giordano 72	435	107,528	388,204	495,732	154,270	341,461
LOANO Fil. 1 Via Aurelia 356	197	42,474	458,995	501,469	177,566	323,903
LOANO Fil. Corso Europa 1	839	264,688	1,987,512	2,252,199	710,408	1,541,792
LOANO Piazza V. Veneto 4 / via Roma 52	237	14,971	497,510	512,481	274,672	237,809
LOCATE TRIULZI Via Giardino 2	678	529,098	527,305	1,056,402	362,414	693,988
LOCATE VARESIANO Via C. Battisti 38	480	402,034	217,787	619,822	174,835	444,987
LODI Sede Piazza Mercato 13 / Via Strepconi 2	3,237	560,820	3,238,425	3,799,245	974,541	2,824,703
LOMAZZO Piazza Stazione 2	639	7,789	681,612	689,401	197,285	492,116
LOMELLO Via Roma 6-8	241	30	184,007	184,036	44,795	139,242
LUCCA Piazza San Martino 10	1,361	2,100,111	1,384,560	3,484,671	834,069	2,650,602
LURATE CACCIVIO Via Unione 2	794	105,575	612,413	717,988	201,669	516,319
MAGENTA Via Volta / Via Cavallari	759	785,436	166,522	951,959	225,252	726,707
MALEO Piazza XXV Aprile 6-8	205	1,969	147,919	149,887	31,132	118,755
MANDELLO DEL LARIO Piazza L. Manara 5	394	437,129	303,526	740,655	281,349	459,306
MANTOVA Via Frattini 7	2,232	3,523,659	1,257,030	4,780,688	1,065,002	3,715,687
MANTOVA Via Isabella d'Este 10	120	113,621	-	113,621	13,634	99,986
MAPELLO Via Bravi 3	556	106,360	417,782	524,141	152,579	371,563
MARANO Via Merolla 9/11	741	422,591	789,476	1,212,067	461,413	750,654
MARIANO COMENSE Piazza Roma 47	266	547,831	46,421	594,252	147,525	446,727
MEDE Via Cavour 18	763	1,179,553	553,750	1,733,304	491,790	1,241,514
MEDIGLIA Frazione Triginto/Piazza Pertini 6	733	604,255	165,473	769,727	210,949	558,778
MELEGNANO Piazza Garibaldi 1	1,545	1,863,587	1,103,223	2,966,810	1,009,686	1,957,124
MELZO Via Magenta 2/8	1,440	850,584	1,522,170	2,372,754	812,173	1,560,581
MENAGGIO Via IV Novembre 38/40	1,021	32,998	859,767	892,764	251,693	641,071
MENFI Via della Vittoria 254	310	252,002	225,507	477,509	238,618	238,891
MERATE Viale Lombardia 2	1,126	408,013	910,854	1,318,867	465,259	853,607
MESERO Via San Bernardo 8	291	42,395	247,061	289,456	89,529	199,927
MESTRE Corso del Popolo, 58	190	30,548	67,578	98,127	23,550	74,576
MESTRE Via Cappuccina, 11	502	96,616	574,778	671,394	161,135	510,259
MILANO Fil. 1 Viale Monza 118	1,000	289,487	3,042,673	3,332,160	869,005	2,463,155
MILANO Fil. 15 Via Domodossola 9/11	779	716,709	704,742	1,421,451	447,262	974,190
MILANO Fil. 16 Via Carducci 4	1,084	2,161,450	2,430,881	4,592,331	1,556,212	3,036,119
MILANO Fil. 19 Via Imbonati 35	660	1,316,077	113,191	1,429,268	313,095	1,116,173
MILANO Fil. 2 Via Moroni 9	1,101	1,082,710	2,722,075	3,804,785	1,426,075	2,378,710
MILANO Fil. 21 Via Ettore Ponti 30	574	515,420	401,363	916,783	268,992	647,791

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

LOCATION	Sq.m.	INVESTMENT	REVALUA- TIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
MILANO Fil. 29 Viale Restelli 3	1,423	300,910	3,640,403	3,941,313	1,074,464	2,866,849
MILANO Fil. 3 Corso Sempione 67	671	93,131	1,470,653	1,563,784	382,298	1,181,486
MILANO Fil. 4 Viale Piceno 2 / Piazza Emilia	1,444	755,662	4,621,376	5,377,039	1,566,497	3,810,542
MILANO Fil. 5 Via Imbonati 64/a	1,447	386,744	3,482,811	3,869,554	1,141,956	2,727,598
MILANO Sede Via Broletto 9/11	4,980	947,608	33,666,637	34,614,245	9,083,972	25,530,273
MILANO Via Hoepli 10	2,145	376,865	9,445,439	9,822,303	3,084,568	6,737,736
MILANO Via Larga 31	50	5,544	80,637	86,182	20,174	66,007
MOMBERCELLI Piazza Alfieri 2	294	33,635	151,817	185,452	79,967	105,485
MONCALIERI Centro Contabile Corso Savona 58	48,048	28,545,785	38,104,035	66,649,820	22,566,875	44,082,945
MONCALIERI Via San Martino 34	1,591	639,669	2,497,584	3,137,253	1,248,215	1,889,038
MONCALVO Piazza Carlo Alberto 5	353	240,548	266,976	507,523	293,996	213,527
MONDOVI' Corso Statuto 22 / Via S.Arnolfo	895	524,725	935,693	1,460,418	694,187	766,231
MONTAFIA Piazza C. Riccio 9/2	235	45,670	146,794	192,464	72,622	119,842
MONTEGROSSO D'ASTI Via XX Settembre 67	296	139,883	140,682	280,565	113,919	166,645
MORTARA Corso Garibaldi 91	654	334,034	787,725	1,121,759	380,966	740,793
MORTARA Via Josti 26	1,158	587,532	1,587,180	2,174,712	676,742	1,497,969
MOTTA BALUFFI Via Matteotti 7	227	426	141,127	141,552	23,660	117,893
MOZZATE Via Varese 28	577	5,165	476,236	481,401	142,157	339,243
MOZZO Via Santa Lucia 1	1,103	1,853,099	398,302	2,251,401	533,170	1,718,231
MUGNANO Via Verdi ang. Via IV Martiri 10	550	320,684	558,430	879,114	364,548	514,566
NAPOLI Piazza Garibaldi 127	836	466,663	1,084,046	1,550,708	371,889	1,178,819
NAPOLI Via Riviera di Chiaia 131	2,804	2,724,871	10,644,832	13,369,703	4,260,582	9,109,121
NERVIANO S.ILARIO MILANESE Via San Antonio 1	318	77,566	276,603	354,169	101,893	252,276
NIBIONNO Via Parini 2	346	5,165	296,249	301,414	87,834	213,580
NICHELINO Via Cagliari 23	311	97,546	-	97,546	11,705	85,840
NICHELINO Via Torino 3	907	190,228	928,966	1,119,194	618,243	500,951
NIZZA MONFERRATO Via Pio Corsi 77	1,037	218,665	1,005,277	1,223,942	461,327	762,615
NOLE CANAVESE Via Torino 46	362	60,721	357,329	418,050	158,583	259,467
NOVARA Fil. Largo Cavour	1,870	382,572	3,654,719	4,037,290	1,413,832	2,623,458
NOVARA Via Marconi 2/T	452	121,000	84,950	205,950	46,132	159,818
NOVI LIGURE Corso Marengo 10 / piazza Repubblica 4	1,770	1,252,339	2,238,159	3,490,498	1,276,662	2,213,836
NUS Via Risorgimento 1	376	87,629	321,921	409,550	177,782	231,768
OCCHIEPPO SUP.RE Via Martiri della Liberta' 30	137	199,807	-	199,807	47,601	152,206
OGGIONO Via Cavour 3	652	572,090	203,925	776,015	260,487	515,529
OLGIATE COMASCO Via Roma 2	981	18,901	1,327,787	1,346,688	394,035	952,654
OLMO AL BREMBO Via Roma 45	279	1,779	185,209	186,988	51,542	135,446
OMEGNA Via Don A. Beltrami 2	2,051	1,636,354	601,511	2,237,865	829,504	1,408,361
ORBASSANO Via Roma 43 / Via San Rocco 10	686	165,077	997,037	1,162,114	479,062	683,052
ORZINUOVI Piazza V.Emanuele 55/Via Chierica 3/a	827	154,645	1,513,281	1,667,926	489,285	1,178,641
OSPEDALETTO LODIGIANO Via Balbi 53	346	1,291	251,529	252,820	56,211	196,609
OSSONA Via Patrioti 2 / Via Bosi	315	14,922	298,655	313,577	96,643	216,934
OSTIANO Via Garibaldi 27/Via Vighenzi 6	240	36,204	196,955	233,158	79,087	154,071
OTTIGLIO Via Mazza 18	380	68,773	209,042	277,815	114,276	163,539
OTTOBIANO Viale Garibaldi 9	210	22,339	144,156	166,495	42,048	124,447
OVADA Via Cairoli 22	1,532	599,792	1,907,201	2,506,993	1,039,380	1,467,613
PADERNO DUGNANO Via Gramsci 124	873	407,381	755,433	1,162,815	347,107	815,708
PADERNO DUGNANO Viale della Repubblica 28	765	619,356	523,617	1,142,973	360,860	782,112
PALERMO Via Dante 48/48a	386	476,872	745,592	1,222,465	613,177	609,287
PARE' Via San Fermo 5	253	46,039	293,620	339,659	108,296	231,362
PARMA Via Verdi 6	345	39,810	734,876	774,685	185,924	588,761
PAULLO Via Mazzini 21/23	1,699	21,871	1,977,407	1,999,278	511,452	1,487,826
PAVIA Fil. 2 Corso Garibaldi 52	526	74,908	832,128	907,035	261,530	645,506
PAVIA Sede Via Rismondo 2	3,127	4,795,359	464,118	5,259,477	1,096,389	4,163,089
PEJA Via Provinciale 3/3a	1,041	191,636	729,744	921,380	320,693	600,686
PEROSA ARGENTINA Via Roma 31 / piazza Marconi 7	503	106,927	391,979	498,906	196,802	302,105
PERUGIA Via XX Settembre 72 / Via d.Corgna	2,582	2,223,221	2,191,699	4,414,921	2,009,821	2,405,099
PESCARA Corso V. Emanuele 68/76	1,502	2,724,295	1,821,495	4,545,790	1,217,773	3,328,017
PIADENA Via Liberta' 40-36	1,046	498,165	497,377	995,542	317,738	677,804
PIAZZATORRE Via Centro 8	123	19,530	82,647	102,177	23,135	79,042
PINEROLO Piazza L. Barbieri 39/41	1,235	403,175	1,971,197	2,374,372	789,050	1,585,322
PINO TORINESE Via Roma 76	156	352,764	66,270	419,034	118,034	301,000
PIOLTELLO Via Milano 40 / Via Roma	476	494,835	269,373	764,208	274,837	489,371
PIOSSASCO Via Torino 49	476	69,183	449,634	518,816	166,268	352,549
PIZZIGHETTONE Via Monte Grappa	901	948,162	98,974	1,047,136	216,844	830,292
POGGIOMARINO Via Manzoni 2 ang. Via V.Emanuele	329	273,890	202,566	476,456	200,738	275,718

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

LOCATION	Sq.m.	INVESTMENT	REVALUA- TIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
POGLIANO MILANESE Via Mons. Paleari 74	435	31,132	464,181	495,314	137,472	357,842
POIRINO Via Indipendenza 19	647	116,539	565,731	682,271	289,014	393,257
PONT CANAVESE Via Craveri 6	217	120,857	189,375	310,232	89,365	220,867
PONTE NOSSA Via IV Novembre 16-18	289	73,505	244,160	317,665	92,230	225,435
PONTE S. PIETRO Via Garibaldi 5	635	234,891	520,371	755,262	238,803	516,459
PONTEVICO Via XX Settembre 25	973	647,768	848,119	1,495,888	718,274	777,614
PONTIROLO NUOVO Piazza Marconi 9	277	82,709	276,436	359,145	117,456	241,690
PORDENONE Via G.Marconi 30	60	25,823	-	25,823	6,152	19,671
PORLEZZA Piazza Matteotti 12	273	57,009	336,320	393,329	108,700	284,629
PRATO Viale Vittorio Veneto 7	2,680	1,746,235	3,605,670	5,351,906	2,358,408	2,993,499
PREGNANA MILANESE Via Roma 80	336	97,536	324,530	422,066	138,143	283,923
PRESEZZO Via Papa Giovanni XXIII 4-5/ Via Vittorio Veneto	246	235,906	184,639	420,545	235,346	185,199
RAPALLO Corso Matteotti 2/4/6 ang.Via Mameli	330	286,099	875,169	1,161,268	452,951	708,317
RAVENNA Via Arcivescovado 9	1,594	68,845	-	68,845	14,376	54,469
REGGIO CALABRIA Corso Garibaldi 173	625	111,888	921,026	1,032,914	247,899	785,014
RESCALDINA Via A. da Giussano 43	288	54,664	272,686	327,350	101,218	226,132
RESCALDINA Via B. Melzi 2	530	13,484	598,242	611,726	167,912	443,814
RIVA PRESSO CHIERI Via San Giovanni 2	523	63,517	431,062	494,579	165,514	329,065
RIVALTA Circolo Ricreativo Via Giaveno 55	2,044	1,814,891	605,462	2,420,353	709,051	1,711,302
RIVAROLO Piazza Chioratti 1 / Via S.Francesco	1,336	320,439	1,562,673	1,883,112	620,169	1,262,942
RIVOLI Piazza Martiri della Liberta' 8/Via Rombò 37	2,547	1,292,014	4,343,532	5,635,546	2,116,346	3,519,200
ROBBIO Via Roma 22	427	1,291	457,384	458,675	103,619	355,056
ROMA Fil. 2 Tiburtina Via Tiburtina Km. 16,2 (Guidonia M.)	1,265	740,493	2,151,945	2,892,438	1,009,357	1,883,081
ROMA Fil. 22 Via Parigi 11	1,624	998,688	4,258,088	5,256,775	1,719,379	3,537,396
ROMA Guidonia Montecelio / Via Giusti	396	41,591	308,192	349,783	103,983	245,800
ROMA Sede Via della Stamperia 64	3,288	1,712,370	15,869,346	17,581,716	5,497,936	12,083,780
ROMA Via Conca d'Oro 90/94	130	3,699	151,238	154,937	37,185	117,752
ROMA Via O. Amato 80 Acilia	2,336	3,505,447	-	3,505,447	587,764	2,917,683
ROMA Viale dell'Arte 25	48,349	28,305,854	116,501,992	144,807,848	50,636,660	94,171,188
ROVELLASCA Via Piave 1	581	5,553	638,991	644,544	175,897	468,647
ROVELLO PORRO Via Piave 22	450	177,203	439,629	616,832	212,593	404,239
S. BASSANO Via Roma 57	184	6,604	150,121	156,726	40,916	115,809
S. COLOMBANO AL LAMBRO Via Pasino Sforza 28	357	228,416	217,792	446,208	167,964	278,244
S. CRISTINA E BISSONE Via V. Veneto 142/140	304	44,729	166,979	211,708	66,066	145,642
S. DAMIANO D'ASTI Via Roma 20	317	223,840	226,639	450,478	212,385	238,094
S. DONATO MILANESE C,so Europa / Via Morandi	574	444,327	381,851	826,178	296,994	529,185
S. FEDELE INTELVI Via Provinciale 15	239	381	240,391	240,771	59,781	180,990
S. FERMO DELLA BATTAGLIA Via Montelatici 2	359	325,445	122,128	447,573	149,082	298,491
S. GIACOMO DI ROBURENT Via Sant'Anna 61	75	67,765	46,160	113,925	56,473	57,452
S. GIORGIO LOMELLINA Via Roma 1	266	503,192	-	503,192	63,811	439,381
S. GIORGIO SU LEGNANO Via Pasubio 2	772	17,358	208,334	225,692	40,309	185,382
S. GIOVANNI BIANCO Via Boselli 10/16	226	57	172,878	172,934	39,577	133,357
S. GIOVANNI LUPATOTO Via Madonnina 1/c	821	724,589	923,830	1,648,419	807,640	840,779
S. MARIA DELLA VERSA Via F. Crispi 1	359	16,399	204,426	220,825	60,532	160,292
S. MAURIZIO CANAVESE Via V. Emanuele 59	493	58,168	453,455	511,623	167,301	344,322
S. ROCCO AL PORTO Via D. Alighieri 5	1,134	1,088,892	255,449	1,344,341	372,479	971,861
SABBIONETA Piazza Ducale 3 / Via dell'Assunta 3	456	445,067	95,437	540,504	211,629	328,875
SAINT VINCENT Via E. Chanoux 88	728	93,216	939,679	1,032,895	339,210	693,685
SALE Via Roma 6	364	216,269	144,304	360,573	143,570	217,003
SALUZZO Corso Italia 44	892	383,523	1,147,494	1,531,017	605,652	925,365
SANNAZZARO DE' BURGONDI Piazza del Popolo 6	958	867,809	902,812	1,770,621	907,922	862,699
SANREMO Via Matteotti 169	2,250	1,311,843	4,063,530	5,375,373	2,235,153	3,140,220
SANT'ANGELO LODIGIANO Via Umberto I 46	615	144,590	671,791	816,381	242,528	573,853
SANTHIA' Corso Italia 75/87	697	136,310	532,664	668,973	243,046	425,927
SARONNO Piazza De Gasperi	80	49,580	-	49,580	5,950	43,630
SARONNO Piazza Volontari del Sangue 7	1,678	126,726	2,768,905	2,895,631	770,583	2,125,048
SARONNO Via Grieg 5(archivio)	4,040	1,333,544	666,459	2,000,003	484,296	1,515,706
SARRE Strada Statale n.26	590	357,622	442,225	799,847	409,953	389,895
SAUZE D'OULX Piazza III Regg. Alpini 24	247	66,745	289,875	356,620	158,239	198,381
SAVIGLIANO Piazza del Popolo 60	1,118	438,462	1,084,120	1,522,582	536,669	985,913
SAVONA Via Paleocapa / Piazza Mameli 2	2,322	1,788,068	4,380,844	6,168,912	2,414,438	3,754,472
SECUGNAGO Via Roma 5	288	13,068	146,399	159,467	39,076	120,391
SENAGO Piazza F. Borromeo 2	539	323,285	322,864	646,149	191,329	454,820
SEREGNO Corso Matteotti / Via Sanzio	1,200	1,730,360	534,129	2,264,489	635,919	1,628,570
SESTO S. GIOVANNI Via F.lli Casiraghi 27	2,398	1,297,983	1,006,930	2,304,914	569,541	1,735,372

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

LOCATION	Sq.m.	INVESTMENT	REVALUA- TIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
SESTRI LEVANTE Via Fasce 24	928	230,115	1,431,576	1,661,691	583,772	1,077,920
SESTRIERE Piazzale Agnelli 2	170	105,265	476,992	582,257	246,337	335,919
SETTIMO TORINESE Corso Italia 16	1,948	1,086,842	2,470,343	3,557,186	1,105,680	2,451,507
SETTIMO TORINESE Via Torino 118 (Città Comm.le)	155	29,771	104,690	134,461	27,330	107,131
SOLTO COLLINA Via S. Eurasia 1	267	59,355	168,534	227,889	79,723	148,166
SOMMARIVA BOSCO Via Cavour 13	428	39,443	376,596	416,039	139,071	276,969
SORESINA Via Matteotti 2	1,265	872	888,825	889,697	174,441	715,256
SOVERE Via Roma 26	357	126,140	308,065	434,205	138,959	295,247
SPINO D'ADDA Via M. della Liberazione 29	513	316,840	299,264	616,104	220,495	395,609
STRIANO Via Risorgimento ang. Via Roma 23	634	560,183	392,690	952,873	340,307	612,566
SUSA Via Mazzini ang. Corso Inghilterra 10	1,027	356,115	843,210	1,199,325	440,523	758,802
TAVERNERIO Via Provinciale per Lecco 16/d	266	96,090	365,186	461,276	129,317	331,959
TERMOLI Corso Nazionale 150/152	1,243	2,208,977	104,209	2,313,186	701,471	1,611,715
TERNO D'ISOLA Via Castegnate 1	821	635,242	246,685	881,927	275,676	606,252
TERZIGNO ex C.C. Vicolo Gionti 16	4,802	1,760,927	2,831,989	4,592,916	1,552,483	3,040,434
TERZIGNO Piazza V. Emanuele 17	808	414,761	627,797	1,042,558	470,528	572,030
TICINETO Via G. Matteotti 1	376	36,933	243,102	280,035	100,585	179,450
TORINO ex Fil. 25 Via P. Gaidano 8	624	196,922	579,622	776,544	171,868	604,676
TORINO Fil. 1 Corso Re Umberto 51/53	1,121	244,638	2,857,198	3,101,836	948,134	2,153,702
TORINO Fil. 10 Corso Casale 64/64bis	1,477	420,062	2,857,055	3,277,117	980,805	2,296,312
TORINO Fil. 11 Via Tunisi 124	993	1,387,992	502,737	1,890,729	531,985	1,358,744
TORINO Fil. 12 Via Stradella 34	2,378	1,210,880	3,749,339	4,960,219	2,058,028	2,902,192
TORINO Fil. 13 Corso San Maurizio 47	1,335	432,449	2,547,815	2,980,264	868,255	2,112,008
TORINO Fil. 14 Corso Svizzera 32	1,727	554,362	2,644,676	3,199,039	1,147,228	2,051,811
TORINO Fil. 15 Via XX Settembre 3	948	223,906	2,685,563	2,909,469	883,569	2,025,900
TORINO Fil. 16 Corso Orbassano 138	2,165	1,002,635	3,735,803	4,738,438	1,636,809	3,101,629
TORINO Fil. 17 Piazza Massaua 5	3,057	1,347,816	2,775,654	4,123,470	1,589,910	2,533,560
TORINO Fil. 18 Corso Bramante 84	1,206	952,293	649,488	1,601,780	1,028,295	573,485
TORINO Fil. 19 Via O.Vigliani 160/51/ Via P. di Cesnola	3,095	3,000,480	658,854	3,659,334	1,073,008	2,586,326
TORINO Fil. 2 Via Sant'Anselmo 18	1,197	156,173	2,251,357	2,407,530	711,911	1,695,620
TORINO Fil. 20 Via Cimarosa 85	3,269	2,204,011	2,692,074	4,896,086	1,254,986	3,641,100
TORINO Fil. 21 Via A. di Bernezzo 50	1,019	414,243	1,558,580	1,972,823	682,422	1,290,402
TORINO Fil. 22 Corso V. Emanuele 110	1,256	703,191	2,558,483	3,261,674	1,161,002	2,100,672
TORINO Fil. 23 Corso Unione Sovietica 409	2,824	1,121,729	4,017,174	5,138,903	2,064,654	3,074,249
TORINO Fil. 24 Corso Turati 18	1,167	202,848	2,462,675	2,665,522	792,895	1,872,627
TORINO Fil. 25 Via P. Gaidano 7	2,016	1,526,642	1,805,008	3,331,651	1,611,611	1,720,040
TORINO Fil. 26 Via Monginevro 228	1,296	557,419	1,452,888	2,010,308	777,766	1,232,541
TORINO Fil. 27 Piazza Rebaudengo 7/9	1,796	494,306	1,443,349	1,937,654	831,939	1,105,715
TORINO Fil. 3 Via Matteucci 2	1,185	552,984	1,802,194	2,355,178	772,675	1,582,503
TORINO Fil. 4 Corso Peschiera 151	2,021	946,415	2,970,251	3,916,666	1,444,595	2,472,071
TORINO Fil. 5 Piazza della Repubblica 7	1,931	321,752	2,901,710	3,223,462	923,599	2,299,864
TORINO Fil. 55 S.V. Via Gottardo 273	526	36,448	642,524	678,971	236,665	442,307
TORINO Fil. 6 Piazza Nizza 75	1,220	805,691	2,275,051	3,080,741	1,033,226	2,047,516
TORINO Fil. 7 Piazza Crispi 61 / Corso Vercelli	1,369	645,553	1,868,161	2,513,714	995,920	1,517,795
TORINO Fil. 8 Corso A. De Gasperi 14	1,512	897,571	2,382,760	3,280,331	1,203,577	2,076,754
TORINO Fil. 9 S.Vari Via Caluso 1	649	23,914	779,596	803,510	243,363	560,147
TORINO Fil. 9 Via Banchette ang. Corso Grosseto	1,890	1,810,862	2,111,187	3,922,049	1,975,884	1,946,165
TORINO Sede Piazza San Carlo 156/182	43,324	10,942,138	98,850,846	109,792,985	38,036,580	71,756,405
TORINO Sede Via Monte di Pietà 26	2,224	465,763	5,012,308	5,478,072	1,168,505	4,309,567
TORINO Sede Via Monte di Pietà 32	24,277	12,167,370	47,514,417	59,681,787	17,997,810	41,683,977
TORINO Sede Via Santa Teresa 3	1,430	359,051	4,440,621	4,799,672	1,343,229	3,456,443
TORINO Sp.S.V. 'A' Corso Peschiera 162	690	83,354	964,939	1,048,294	354,265	694,029
TORINO Sp.S.V. 'E' Corso Orbassano 134	729	91,696	1,367,179	1,458,875	416,122	1,042,753
TORINO Strada San Vito (Villa Abegg)	2,856	2,535,582	3,521,671	6,057,253	1,396,792	4,660,462
TORINO Via G. Bruno 200/202	85	6,405	62,949	69,354	14,208	55,146
TORINO Via San Francesco d'Assisi 15	397	11,883	791,767	803,650	278,602	525,048
TORINO Via Valeggio 36	1,141	755,120	4,214,754	4,969,873	1,863,862	3,106,010
TORRE BOLDONE Via D.L.Palazzolo 11	374	37,050	477,358	514,408	157,276	357,132
TORTONA Piazza Duomo 9	1,598	349,270	2,434,367	2,783,637	1,059,840	1,723,797
TORTONA Piazza Mazzini 2 (autorimessa)	56	22,477	20,139	42,616	19,397	23,219
TRADATE Corso Bernacchi 85	816	307,575	864,162	1,171,737	428,700	743,038
TRADATE Corso Bernacchi 85 / Via don Zini 2	13	3,595	6,735	10,329	-	10,329
TRECCATE Via Gramsci 1	815	234,401	742,138	976,539	377,806	598,733
TRENTO Via Segantini Ang. Via Acconcio	930	2,266,986	610,271	2,877,258	809,763	2,067,495
TRESCORE CREMASCO Via Carioni 2	446	241,631	273,090	514,721	178,855	335,866

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

LOCATION	Sq.m.	INVESTMENT	REVALUA- TIONS (*)	GROSS VALUE	ADJUSTMENTS	NET BOOK VALUE
TREVIGLIO Piazza Cameroni 2	1,900	1,479,931	2,406,814	3,886,745	1,503,488	2,383,258
TREZZO SULL'ADDA Via Garibaldi / Via dei Mille 1	1,645	782,113	1,266,851	2,048,964	614,022	1,434,942
TRIESTE Piazza Oberdan 3	670	68,172	1,068,033	1,136,205	272,689	863,516
TRIESTE Via Coroneo 8	90	45,205	27,099	72,304	17,353	54,951
TRINO VERCELLESE Corso Cavour 61	840	324,985	577,220	902,204	434,634	467,570
TROFARELLO Via Torino 64	856	116,335	947,001	1,063,336	369,909	693,426
TURATE Via Marconi 7 / Via Candiani	547	454,637	349,792	804,429	266,463	537,967
UBOLDO Via Roma 27	351	30,307	462,856	493,164	148,352	344,811
VADO LIGURE Piazza Cavour 10	754	1,303,021	39,091	1,342,111	355,380	986,732
VAILATE Via S. Giani 15	190	85,042	302,118	387,160	93,869	293,291
VALBONDIONE Via S. Lorenzo 24	148	21,969	91,261	113,230	33,804	79,426
VALENZA Corso Garibaldi 111/113	1,724	2,183,885	2,529,203	4,713,089	1,654,899	3,058,190
VALFENERA Via A. d'Aosta 10	355	45,597	255,210	300,807	115,957	184,850
VALGUARNERA CAROPEPE Via Garibaldi 95	120	43,121	168,090	211,211	97,087	114,124
VALLE LOMELLINA Via Casserotto 1/Via Roma 29	451	216,082	442,617	658,699	339,361	319,338
VALLEMOSO Piazza Dante Alighieri 8	650	209,476	376,135	585,611	202,385	383,225
VANZAGHELLO Piazza S. Ambrogio 2	701	325,578	434,984	760,562	231,336	529,226
VARALLO SESIA Piazza Vittorio Emanuele	510	134,176	370,658	504,834	157,233	347,600
VARAZZE Piazza Patrone / Via Nazioni Unite	843	245,869	1,819,382	2,065,251	744,505	1,320,746
VARESE Fil. 1 Via Marconi 8	820	52,397	1,280,068	1,332,465	459,430	873,035
VARESE Sede Via Milano 16	2,366	122,808	3,507,021	3,629,829	1,246,057	2,383,772
VENARIA REALE Viale Buridani 6	1,760	168,018	-	168,018	10,081	157,937
VENEZIA Rio Terrà S. Leonardo 1353	303	31,853	1,517,518	1,549,371	371,849	1,177,522
VENTIMIGLIA Corso Limone 9 (Sp.COMCENTRO)	130	181,536	111,487	293,023	162,247	130,775
VENTIMIGLIA Via Cavour 30A-B/108	1,444	663,377	3,683,809	4,347,186	1,588,879	2,758,307
VERCELLI Viale Garibaldi 12	4,449	1,664,902	4,261,769	5,926,671	2,236,492	3,690,180
VERCELLI Via Mercadante 3 ang. Via Paggi (ex Fil.1)	280	9,379	150,478	159,857	41,272	118,585
VERDELLO Via Cavour 19	771	18,299	744,864	763,163	146,790	616,373
VERONA Piazza Madonna di Campagna 18	1,269	1,875,538	455,381	2,330,918	475,692	1,855,226
VIADANA Piazza Manzoni 32	780	560,392	712,327	1,272,719	453,228	819,491
VIGEVANO Via Decembrio 35 / Via Carducci 1	1,473	259,412	3,051,040	3,310,452	1,063,916	2,246,535
VIGNALE MONFERRATO Piazza del Popolo 5	170	4,533	78,568	83,101	18,394	64,708
VILLA CARCINA Via Glisenti 78	726	745,518	407,520	1,153,038	447,434	705,605
VILLA CORTESE Via Tosi 22/ Via Speroni	436	349,479	257,509	606,988	228,340	378,648
VILLAFRANCA D'ASTI Via Roma 34	398	39,873	319,845	359,718	142,750	216,968
VILLANTERIO Via IV Novembre 12/a	379	30,080	360,890	390,970	95,803	295,168
VILLAR PEROSA Via Nazionale 31/9	440	15,568	460,574	476,142	134,515	341,627
VILLAROSA SICILIA Piazza V. Emanuele 3	245	289,009	-	289,009	14,868	274,142
VILLASANTA Via Confalonieri / Via Camperio	250	473,598	23,171	496,768	102,908	393,860
VILLASTANZA DI PARABIAGO P.za Indipendenza 6	178	12,646	186,037	198,683	50,186	148,497
VIMERCATE Via Risorgimento 32/a	754	826,376	362,775	1,189,151	386,506	802,644
VOGHERA Piazza Duomo 10	2,264	2,167,297	3,855,320	6,022,618	2,692,939	3,329,678
ZANICA Via Roma 9/9a	599	83,083	531,649	614,732	188,880	425,852
TOTAL ITALIAN PROPERTIES	659,022	369,599,542	917,063,959	1,286,663,501	437,733,242	848,930,259
PARIGI Avenue de Suffren	150	21,304	314,393	335,697	-	335,697
AMSTERDAM Herengracht 446	1,348	2,177,325	1,190,926	3,368,251	993,732	2,374,519
NEW YORK Town of Mamaroneck	613	451,369	413,411	864,781	289,626	575,154
GRAND TOTAL	661,133	372,249,540	918,982,689	1,291,232,230	439,016,600	852,215,629

(*) L. 12/19/73 n. 823; L. 12/2/75 n. 576; L. 03/19/83 n. 72; L. 07/30/90 n. 218; L. 21/29/90 n. 408; L. 12/30/91 n. 413; others

Other motions

Amendment – following the conversion of the share capital into Euro – of the powers conferred upon the Board of Directors pursuant to Articles 2443 and 2420 ter of the Italian Civil Code; consequent amendments to Article 6, paragraphs 3 and 4 of the Articles and By-Laws.

Text of motion 1 of the Agenda (extraordinary meeting)

Shareholders,

The Board of Directors of Sanpaolo Imi resolved, on 21 December 1999, pursuant to that permitted by Article 17 of Legislative Decree 24 June 1998 No. 213, as amended by Article 2 of Legislative Decree 15 June 1999 No. 206, the conversion into Euro of the equity capital and the related amendment of Article 6 of the Articles and By-Laws.

More specifically, the said resolution concerned:

- the reduction, to facilitate conversion into Euro, of the equity capital from L. 7,613,864,267,640 to L. 7,602,024,217,939.088, through the reduction of the nominal unit value of the 1,402,184,948 ordinary shares in circulation from L. 5,430 to L. 5,421.556;
- the credit to the legal reserve of the amount of the reduction, L. 11,840,049,700.912;
- the conversion of the equity capital of L. 7,602,024,217,939.088 into Euro 3,926,117,854.4, with conversion of the nominal unit value of the 1,402,184,948 ordinary shares in circulation from L. 5,421.556 to Euro 2.8.

At the same time, the Board amended the resolution taken on 9 February 1999, concerning an increase in capital to a maximum of L. 42,000,000,000 for a stock option plan in favour of employees of the Bank and of the Group, setting such increase to a maximum of Euro 19,600,000; the maximum number of shares to be issued remains 7,000,000.

Consequently the first and last paragraphs of Article 6 of the Articles and By-Laws are amended as follows:

(first paragraph)

“The share capital is 3,926,117,854.4 Euro (three billion, nine hundred and twenty six million, one hundred and seventeen thousand, eight hundred and fifty four point four) divided into 1,402,184,948 ordinary shares with a nominal unit value of 2.8 Euro. The share capital may also be increased through the issue of shares with rights different from those included in the shares already issued.”

(last paragraph)

“ With reference to the mandate referred to in the preceding paragraph, the Board of Directors approved on February 9, 1999, as modified on December 21, 1999, the increase of paid up capital for a maximum nominal amount of 19,600,000 Euro (nineteen million six hundred thousand).”

This resolution – following approval by the Banca d'Italia of the relative certification according to Article 56 of Legislative Decree of 1 September 1993 No. 385 – was approved by the Tribunal of Turin on 29 December 1999 and registered with the Turin Company Register on 11 January 2000.

* * *

Given this change in the accounting currency of reference, it is necessary to amend the resolutions taken by the Meeting of Shareholders of 31 July 1998 and 30 April 1999 - as expressed in "lire" - concerning the mandate to Board of Directors for increases in capital also for the stock option plans reserved to employees of the Company and of the Group.

In particular, with the resolution adopted on 31 July 1998, and successively amended on 30 April 1999, the Meeting has mandated the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power, to be exercised by 28 July 2003, to increase by payment the equity capital, in one or more issues, for a maximum nominal amount of L. 80,000,000,000, through the issue of ordinary shares to be reserved, pursuant to Article 2441, eighth paragraph, of the Italian Civil Code, and Article 134 of Legislative Decree 24 February 1998 No. 58, to employees of the company or of subsidiary companies participating in the share incentive plans approved by the Board. The content of the said resolution has been accommodated in Article 6, paragraph 4, of the current Articles and By-Laws, pursuant to which was taken, in the same meeting, the resolution of 9 February 1999 – as amended on 21 December 1999 – as aforementioned.

With the resolution taken on 30 April 1999, the Meeting further mandated the Board of Directors – the aforementioned resolution remaining - pursuant to Articles 2443 and 2420 ter of the Italian Civil Code the power, to be exercised by 28 April 2004, to increase the equity capital, in one or more issues, up to an amount of L. 15,000,000,000,000 nominal, also through convertible bonds and/or bonds with warrants. Consequently the third paragraph of Article 6 cited has been introduced into Articles and By-Laws.

In order to harmonise also the references in the Articles and By-Laws to the new currency, it is proposed to amend the motions, only in so far as the maximum amount is expressed in lire as per the mandate, as follows:

- in place of "Lire 80,000,000,000", as for the motion of 1 July 1998, insert "Euro 40,000,000";
- in place of "Lire 15,000,000,000,000", as for the motion of 30 April 1999, insert "Euro 7,500,000,000",

It should be noted that amendment suggested will lead to an amendment, as a result of rounding, of the numbers previously expressed in lire.

It is therefore proposed to amend the third and fourth paragraphs of Article 6 of the Articles and By-Laws as follows:

Article 6 (current text)

The share capital is 3,926,117,854.4 Euro (three billion, nine hundred and twenty six million, one hundred and seventeen thousand, eight hundred and fifty four point four) divided into 1,402,184,948 ordinary shares with a nominal unit value of 2.8 Euro. The share capital may also be increased through the issue of shares with rights different from those included in the shares already issued.

The ordinary shares are registered shares.

The Board of Directors has the power to increase the share capital, in one or more issues, up to an amount of *Lit. 15,000,000,000,000 (fifteen thousand billion)* nominal value and to issue, in one or more issues, convertible bonds and/or bonds with warrants, up to the same amount but which may not exceed the limits fixed by law from time to time. This authority may be exercised before April 28, 2004.

The Board of Directors also has 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 *Lit. 80,000,000,000 (eighty billion)* nominal value, through the

Article 6 (proposed text)

The share capital is 3,926,117,854.4 Euro (three billion, nine hundred and twenty six million, one hundred and seventeen thousand, eight hundred and fifty four point four) divided into 1,402,184,948 ordinary shares with a nominal unit value of 2.8 Euro. The share capital may also be increased through the issue of shares with rights different from those included in the shares already issued.

The ordinary shares are registered shares.

The Board of Directors has the power to increase the share capital, in one or more issues, up to an amount of **Euro 7,500,000,000 (seven billion five hundred million)** nominal value and to issue, in one or more issues, convertible bonds and/or bonds with warrants, up to the same amount but which may not exceed the limits fixed by law from time to time. This authority may be exercised before April 28, 2004.

The Board of Directors also has 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 (fourty million)** 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.

With reference to the mandate referred to in the preceding paragraph, the Board of Directors approved on February 9, 1999, as modified on December 21, 1999, the increase of paid up capital for a maximum nominal amount of 19,600,000 Euro (nineteen million six hundred thousand).

With the mandate of the relevant powers to the legal representatives in office, separately among themselves, to act as necessary to obtain the approvals required by current regulations for the resolution, as may be requested by the regulatory and/or other authorities for authorisation and registration.

Shareholders, if you agree, you are invited to vote for the motions.

Turin, 15 March 2000

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.

With reference to the mandate referred to in the preceding paragraph, the Board of Directors approved on February 9, 1999, as modified on December 21, 1999, the increase of paid up capital for a maximum nominal amount of 19,600,000 Euro (nineteen million six hundred thousand).

The Board of Directors

Amendment of the mandate pursuant to Article 2443 of the Italian Civil Code, conferred by the Meeting of Shareholders on 31 July 1998, as amended with the resolution of 30 April 1999, concerning the methods to determine the subscription price of ordinary shares reserved to employees.

Text of motion 2 of the Agenda (extraordinary meeting)

Shareholders,

The Extraordinary Meeting of 31 July 1998, in mandating the Board of Directors to approve an increase of capital up to a maximum of L. 80,000,000,000 (to be converted into Euro 40,000,000, according to the proposal formulated with reference to Item 1 of the Agenda of the day for the current Extraordinary Meeting) to service the stock option plans reserved to employees of the Company and of the Group, set, among the conditions for the transaction, that of “the subscription price of the shares will be fixed by the Board of Directors at the beginning of each incentive plan with reference to the average of the official prices of the shares in the preceding quarter on the Italian Telematico della Borsa Italiana, taking account of any anomalous market movements”.

This mandate was amended in the meeting of the April 1999, with reference to the procedures for the exercise of subscription rights to shares.

Given this, in order to regularise the assignment procedures for share subscription rights with the legislative innovations introduced following the issue of Legislative Decree No. 505 of 23 December 1999, concerning remuneration of employed workers, it has been held proper to determine, as envisaged by that regulation, the subscription price of the shares with reference to the average of the official prices of the shares in the preceding month, considered “normal value” at the moment of the offer.

* * *

It should be noted that in this meeting, in the context of the proposal relative to the authorisation for the purchase and alienation of own shares (Point 3 of the Agenda of the ordinary meeting), the possibility of using these shares for assignment free of charge to employees, also instead of other forms of remuneration, is set out.

* * *

Shareholders, if you agree, you are invited to approve the substitution, with reference to the resolution taken on 31 July 1998, of the condition

“the subscription price of the shares will be fixed by the Board of Directors at the beginning of each incentive plan with reference to the average of the official prices of the shares on the Italian Telematico system during the preceding quarter, taking account of any anomalous market movements.”

with the following:

“the subscription price of the shares will be fixed by the Board of Directors at the beginning of each incentive plan with reference to the average of the official prices of the shares on the Italian Telematico system during the preceding month.”

With the mandate of the relevant powers to the legal representatives in office, separately among themselves, to act as necessary to obtain the approvals required by current regulations for the resolution, as may be requested by the regulatory and/or appropriate authorities for authorisation and registration.

Turin, 28 March 2000

The Board of Directors

Amendment to Article 19, paragraphs 6, 7 and 11 of the Articles and By-Laws (Board of Statutory Auditors).

Text of motion 3 of the Agenda (extraordinary meeting)

Shareholders,

Article 19 of the Articles and By-Laws, which establishes the procedures for the nomination of the Board of Statutory Auditors, sets out – in order to allow the Meeting to approve with due information - the advance announcement of the lists of candidates presented by the shareholders.

In order to allow greater information to benefit shareholders the procedures outlined may be integrated through the advance deposit also of the *curriculum vitae* of the candidates.

Such provision is, among other things, in line with that recommended by the Codice di Autodisciplina of quoted companies recently issued and to which Sanpaolo Imi has agreed.

At the same, other amendments to Article 19, of a procedural nature, concerning paragraphs 6 and 11, may be made. More precisely, these concern, respectively, the elimination of the reference to admission tickets to the Meeting, replaced by Monte Titoli certification, and the detailed criterion for the substitution of the Chairman of the Board of Statutory Auditors.

Following is the text of Article 19 as current and as proposed:

Article 19 (current text)

The Shareholders' Meeting elects the Board of Statutory Auditors, composed of five Statutory Auditors in office and two Alternate Statutory Auditors.

The Statutory Auditors are in office for three years - except for changes in law - and are re-electable.

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 number order.

The lists must be deposited at the registered office and published in at least two Italian daily newspapers with national distribution, of which one should be devoted to economic news, at least 10 days before the day fixed for the Shareholders' Meeting at first call.

Every shareholder can present or compete in the presentation of only one list and each candidate can present himself in only one list or otherwise be declared ineligible.

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 vote. 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, *a copy of the admission tickets issued by the depositories which hold their shares.*

Together with each list, and before the time of

Article 19 (proposed text)

The Shareholders' Meeting elects the Board of Statutory Auditors, composed of five Statutory Auditors in office and two Alternate Statutory Auditors.

The Statutory Auditors are in office for three years - except for changes in law - and are re-electable.

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 number order.

The lists must be deposited at the registered office and published in at least two Italian daily newspapers with national distribution, of which one should be devoted to economic news, at least 10 days before the day fixed for the Shareholders' Meeting at first call.

Every shareholder can present or compete in the presentation of only one list and each candidate can present himself in only one list or otherwise be declared ineligible.

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 vote. 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, **certification of membership of the centralised financial instrument management system.**

Together with each list, and before the time of depositing the list at the registered office, they must deposit

depositing the list at the registered office, they must deposit 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.

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 has obtained 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 the a simple majority of the votes will be elected.

For the nomination of candidates not elected for whatsoever reason according to the aforesaid procedures, the Shareholders' Meeting will approve according to legal majority.

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 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 replacement will come from the same list; in the case of the substitution of a Statutory Auditor taken from the other lists, the replacement will be nominated according to the method set out in point (b) in this article.

the curriculum vitae of each candidate personally signed 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.

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 has obtained 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 the a simple majority of the votes will be elected.

For the nomination of candidates not elected for whatsoever reason according to the aforesaid procedures, the Shareholders' Meeting will approve according to legal majority.

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 the case of the substitution, the chairmanship passes, until the conclusion of the period in office, to the person immediately next in the list.**

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 replacement will come from the same list; in the case of the substitution of a Statutory Auditor taken from the other lists, the replacement will be nominated according to the method set out in point (b) in this article.

The nomination of Statutory Auditors to make up the Board of Statutory Auditors is made by a relative majority of the Shareholders' Meeting according to Article 2401 of the Civil Code.

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.

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.

The nomination of Statutory Auditors to make up the Board of Statutory Auditors is made by a relative majority of the Shareholders' Meeting according to Article 2401 of the Civil Code.

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.

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.

With the mandate of the relevant powers to the legal representatives in office, separately among themselves, to act as necessary to obtain the approvals required by current regulations for the resolution, as may be requested by the regulatory and/or appropriate authorities for authorisation and registration.

Shareholders, if you agree, you are invited to vote for the motions.

Turin, 15 March 2000

The Board of Directors

Appointment of auditors of the financial statements, the interim financial statements and the Form 20-F for the period 2001/2003.

Text of motion 2 of the Agenda (ordinary meeting)

Shareholders,

With the approval of the financial statements for the year 2000, the third and final mandate conferred by SANPAOLO IMI to Arthur Andersen S.p.A. for the accounting audit of the financial statements will be concluded.

Although according to current provisions the appointment could take place on the occasion of the meeting to approve the financial statements for the year 2000 (April 2001), it is considered moreover opportune to bring forward the proposal for the appointment for the period 2001/2003 in the course of this meeting to approve the financial statements for the year 1999.

This solution allows the new auditors to have a suitable period of time to plan better and manage the phase of departure of the outgoing company and minimise at the same time the impact of the transition on the Bank.

The advancement will also allow the reformulation over time of the choice of auditors of controlled Companies, thus contributing to the achievement of the objective to have a single auditor at Group level.

Although the current regulations do not set out particular procedures for the appointment, formal offers from the major international auditing firms operating in Italy, registered in the special Consob register pursuant to Article 161 of the TUF, having the necessary technical and-professional (size, organisational and structural suitability) and qualitative (experience in the banking sector and audit according to US requirements for quoted companies) requirements in relation to the range and complexity of the SANPAOLO IMI Group have been received.

In terms of fees and international and local operational range and sector expertise expected of the Auditor, it is considered that the offer presented by PricewaterhouseCoopers is the best.

The proposal envisages:

- the audits of the financial statements of the Company and of the Group and those activities included in Article 155 paragraph 1 of the TUF (checks on the accounting process and management disclosure);
- the audits of the foreign branches of the Bank, with a full audit of the London, New York and Singapore branches, and a “limited review” audit for the Amsterdam, Athens, Bruxelles, Frankfurt (including Munich), Tokyo and Vienna branches;
- the “limited review” audits of the interim financial statements of the Company and the consolidated financial statements of SANPAOLO IMI, as set out in Consob Recommendation No. 97001574 of 20 February 1997 and the successive resolution No. 10867 of 31 luglio 1997;
- the audit of the prospetto di consolidated financial statements prepared according to US accounting principles, the Form 20-F, to be filed with the Securities and Exchange Commission (SEC), related to the quotation of SANPAOLO IMI shares on the New York Stock Exchange (NYSE).

Pursuant to Article 159, paragraph 1, of the TUF and Article 146 of the Regulation of Issuers (Consob resolution No. 11971 of 14 May 1999), the Board of Statutory Auditors has expressed in advance its agreement to the appointment of PricewaterhouseCoopers as auditors.

The total annual fee requested by PricewaterhouseCoopers is L. 2,295 million, excluding VAT, and is divided thus:

Activities	Hours of work	Fees
Consolidated and Parent	7,300	1,095
Foreign branches	3,350	635
Interim Consolidated and Parent	1,680	290
Interim foreign branches	670	115
Form 20-F	1,000	295
Discount		- 135
Total	14,000	2,295

The annual amounts, calculated according to Consob communications on the subject, reflect the charges currently in force and will be adjusted on the basis of changes in the ISTAT Italian cost of living index and of changes in local prices for the foreign branches. The supervisory levy to Consob, currently equal to 4% of the fees, and the reimbursement of living expenses will also be added to these amounts.

We therefore propose to you the appointment of PricewaterhouseCoopers S.p.A., with legal office in Milan, Via Vittor Pisani 20, as auditors, for the period 2001/2003, pursuant to Article 159 of Legislative Decree 24 February 1998, No. 58 and related regulations (Consob resolution of 14 May 1999 No. 11971) of the financial statements for the period and at consolidated level of SANPAOLO IMI S.p.A., of the financial statements of the foreign branches through its international network, of the “limited review” interim accounting audits of the interim financial statements of the Parent Bank and at consolidated level, as well as of the consolidated financial statements prepared according to US accounting principles, the Form 20-F. All these in the terms and according to the procedures aforementioned.

Turin, 7 March 2000

The Board of Directors

Authorisation for the purchase and purchase of own shares;

Text of motion 3 of the Agenda (ordinary meeting)

Shareholders,

As is known, trading in own shares allows the achievement of various ends which from time to time may be of interest to the Company. Together with the opportunity to pursue general coherence between the quoted prices and the presumed economic value of the shares in the domestic and international markets, also improving market liquidity and encouraging regular trading activities, there may be further opportunities, among which, *inter alia*, those connected to special financial transactions with exchanges of shareholdings or the disposition of own shares for various financial transactions.

Except as otherwise set out by paragraph 3 of Article 132 of the Legislative Decree 58 of 24 February 1998., the purchase transactions are to be effected in the market, with procedures set out in Regolamento dei mercati organizzati e gestiti dalla Borsa Italiana S.p.A., pursuant to Article 132, paragraph 1, of Legislative Decree of 24 February 1998 No. 58; the transactions, in general, are to be effected according to the current Consob regulations in force concerning dealings in quoted securities.

We also propose to you to authorise the alienation, in whole or in part, of own shares held, without time limits, for an amount of not less in minimum of 10% from the reference price of the share on the day preceding each individual disposal. In line with international best practice for transfers made to allow exchanges of shareholdings in the context of material acquisitions of shareholdings effected by the Bank, or connected to the establishment of stable cooperation relationships or special financial transactions which imply availability of own shares to be assigned, appropriate reference averages may also be used. Own shares may also be used, in the incentive plan, directed at employees of the Company or of subsidiaries, as approved by the Board of Directors, for assignment free of charge, also in substitution of other forms of remuneration, or paid sales following the exercise of option rights and to an amount equal to the " normal value " of the share calculated according to the current tax regime.

We further propose to you to fix the amount della specifica Riserva for Purchase of own shares – already established at L. 1,500,000,000,000 by resolution of the Ordinary Meeting on 30 April 1999 - at Euro 980 million, equal to L. 1,897,544,600,000, through the use of merger differences. The amount of own shares from time to time held in the portfolio must be restricted to the limits of this Reserve.

We invite you, finally, to authorise The Board of Directors to delegate, in whole or in part, the mandate to undertake transactions involving the purchase and alienation of own shares.

Turin, 28 March 2000

The Board of Directors

Increase in the number of Directors; consequent provisions for nomination and determination of remuneration.

Text of motion 4 of the Agenda (ordinary meeting)

Shareholders,

Article 14, paragraph 1, of the Articles and By-Laws establishes, among other things, that: “The Company is administered by a Board of Directors composed of a number from seven to 20, as determined by the Meeting.”

The Meeting of 30 April 1998 nominated 14 Directors for the period 1998/2000 and that the Meeting of 31 July 1998 increased the number to 17 and nominated them.

In the light of the above, given the interest expressed by other groups in making significant investments in the capital of the Bank and taking account the need to allow, in a context in rapid evolution, a broader representation in the Board to facilitate the proper valuation of the contributions of professionalism and other corporate cultures, it is appropriate to allow a further increase in the Board, while the current structure coherent with the representation of the stable shareholders remains.

In the light of the above, we invite you to adopt the appropriate resolutions to increase the number of Directors and related nominations and to determine their remuneration.

Turin, 28 March 2000

The Board of Directors

Reference basis for the determination of the variable part of the remuneration payable – pursuant to Article 15, paragraph 8, of the Articles and By-Laws – to the members of the Board of Directors for 2000.

Text of motion 5 of the Agenda (ordinary meeting)

Shareholders,

Article 15 of the Articles and By-Laws envisages that the members of the Board of Directors and Executive Committee receive an annual remuneration set by the Meeting, in part fixed and in part variable.

Pursuant to this, the Meeting of Shareholders of 30 April 1999 established, for 1999, the remuneration for the Managing Directors as follows:

- 0.5 per mil of consolidated net profit for the year, when such profit amounts to between L. 1,700 billion and L. 1,900 billion;
- 1 per mil of consolidated net profit for the year when such profit amounts to more than L. 1,900 billion.

The Meeting decided not to fix any reference basis for 2000, postponing these resolutions to the meeting called to approve the financial statements for 1999. This decision was based upon the need to await, for better valuation, precise forecast expectations and the future development of the Bank.

Shareholders,

You are therefore invited to adopt - pursuant to Article 15 of the Articles and By-Laws – these resolutions.

Turin, 15 March 2000

The Board of Directors

Information for investors

For further information:

SANPAOLO IMI S.p.A.
Investor Relations
Piazza San Carlo 156
10121 TURIN - ITALY

Tel.: +39-011-555-2289
+39-011-555-2593
+39-011-555-2639
Fax: +39-011-555-2989
E-mail: investor.relation@sanpaoloimi.com
Internet: <http://www.sanpaoloimi.it>