

# Consolidated Financial Statements

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BALANCE SHEET

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CONSOLIDATED STATEMENT OF INCOME

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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 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
<b>Total assets</b>	<b>140,223</b>	<b>158,289</b>	<b>141,524</b>

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

		(millions of Euro)		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		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
<b>Total liabilities and shareholders' equity</b>		<b>140,223</b>	<b>158,289</b>	<b>141,524</b>
<b>GUARANTEES AND COMMITMENTS</b>		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
<b>180. Income from operating activities</b>	<b>1,504</b>	<b>1,481</b>	<b>1,374</b>
190. Extraordinary income	367	223	176
200. Extraordinary expenses	-73	-64	-56
<b>210. Extraordinary items, net</b>	<b>294</b>	<b>159</b>	<b>120</b>
230. Change in reserve for general banking risks	-1	-8	-8
240. Income taxes	-685	-630	-534
250. Minority interests	-62	-93	-43
<b>260. Net income for the year</b>	<b>1,050</b>	<b>909</b>	<b>909</b>

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

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# 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-

tomer 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
<b>Total</b>	<b>95,318</b>	<b>95,426</b>	<b>-0.1</b>

#### 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
<b>Total</b>	<b>33,938</b>	<b>37,602</b>	<b>-9.7</b>

(\*) 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
<b>Total loans to customers</b>	<b>76,464</b>	<b>3,290</b>	<b>73,174</b>	<b>76,313</b>	<b>3,345</b>	<b>72,968</b>

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
<b>Total loans to banks</b>	<b>22,312</b>	<b>168</b>	<b>22,144</b>	<b>22,559</b>	<b>101</b>	<b>22,458</b>

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
<b>Total</b>	<b>1,579</b>	<b>336</b>	<b>293</b>	<b>183</b>	<b>153</b>	<b>217</b>	<b>-29.5</b>

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
<b>Total</b>	<b>18,380</b>	<b>23,901</b>	<b>-23.1</b>

“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	-	-	-	-
<b>Total</b>	<b>1,756</b>	<b>1,748</b>	<b>2,341</b>	<b>2,404</b>

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
<b>Total</b>	<b>16,624</b>	<b>16,628</b>	<b>21,560</b>	<b>21,570</b>

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
<b>Total</b>	<b>3,347</b>	<b>1,672</b>	<b>+100.2</b>
<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	%		
<b>A. Companies consolidated line-by-line</b>								
<b>SANPAOLO IMI S.p.A.</b> (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>B. Carried at equity</b>									
<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)
<b>Total other investments carried at equity</b>								<b>395</b>
<b>Total investments carried at equity</b>								<b>843</b>

(\*) 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
<b>Total other investments</b>				<b>2,504</b>

## 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
<b>Total</b>	<b>448</b>	<b>771</b>	<b>-41.9</b>

*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
<b>Total</b>	<b>2,899</b>	<b>901</b>	<b>+221.8</b>

## 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	<b>2,899</b>
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 %
<b>a) Assets</b>			
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	-	-	-
<b>Total assets</b>	<b>76</b>	<b>659</b>	<b>-88.5</b>
<b>b) Liabilities</b>			
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	-	-	-
<b>Total liabilities</b>	<b>942</b>	<b>327</b>	<b>+188.1</b>
<b>(c) Guarantees and commitments</b>			
1. guarantees given	4	581	-99.3
2. commitments	4	-	n.s.
<b>Total guarantees and commitments</b>	<b>8</b>	<b>581</b>	<b>-98.6</b>

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 %
<b>(a) Assets</b>			
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>	-	-	-
<b>Total assets</b>	<b>4,135</b>	<b>3,468</b>	<b>+19.2</b>
<b>(b) Liabilities</b>			
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	-	-	-
<b>Total liabilities</b>	<b>2,044</b>	<b>435</b>	<b>+369.9</b>
<b>(c) Guarantees and commitments</b>			
1. guarantees given	363	406	-10.6
2. commitments	-	33	-100.0
<b>Total guarantees and commitments</b>	<b>363</b>	<b>439</b>	<b>-17.3</b>

(\*) 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
<b>Total</b>	<b>1,387</b>	<b>1,902</b>	<b>-27.1</b>

### 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	-
<b>Total</b>	<b>1,120</b>	<b>1,606</b>	<b>-30.3</b>

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
<b>Increases</b>		
– purchases	7	86
– other changes		
– incremental costs	3	-
– gains on disposals	3	-
– other	-	1
<b>Decreases</b>		
– sales	10	1
– adjustments		
– depreciation	60	73
– permanent writedowns	-	-
– other changes		
– losses on disposals	-	-
– change in scope of consolidation	44	1
– other	376	21
<b>Closing balance</b>	<b>1,003</b>	<b>117</b>

**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
<b>Total</b>	<b>267</b>	<b>296</b>	<b>-9.8</b>

*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
<b>Closing balance</b>	<b>81</b>	<b>17</b>	<b>169</b>

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
<b>Total</b>	<b>20,906</b>	<b>18,197</b>	<b>+14.9</b>

### 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
<b>Total</b>	<b>7</b>	<b>11</b>	<b>-36.4</b>

### 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.
<b>Total</b>	<b>51</b>	<b>48</b>	<b>+6.3</b>

**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
<b>Total</b>	<b>16,199</b>	<b>13,707</b>	<b>+18.2</b>

*(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
<b>Total</b>	<b>4,649</b>	<b>4,431</b>	<b>+4.9</b>

*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
<b>Total</b>	<b>170</b>	<b>131</b>	<b>+29.8</b>

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
<b>Total</b>	<b>106,969</b>	<b>109,640</b>	<b>-2.4</b>

### 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
<b>Total</b>	<b>28,012</b>	<b>25,141</b>	<b>+11.4</b>

*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
<b>Total</b>	<b>78,907</b>	<b>84,430</b>	<b>-6.5</b>

(\*) 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
<b>Total</b>	<b>50</b>	<b>69</b>	<b>-27.5</b>
<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
<b>Total</b>	<b>1,950</b>	<b>2,069</b>	<b>-5.8</b>

### 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	-
<b>Closing balance</b>	<b>438</b>

### 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
<b>Closing balance</b>	<b>62</b>

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
<b>Closing balance</b>	<b>759</b>	<b>270</b>	<b>1,029</b>

(\*) 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
<b>Total</b>	<b>270</b>

(\*) *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
<b>Total</b>	<b>558</b>

#### 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
<b>Closing balance</b>	<b>40</b>	<b>231</b>	<b>121</b>	<b>392</b>

(\*) 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
<b>Group interest in shareholders' equity</b>	<b>8,372</b>	<b>8,668</b>	<b>-3.4</b>
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
	<b>199</b>	<b>166</b>	<b>19.9</b>

(\*) 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 %
<b>A. Regulatory capital</b>			
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>B. Minimum regulatory requirements</b>			
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%
<b>C. Risk assets and capital-adequacy ratios</b>			
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	-
<b>Total</b>	<b>1,524</b>					<b>1,382</b>

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
<b>Total</b>	<b>20,869</b>	<b>19,620</b>	<b>+6.4</b>

### 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
<b>Total</b>	<b>15,715</b>	<b>14,543</b>	<b>+8.1</b>

**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
<b>Total</b>	<b>5,154</b>	<b>5,077</b>	<b>+1.5</b>

## 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
<b>Total</b>	<b>29,073</b>	<b>29,820</b>	<b>-2.5</b>

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
<b>Total</b>	<b>11,045</b>	<b>11,465</b>	<b>-3.7</b>

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
<b>Total</b>	<b>18,028</b>	<b>18,355</b>	<b>-1.8</b>

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
<b>Total</b>	<b>18,028</b>	<b>18,355</b>	<b>-1.8</b>



### 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
<b>Total</b>	<b>9,705</b>	<b>15,342</b>	<b>-36.7</b>

### 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
<b>Total</b>	<b>682</b>	<b>1,008</b>	<b>-32.3</b>

## 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
<b>Total</b>	<b>46,518</b>	<b>222,665</b>	<b>3,742</b>	<b>272,925</b>

(\*) 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
<b>OTC trading contracts</b>				
- 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	-
<b>Exchange traded contracts</b>				
- Futures purchased	5,143	-	872	-
- Futures sold	1,490	-	633	-
- Options purchased	3,907	-	450	-
- Options sold	5,677	-	526	-
<b>Total trading contracts</b>	<b>197,850</b>	<b>9,702</b>	<b>8,237</b>	<b>-</b>
<b>Total non-trading contracts</b>	<b>21,557</b>	<b>22,162</b>	<b>4,391</b>	<b>207</b>
<b>Total contracts</b>	<b>219,407</b>	<b>31,864</b>	<b>12,628</b>	<b>207</b>

(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
<b>Notional amounts</b>	<b>188,927</b>	<b>31,054</b>	<b>9,859</b>	<b>207</b>
<b>Market value of OTC trading contracts</b>				
- positive	4,612	277	663	-
- negative	4,317	286	232	-
<b>Add on</b>	<b>969</b>	<b>157</b>	<b>309</b>	<b>-</b>
<b>Market value of OTC non-trading contracts:</b>				
- positive	456	925	358	-
- negative	562	430	130	-
<b>Add on</b>	<b>134</b>	<b>344</b>	<b>310</b>	<b>25</b>

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	
<b>Total</b>	<b>7,291</b>	<b>2,248</b>	<b>9,539</b>	

(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
<b>Total</b>	<b>73,174</b>	<b>72,968</b>	<b>+0.3</b>

### 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
<b>Total</b>	<b>35,991</b>	<b>38,049</b>	<b>-5.4</b>

### 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
<b>Total</b>	<b>11,045</b>	<b>11,465</b>	<b>-3.7</b>

### 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
<b>1. Assets</b>								
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
<b>Total</b>	<b>83,738</b>	<b>20,561</b>	<b>9,399</b>	<b>113,698</b>	<b>91,970</b>	<b>20,229</b>	<b>7,128</b>	<b>119,327</b>
<b>2. Liabilities</b>								
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
<b>Total</b>	<b>67,288</b>	<b>22,962</b>	<b>18,243</b>	<b>108,493</b>	<b>72,503</b>	<b>24,256</b>	<b>14,263</b>	<b>111,022</b>
<b>3. Guarantees and commitments</b>	<b>12,974</b>	<b>7,304</b>	<b>8,795</b>	<b>29,073</b>	<b>17,870</b>	<b>4,941</b>	<b>7,008</b>	<b>29,819</b>

## 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			
<b>1. Assets</b>										
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	
<b>Total assets</b>	<b>23,434</b>	<b>94,230</b>	<b>56,943</b>	<b>71,886</b>	<b>27,513</b>	<b>39,881</b>	<b>10,772</b>	<b>2,578</b>	<b>327,237</b>	
<b>2. Liabilities</b>										
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	
<b>Total liabilities</b>	<b>43,143</b>	<b>94,675</b>	<b>53,630</b>	<b>69,349</b>	<b>16,820</b>	<b>37,700</b>	<b>6,004</b>	<b>-</b>	<b>321,321</b>	

### 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
<b>Total assets</b>	<b>17,781</b>	<b>27,030</b>	<b>-34.2</b>
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
<b>Total liabilities</b>	<b>22,337</b>	<b>30,377</b>	<b>-26.5</b>

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
<b>Total purchases</b>	<b>43,127</b>	<b>35,417</b>	<b>+21.8</b>
b) Sales			
1. settled	32,641	33,331	-2.1
2. not settled	34	101	-66.3
<b>Total sales</b>	<b>32,675</b>	<b>33,432</b>	<b>-2.3</b>

### 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	-	-	-
<b>Total</b>	<b>5,966</b>	<b>8,642</b>	<b>-31.0</b>

*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
<b>Total</b>	<b>3,934</b>	<b>6,219</b>	<b>-36.7</b>

*(\*) 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
<b>Total</b>	<b>2,587</b>	<b>2,227</b>	<b>+16.2</b>

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
<b>Total</b>	<b>475</b>	<b>450</b>	<b>+5.6</b>

**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
<b>Total</b>	<b>530</b>	<b>473</b>	<b>+12.1</b>

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
<b>Total</b>	<b>33</b>	<b>44</b>	<b>-25.0</b>

### 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
<b>Total</b>	<b>-136</b>	<b>5</b>	<b>234</b>	<b>103</b>
<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
<b>Total</b>	<b>2,466</b>	<b>2,466</b>	<b>-</b>

### 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
<b>Total</b>	<b>1,534</b>	<b>1,526</b>	<b>+0.5</b>

### 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
<b>Total</b>	<b>24,216</b>	<b>24,622</b>	<b>-1.6</b>

**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
<b>Total</b>	<b>763</b>	<b>769</b>	<b>-0.8</b>
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
<b>Total</b>	<b>169</b>	<b>171</b>	<b>-1.2</b>
<b>Total other administration costs</b>	<b>932</b>	<b>940</b>	<b>-0.9</b>

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
<b>Total</b>	<b>293</b>	<b>302</b>	<b>-3.0</b>

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the 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
<b>Total</b>	<b>664</b>	<b>779</b>	<b>-14.8</b>

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
<b>Total</b>	<b>361</b>	<b>254</b>	<b>+42.1</b>

**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
<b>Total</b>	<b>89</b>	<b>67</b>	<b>+32.8</b>

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
<b>Total</b>	<b>75</b>	<b>41</b>	<b>+82.9</b>

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
<b>Total</b>	<b>250</b>	<b>143</b>	<b>+74.8</b>

### 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	-
<b>Total</b>	<b>224</b>	<b>225</b>	<b>-0.4</b>

**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	-
<b>Other operating expenses</b>	<b>40</b>	<b>51</b>	<b>-21.6</b>

**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
<b>Total</b>	<b>367</b>	<b>176</b>	<b>+108.5</b>

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
<b>Total</b>	<b>73</b>	<b>56</b>	<b>+30.4</b>

### 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
<b>Total revenues</b>	<b>7,178</b>	<b>1,553</b>	<b>399</b>	<b>9,130</b>	<b>8,754</b>	<b>1,985</b>	<b>696</b>	<b>11,435</b>

## 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

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STATEMENT OF CHANGES IN GROUP SHARE OF CONSOLIDATED SHAREHOLDERS' EQUITY

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STATEMENT OF CONSOLIDATED CASH FLOWS

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

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LIST OF SHAREHOLDING INVESTMENTS

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## STATEMENT OF CHANGES IN GROUP SHARE OF CONSOLIDATED SHAREHOLDERS' EQUITY

*millions of Euro*

	Capital	Reserves		Reserve for general banking risks	Net income for the year	Total
		Legal reserve	Other reserves			
<b>Pro forma shareholders' equity as of December 31, 1998</b>	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
<b>Shareholders' equity as of December 31, 1999</b>	3,926	792	2,243	361	1,050	8,372
Own shares in portfolio	-	-	-336	-	-	-336
<b>Shareholders' equity as per the reclassified balance sheet as of December 31, 1999</b>	3,926	792	1,907	361	1,050	8,036

## STATEMENT OF CONSOLIDATED CASH FLOWS

millions of Euro

## APPLICATION OF FUNDS

<b>Use of funds generated by operations</b>		<b>1,456</b>
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	

<b>Increase in funds applied</b>		<b>5,496</b>
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	

<b>Decrease in funds taken</b>		<b>5,523</b>
Due to customers and securities issued	5,523	

<b>Total</b>		<b>12,475</b>
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millions of Euro

**SOURCES OF FUNDS**

<b>Funds generated by operations</b>		<b>1,873</b>
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	
<b>Increase in funds taken</b>		<b>4,488</b>
Due to banks	2,871	
Other liability items	1,081	
Subordinated liabilities	142	
Minority interests	394	
<b>Decrease in funds applied</b>		<b>6,114</b>
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	
<b>Total</b>		<b>12,475</b>

## 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
<b>Financial statements of the Parent Bank</b>	<b>1,018</b>	<b>6,182</b>	<b>7,200</b>	<b>-</b>	<b>7,200</b>
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
<b>Balance as per consolidated financial statements</b>	<b>1,050</b>	<b>7,322</b>	<b>8,372</b>	<b>29</b>	<b>8,401</b>

(\*) 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
	<b>TOTAL</b>	<b>66.82</b>
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
	<b>TOTAL</b>	<b>13.86</b>
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 MontecI 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
	<b>TOTAL</b>	<b>100.00</b>
S.C.I. Boissy R.E.R. 8	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
	<b>TOTAL</b>	<b>100.00</b>
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
	<b>TOTAL</b>	<b>100.00</b>
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
	<b>TOTAL</b>	<b>100.00</b>
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
	<b>TOTAL</b>	<b>10.11</b>
Sago (2)	SANPAOLO IMI	26.67
Serdi et compagnie	Société Fonciere d'Investissement	1.00
	Société Immobiliere d'Investissement	99.00
	<b>TOTAL</b>	<b>100.00</b>

Name	Shareholder	%
Soc. d'amenagements de zones ind. et comm. – saziç	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
	<b>TOTAL</b>	<b>100.00</b>
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
	<b>TOTAL</b>	<b>77.26</b>
Uno Immobiliare in liquidation	APOKE' TWO in liquidation	19.31
	UNO Holding in liquidation	56.95
	<b>TOTAL</b>	<b>76.26</b>
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)

