

First half report 2000

SANPAOLO IMI
SOCIETÀ PER AZIONI

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN
SECONDARY REGISTERED OFFICE: VIALE DELL'ARTE 25, ROME
REGISTERED WITH THE TURIN COURT, COMPANY NO. 4382/91
SHARE CAPITAL: EURO 3,929,629,754.4 FULLY PAID-IN

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

SANPAOLO IMI

Board of Directors

Luigi Arcuti (*)	<i>Chairman</i>
Luigi Maranzana (*)	<i>Managing Director</i>
Rainer Stefano Masera (*)	<i>Managing Director</i>
Carlo Albani Castelbarco Visconti	<i>Director</i>
Emilio Botin	<i>Director</i>
Alberto Carmi	<i>Director</i>
Giuseppe Fontana	<i>Director</i>
Gabriele Galateri di Genola e Suniglia (*)	<i>Director</i>
Juan Rodriguez Inciarte (*)	<i>Director</i>
Virgilio Marrone	<i>Director</i>
Mario Masini	<i>Director</i>
Iti Mihalich (*)	<i>Director</i>
Emilio Ottolenghi	<i>Director</i>
Enrico Salza (*)	<i>Director</i>
Antonio Sclavi (*)	<i>Director</i>
Alessandro Vercelli	<i>Director</i>
Remi François Vermeiren	<i>Director</i>

(*) *Member of the Executive Committee*

Board of Statutory Auditors

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

General Management

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

Independent Auditors

Arthur Andersen S.p.A.

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Consolidated first half report

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CONSOLIDATED QUARTERLY BALANCE SHEETS

REPORT ON OPERATIONS

REPORT OF THE INDEPENDENT AUDITORS

CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ATTACHMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group in figures

	1 st half 2000 (€/mln)	1 st half 1999 (€/mln)	1999 (€/mln)	Change 1 st half '00 - 1 st half '99 (%)	1 st half 2000 (L/bln)
CONSOLIDATED STATEMENT OF INCOME					
Net interest income	1,071	1,032	2,047	+3.8	2,074
Net commissions and other dealing revenues	1,248	965	2,066	+29.3	2,417
Administrative costs	-1,279	-1,211	-2,466	+5.6	-2,476
Operating income	1,190	950	1,985	+25.3	2,304
Provisions and net adjustments to loans and financial fixed assets	-214	-227	-481	-5.7	-414
Income before extraordinary items and minority interests	976	723	1,504	+35.0	1,890
Extraordinary income	304	301	294	+1.0	588
Net income attributable to the Group	746	605	1,050	+23.3	1,444
CONSOLIDATED BALANCE SHEET					
Total assets	140,706	138,731	139,887	+1.4	272,445
Loans to customers	75,983	71,963	73,174	+5.6	147,124
Securities	20,603	25,352	18,401	-18.7	39,893
Equity investments	3,564	2,351	3,347	+51.6	6,901
Customer deposits and securities issued	78,219	81,521	78,957	-4.1	151,453
Subordinated liabilities	2,207	1,346	1,524	+64.0	4,273
Shareholders' equity attributable to the Group	8,165	8,626	8,036	-5.3	15,809
CUSTOMER ASSETS UNDER ADMINISTRATION					
Total	266,118	242,094	260,026	+9.9	515,274
- Direct deposits	78,219	81,521	78,957	-4.1	151,453
- Current accounts and deposits	37,674	33,362	36,096	+12.9	72,947
- Certificates of deposit	7,274	8,923	9,090	-18.5	14,084
- Bonds	22,371	24,389	23,643	-8.3	43,316
- Commercial paper	2,013	2,202	2,584	-8.6	3,898
- Repurchase agreements and securities lent	5,020	6,257	3,758	-19.8	9,720
- Other deposits	3,867	6,388	3,786	-39.5	7,488
- Indirect deposits	187,899	160,573	181,069	+17.0	363,821
- Asset administration	68,008	62,519	70,597	+8.8	131,681
- Asset management	119,891	98,054	110,472	+22.3	232,140
- Mutual funds	78,002	70,087	76,019	+11.3	151,032
- Fund-based portfolio management	23,470	12,926	17,836	+81.6	45,444
- Portfolio management	6,659	5,868	6,117	+13.5	12,893
- Life assurance	11,760	9,173	10,500	+28.2	22,771
PROFITABILITY RATIOS (%)					
Annualized RoE (Net income / Shareholders' equity, excluding current income)	19.3	15.4	14.0		
Cost / Income ratio (Administrative costs and amortization and depreciation net of recoveries / Net interest and other banking income)	52.7	57.0	56.6		
Net commissions / Administrative costs	97.6	79.7	83.8		
LENDING RISK RATIOS (%)					
Net non-performing loans / Net loans to customers	1.1	2.6	2.3		
Net problem and rescheduled loans / Net loans to customers	1.3	2.0	1.6		
CAPITAL ADEQUACY RATIOS (%)					
Tier 1 capital / Weighted assets	9.5	9.7	9.6		
Total capital / Weighted assets	10.9	10.6	10.3		
SANPAOLO IMI SHARES					
Number in issue (millions)	1,403	1,402	1,402	+0.1	
- number of shares in circulation	1,399	1,402	1,375	-0.2	
- number of shares held by the Parent Bank	4	-	27	n.s.	
Price (€: lire)					
- average	14.790	14.043	13.191	+5.3	28,637
- low	11.658	12.330	11.102	-5.5	22,573
- high	18.368	16.035	16.035	+14.5	35,565
Earnings per share in circulation (€: lire)	0.54	0.43	0.75	+25.1	1,046
Dividend per share in circulation (€: lire)			0.52		
Ordinary dividend / average annual share price (%)			3.92		
Shareholders' equity per share in circulation (€: lire)	5.84	6.15	5.84	-5.1	11,301
ORGANIZATION (numbers)					
Workforce	24,608	24,224	24,133	+1.6	
Domestic branches	1,381	1,351	1,355	+2.2	
Foreign branches and representative offices	84	76	76	+10.5	
Financial consultants	4,989	4,667	4,865	+6.9	

Group structure

Retail Banking

- **Commercial Banking**
 - Parent Bank
 - Banque Sanpaolo (*France*)
 - Sanpaolo IMI Asset Management
 - Sanpaolo Vita
 - Sanpaolo Life (*Ireland*)
 - Sanpaolo Bank (*Luxembourg*)
 - Sanpaolo Bank (*Austria*)
 - Sanpaolo Fiduciaria
 - Sanpaolo Gestion Internationale (*Luxembourg*)
 - Sanpaolo Leasint
 - Finconsumo (*)
- **Cassa di Risparmio di Firenze (**)**

Personal Financial Services

- **Gruppo Banca Fideuram**
 - Banca Fideuram
 - Fideuram Fondi
 - Fideuram Vita
 - Fideuram Capital
 - Fonditalia Mgt (*Luxembourg*)
 - Fideuram GPM
 - Fideuram Bank (*Luxembourg*)
 - Interfund Advisory Co (*Luxembourg*)
 - Fideuram Assicurazioni
 - Fideuram Fund (*Luxembourg*)
 - Fideuram Fiduciaria
 - Turis (*Switzerland*)
 - ISAC (*Luxembourg*)
 - Fideuram Gestions (*Luxembourg*)
 - Imitec
- **Sanpaolo Invest Banca**
- **@IMIWeb**

Wholesale Banking

- **Large Corporate**
 - Parent Bank
 - Sanpaolo IMI Bank Ireland
- **Public Works and Infrastructure**
 - Banca OPI
- **Investment Banking**
 - Banca IMI Banking Group
 - Banca IMI
 - IMI Sigeco UK (*United Kingdom*)
 - IMI Bank (*Luxembourg*)
 - IMI Investments (*Luxembourg*)
 - IMI Capital Markets USA (*United States*)
 - Banca IMI Securities (*United States*)
- **Merchant Banking**
 - NHS - Nuova Holding Subalpina
 - LDV Holding (*Netherlands*)

Corporate Centre

- **Equity Investments**
 - Banco Santander Central Hispano (2.8%)
 - INA (9.2%)
 - Beni Stabili (14.0%)
 - Royal Bank of Scotland (0.2% as of 8/31/00)
 - Other equity investments
- **Treasury**
 - Parent Bank
 - Sanpaolo IMI US Financial (*United States*)
 - Sanpaolo IMI Bank International (*Madeira, Portugal*)
- **Loan Recovery (Workout)**
 - Parent Bank
 - Sanpaolo Immobiliare
- **Real Estate**
 - Parent Bank
- **Parent Bank Services**
 - Parent Bank

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

(**) 19.1% interest: 15% by the Parent Bank and 4.1% by NHS.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

	1 st half 2000 (€/mln)	1 st half 1999 (€/mln)	1999 (€/mln)	Change 1 st half '00 - 1 st half '99 (%)	1 st half 2000 (L/bln)
NET INTEREST INCOME	1,071	1,032	2,047	+3.8	2,074
Net commissions and other dealing revenues	1,248	965	2,066	+29.3	2,417
Profits (losses) on financial transactions and dividends on shares	124	144	251	-13.9	240
Profits of companies carried at equity and dividends on equity investments	74	69	205	+7.2	143
NET INTEREST AND OTHER BANKING INCOME	2,517	2,210	4,569	+13.9	4,874
Administrative costs	-1,279	-1,211	-2,466	+5.6	-2,476
- <i>personnel</i>	-778	-765	-1,534	+1.7	-1,506
- <i>other administrative costs</i>	-416	-363	-763	+14.6	-805
- <i>indirect duties and taxes</i>	-85	-83	-169	+2.4	-165
Other operating income, net	88	85	175	+3.5	169
Adjustments to tangible and intangible fixed assets	-136	-134	-293	+1.5	-263
OPERATING INCOME	1,190	950	1,985	+25.3	2,304
Net adjustments to loans and provisions	-209	-201	-394	+4.0	-404
Net adjustments to financial fixed assets	-5	-26	-87	-80.8	-10
INCOME BEFORE EXTRAORDINARY ITEMS	976	723	1,504	+35.0	1,890
Net extraordinary income	304	301	294	+1.0	588
GROSS INCOME	1,280	1,024	1,798	+25.0	2,478
Income taxes	-488	-398	-685	+22.6	-945
Change in reserve for general banking risks	3	-	-1	n.s.	6
Income attributable to minority interests	-49	-21	-62	+133.3	-95
NET INCOME ATTRIBUTABLE TO THE GROUP	746	605	1,050	+23.3	1,444

CONSOLIDATED QUARTERLY RESULTS

	2000		1999			
	2 nd qtr 2000 (€/mln)	1 st qtr 1999 (€/mln)	4 th qtr 1999 (€/mln)	3 rd qtr 1999 (€/mln)	2 nd qtr 1999 (€/mln)	1 st qtr 1999 pro-forma (€/mln)
NET INTEREST INCOME	542	529	516	499	520	512
Net commissions and other dealing revenues	601	647	579	522	491	474
Profits (losses) on financial transactions and dividends on shares	40	84	80	27	53	91
Profits of companies carried at equity and dividends on equity investments	39	35	84	52	36	33
NET INTEREST AND OTHER BANKING INCOME	1,222	1,295	1,259	1,100	1,100	1,110
Administrative costs	-660	-619	-645	-610	-617	-594
- <i>personnel</i>	-392	-386	-387	-382	-386	-379
- <i>other administrative costs</i>	-226	-190	-217	-183	-189	-174
- <i>indirect duties and taxes</i>	-42	-43	-41	-45	-42	-41
Other operating income, net	48	40	50	40	43	42
Adjustments to tangible and intangible fixed assets	-71	-65	-88	-71	-64	-70
OPERATING INCOME	539	651	576	459	462	488
Net adjustments to loans and provisions	-120	-89	-103	-90	-97	-104
Net adjustments to financial fixed assets	-3	-2	-52	-9	-26	-
INCOME BEFORE EXTRAORDINARY ITEMS	416	560	421	360	339	384
Net extraordinary income	195	109	-5	-2	297	4
GROSS INCOME	611	669	416	358	636	388
Income taxes	-220	-268	-159	-128	-248	-150
Change in reserve for general banking risks	3	-	-1	-	-	-
Income attributable to minority interests	-27	-22	-18	-23	-11	-10
NET INCOME ATTRIBUTABLE TO THE GROUP	367	379	238	207	377	228

Pro-forma figures for the first quarter of 1999 have been reconstructed on a consistent basis with the subsequent quarters. The quarterly results are unaudited.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	6/30/00 (€/mln)	6/30/99 (€/mln)	12/31/99 (€/mln)	Change 6/30/00 - 6/30/99 (%)	6/30/00 (L/bln)
ASSETS					
Cash and deposits with central banks and post offices	449	431	528	+4.2	869
Loans	97,715	91,968	95,318	+6.2	189,203
- due from banks	21,732	20,005	22,144	+8.6	42,079
- loans to customers	75,983	71,963	73,174	+5.6	147,124
Dealing securities	18,909	23,665	16,645	-20.1	36,613
Fixed assets	6,624	5,780	6,490	+14.6	12,826
- investment securities	1,694	1,687	1,756	+0.4	3,280
- equity investments	3,564	2,351	3,347	+51.6	6,901
- intangible fixed assets	258	267	267	-3.4	500
- tangible fixed assets	1,108	1,475	1,120	-24.9	2,145
Differences arising on consolidation and on application of the equity method	93	45	58	+106.7	180
Other assets	16,916	16,842	20,848	+0.4	32,754
Total assets	140,706	138,731	139,887	+1.4	272,445
LIABILITIES AND SHAREHOLDERS' EQUITY					
Payables	108,996	107,200	106,969	+1.7	211,046
- due to banks	30,777	25,679	28,012	+19.9	59,593
- due to customers and securities issued	78,219	81,521	78,957	-4.1	151,453
Provisions:	2,012	1,601	1,950	+25.7	3,896
- for taxation	976	727	1,029	+34.3	1,890
- for termination indemnities	447	434	438	+3.0	866
- for risks and charges	545	392	437	+39.0	1,055
- for pensions and similar commitments	44	48	46	-8.3	85
Other liabilities	18,738	19,788	20,869	-5.3	36,282
Subordinated liabilities	2,207	1,346	1,524	+64.0	4,273
Minority interests	588	170	539	+245.9	1,139
Shareholders' equity (*)	8,165	8,626	8,036	-5.3	15,809
- capital	3,930	4,345	3,926	-9.6	7,609
- reserves (**)	3,489	3,676	3,060	-5.1	6,756
- net income for the period	746	605	1,050	+23.3	1,444
Total liabilities and shareholders' equity	140,706	138,731	139,887	+1.4	272,445
GUARANTEES AND COMMITMENTS					
Guarantees given	11,285	12,134	11,045	-7.0	21,851
Commitments	20,620	24,996	18,028	-17.5	39,926

(*) The change in shareholders' equity reflects the real estate spin-off finalized on 10/31/99, which reduced equity by Euro 701 million (including 413 million in share capital).

(**) Net of own shares held by the Parent Bank: 27,431,500 shares for a carrying value of Euro 336 million as of December 31, 1999 and 3,709,000 shares for a carrying value of Euro 47 million as of June 30, 2000 (the Parent Bank had no own shares as of June 30, 1999).

CONSOLIDATED QUARTERLY BALANCE SHEETS

	2000		1999			
	06/30 (€/mln)	03/31 (€/mln)	12/31 (€/mln)	09/30 (€/mln)	06/30 (€/mln)	03/31 pro-forma (€/mln)
ASSETS						
Cash and deposits with central banks and post offices	449	359	528	761	431	574
Loans	97,715	94,981	95,318	88,955	91,968	87,598
- due from banks	21,732	19,956	22,144	18,752	20,005	18,009
- loans to customers	75,983	75,025	73,174	70,203	71,963	69,589
Dealing securities	18,909	16,383	16,645	18,125	23,665	23,369
Fixed assets	6,624	6,928	6,490	6,503	5,780	5,901
- investment securities	1,694	1,711	1,756	1,479	1,687	1,901
- equity investments	3,564	3,871	3,347	3,320	2,351	2,132
- intangible fixed assets	258	257	267	254	267	280
- tangible fixed assets	1,108	1,089	1,120	1,450	1,475	1,588
Differences arising on consolidation and on application of the equity method	93	47	58	43	45	51
Other assets	16,916	18,622	20,848	14,982	16,842	19,799
Total assets	140,706	137,320	139,887	129,369	138,731	137,292
LIABILITIES AND SHAREHOLDERS' EQUITY						
Payables	108,996	105,291	106,969	101,362	107,200	104,350
- due to banks	30,777	25,457	28,012	22,034	25,679	23,417
- due to customers and securities issued	78,219	79,834	78,957	79,328	81,521	80,933
Provisions:	2,012	2,213	1,950	1,769	1,601	2,225
- for taxation	976	1,293	1,029	876	727	1,330
- for termination indemnities	447	448	438	440	434	442
- for risks and charges	545	427	437	406	392	405
- for pensions and similar commitments	44	45	46	47	48	48
Other liabilities	18,738	19,303	20,869	15,736	19,788	20,305
Subordinated liabilities	2,207	1,494	1,524	1,301	1,346	1,362
Minority interests	588	560	539	550	170	153
Shareholders' equity (*)	8,165	8,459	8,036	8,651	8,626	8,897
- capital	3,930	3,926	3,926	4,345	4,345	4,345
- reserves (**)	3,489	4,154	3,060	3,494	3,676	4,324
- net income for the period	746	379	1,050	812	605	228
Total liabilities and shareholders' equity	140,706	137,320	139,887	129,369	138,731	137,292

(*) The change in shareholders' equity reflects the real estate spin-off finalized on 10/31/99, which reduced equity by Euro 701 million (including 413 million in share capital).

(**) Net of own shares held by the Parent Bank: 27,431,500 shares for a carrying value of Euro 336 million as of December 31, 1999; 3,251,000 shares for a carrying value of Euro 40 million as of March 31, 2000; and 3,709,000 shares for a carrying value of Euro 47 million as of June 30, 2000. The change in the reserves between March 31 and June 30 reflects the payment of dividends in May 1999 and May 2000.

Proforma figures for the first quarter of 1999 have been reconstructed on a consistent basis with the subsequent quarters. The balance sheets as of March 31 and September 30 are unaudited.

Report on Operations

ECONOMIC BACKGROUND

THE SANPAOLO IMI BANKING GROUP IN THE FIRST HALF OF 2000

OVERVIEW OF GROUP RESULTS

OPERATING VOLUMES AND ORGANIZATION

EQUITY CAPITAL

RISK MANAGEMENT

SUPPLEMENTARY INFORMATION

OPERATING SECTORS

DEVELOPMENTS IN THE SECOND HALF OF THE YEAR

Economic background

The international economy

During the first six months of 2000 the international economy gained considerable momentum. The U.S. continued to expand, fuelled mainly by domestic demand. In Europe the economy was more solid, and Japan enjoyed albeit modest signs of recovery. Macroeconomic and financial conditions in emerging nations improved further, although there are still major gaps among the individual regions in terms of both the cycle of the economy and progress with structural reforms.

In the United States the economy continued its swift ascent: for the first six months, GDP growth was 6% on an annual basis. Inflation stayed under control, thanks to a rise in productivity, which limited the pressure from domestic demand, the labor market and increased energy costs. Under these conditions, the Federal Reserve maintained a firm monetary stance; in an effort to prevent inflation it brought the policy rate to 6.5%, 100 basis points higher than before the Asian crisis in 1998.

There were signs of a recovery in Japan, but certain indicators - especially the weakness in private consumption - gave conflicting signals. The Central Bank of Japan does seem to feel that an improvement is underway, as it finally raised the overnight rate by 25 bp after 10 years of zero-cost lending.

The Euro-zone and the Italian economy

The economy in the Euro-zone accelerated during the first six months, on the strength of both domestic and net foreign demand.

Inflation was on the rise, exceeding 2% in the period. The increase in the dollar price of oil and the considerable depreciation of the Euro took their toll on the trend in the cost of living: even net of energy goods, the harmonized consumer price index took an upward turn. To fight a faster rise in inflation than targeted for the medium term, the ECB tightened its monetary policy, raising the main refinancing rate to 4.25% during the half-year and then up to 4.5% at the end of August.

Italy saw a rise in foreign demand and private demand for consumption and fixed investments. Its inflation is still among the highest in the Euro-zone, because of structural factors such as the rigid labor market, the insufficient rise in productivity (especially in certain parts of the country), and a market design that is still not fully competitive in terms of services. As the economy gained strength, the public finances continued to consolidate, and for the year in course the favorable combination of tax revenues and public spending controls could bring the deficit/GDP ratio to below 1.5% - the Stability Pact's target figure for 2000 - and debt/GDP ratio to around 110%.

The banking and financial markets in Italy

The upturn in Italy's real economy was paralleled by an improvement in the financial and banking markets, despite the rise in interest rates.

The Italian Stock Exchange had a capitalization of Euro 821 billion by the end of the half-year, an increase of 13% on the end of 1999 and amounting to 70% of GDP. The Stock Exchange index started the year with hearty growth, settled down for a time, and then see-sawed through the second quarter, ending June with a rise of 9.6% on the start of the year. Growth was driven by the industrial and financial sectors (+12%), while the increase for technology and service stocks was more modest (+4.7%).

Bank loans grew by an average 11.7% during the first six months of the year, thanks to corporate borrowing for extraordinary operations and to medium- and long-term loans to households. The increase in funding was less vibrant, at 3.5% overall (+8.2% for sight deposits and +6% for bonds, versus -27% for certificates of deposit).

The rise in bank interest rates during the first half of the year mirrored the ECB's moves on the policy rate. However, because lending rates were hard-pressed to rise because of increased competition in the banking industry, the widening of the spread was limited.

Asset management continued to grow, although more slowly than in the previous year. Assets in Italian and foreign mutual funds managed by Italian intermediaries came to Euro 559 billion, up approxi-

mately 4% since the end of December. Fund composition was further changed, with investments in gov-

ernment securities giving way to a higher equity content (especially international stocks).

The SANPAOLO IMI Banking Group in the first half of 2000

Action points

During the first six months of 2000 the SANPAOLO IMI Group acted on the strategies defined in the three-year plan, whose top priority is to increase business with households and small- and medium-sized companies. The Group also focused on its other areas of business, where it continued to pursue a policy of rationalization and selective investment.

The main objective was pursued mostly internally, through the improvement of distribution structures. Projects concerned the new electronic channels, on which the Group is focusing its investments, and the branch and consultant networks that were expanded and specialized.

Growth also took place externally and by means of alliances. During the first six months the Group arranged to take control of Banco di Napoli, whose more than 700 branches make it the largest banking presence in Southern Italy. It also entered a partnership with Cassa di Risparmio di Firenze, which has 400 branches in Central Italy, by acquiring an additional 15% of the bank.

The Group has been strengthened without resorting to capital increases; in particular, the control of Banco di Napoli, which will be finalized during the second half of the year, will be financed wholly through the issue of preferred shares and subordinated loans, and by freeing up the capital invested in the minority stake in INA. In this way the Group can achieve a capital structure that is efficient, balanced and better concentrated on its core activities.

The Group is also working consistently with the following goals and policies:

- focus on the customer: commercial, organizational and technological measures are being taken to strengthen relations with customers;
- shrewd management of lending and market risks: the Group has refined the instruments that will assist in risk management and control;

- the need for constant containment in ordinary operating costs: continued efforts at rationalization have in part helped offset investments in innovative distribution channels.

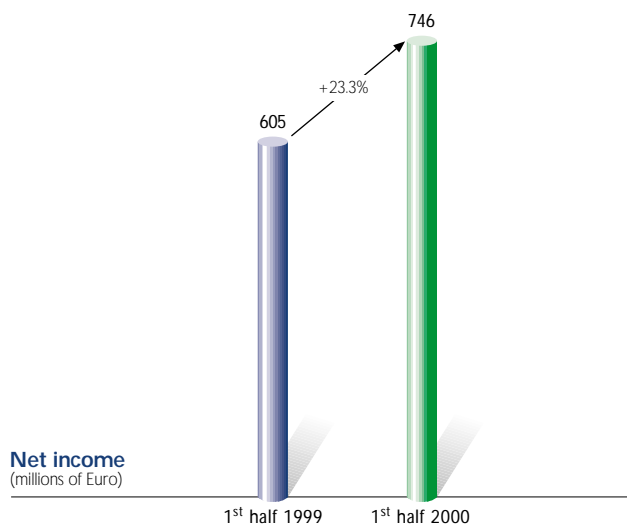
Results achieved

With external conditions favorable across the board, the SANPAOLO IMI Group earned net income of Euro 746 million for the first half of 2000, an increase of 23.3% on the same period last year.

There was a rise in all of the principal income items:

- net interest and other banking income went up 13.9%, as net commission income rose and net interest income reversed the downward turn it had taken in 1999;
- operating income increased by 25.3%, in spite of the significant extraordinary costs of developing high-tech distribution channels and bolstering the sales network;
- income before extraordinary items rose 35%, thanks partly to a drop in provisions and writedowns with respect to the first half of 1999.

Of particular note is the 29.3% rise in net commission income, beating the growth rate of 18.5% reported in 1999. The greatest contribution was made by income from the asset management business, in which the SANPAOLO IMI Group maintained a higher growth rate than the industry average, further reinforcing its market position.



During the half-year, net inflow in asset management schemes channelled through the bank branches and the sales forces of Fideuram and Sanpaolo Invest amounted to Euro 9,005 million, and total funds rose to Euro 120 billion. In that context:

- the Group's mutual funds and fund-based portfolio management amounted to Euro 101 billion, an increase of Euro 7,617 million since the end of last year, which raised the Group's market share from 17.5% to 18%. Customers were most interested in products of higher added value, such as equity funds, which rose from 38% to 43% of total funds in this area;
- the technical reserves of the Group's life assurance companies rose by Euro 1,260 million, to a total of Euro 11,760 million at the end of June.

Another reason for the rise in overall earnings was net interest income, which started to climb as soon as the year began and closed the half-year with a rise of 3.8%. The improvement is explained by two factors: a more favorable interest rate structure and, above all, an increase in volumes under administration. Specifically:

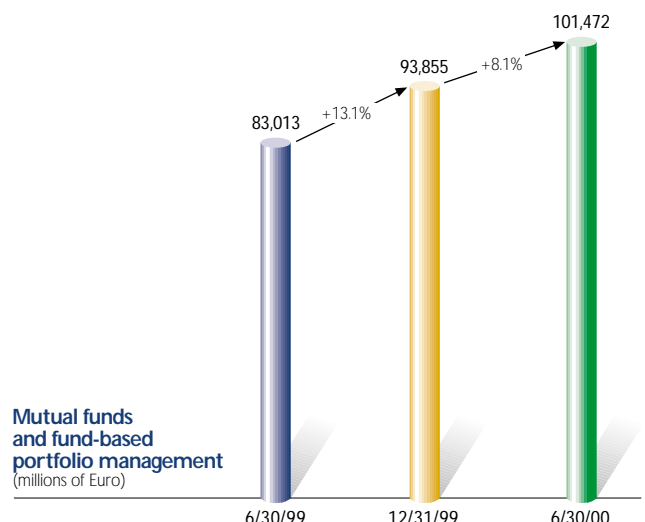
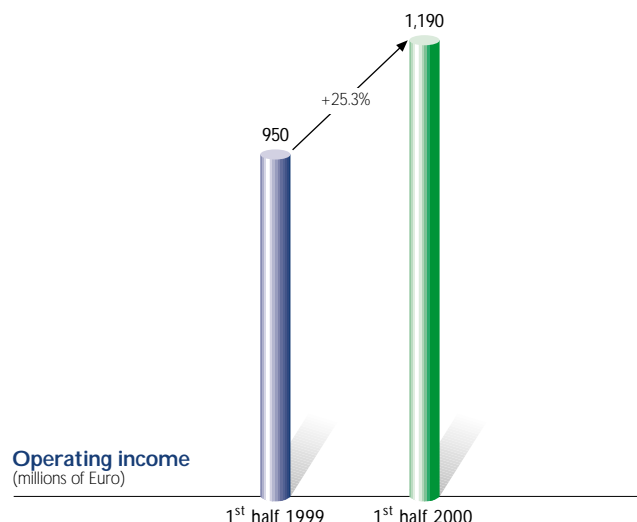
- short-term funding (current accounts and deposits at the Group's Italian branches) enjoyed a 12-month increase of 10.4%, totalling Euro 27,228 million at the end of June. Direct term-funding showed a shift toward the short-range component, especially asset management;
- on the lending side, there was a rise in the volume of customer loans disbursed by all of the Group's sectors and companies. While 1999 was fairly stable, in the first half of 2000 loans net of non-performing items rose to Euro 75,133 million, an increase of 7.1% on

annual basis. As in the rest of the banking industry, the fastest-growing component was short-term loans, while household loans showed the best performance among the long-term variety. The branch network in Italy disbursed more than Euro 800 million in property loans to private customers during the first six months of the year, while personal loans rose 28.8% with respect to June 1999. The foreign network - Banque Sanpaolo and the international branches of the Parent Bank - also increased loan exposure to take advantage of the favorable economy in the Euro-zone.

The growth in customer loans took place on a selective basis, in accordance with Group policies. In May the Group took another step toward improving asset quality by arranging for the sale without recourse of certain non-performing loans, mostly property loans, with a total net book value of Euro 662 million. This had a positive effect on the half-year statement of income.

Thanks also to the Group's intensive recovery efforts, net non-performing loans fell to Euro 850 million, around half the end-1999 figure of Euro 1,694 million. As a percentage of total customer loans they dropped from 2.3 to 1.1%. Problem and rescheduled loans, net of value adjustments, shrank by 14.6% during the period and came to 1.3% of total loans, down from 1.6% as of December 1999.

The improvement in asset quality made it possible to reduce further the provisions and losses on loans and financial fixed assets with respect to the first half of 1999. The reduction was achieved despite provisions



made for the sake of prudence against the risk that lending rates on low-interest mortgage loans would go down, in connection with Treasury Decree 110 of March 24, 2000, and despite an increase in general adjustments on performing loans.

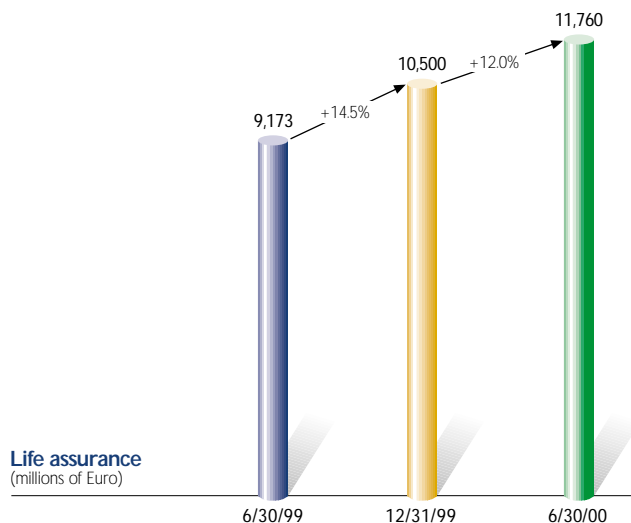
Amortization, depreciation, and operating costs net of recoveries grew by 5.3%, due to one-off costs for developing innovative distribution channels and expanding the sales network.

Pre-tax income includes Euro 304 million in net extraordinary income, of which Euro 150 million came from the disposal of the remaining 40% of Crediop, Euro 82 million from the Parent Bank's sale of own shares, Euro 46 million from the sale of equity investments by NHS, and Euro 16 million from the partial disposal of our stake in Beni Stabili.

Lastly, Group net income includes the net earnings booked by the life companies, which came to Euro 9.8 million for Sanpaolo Vita and its subsidiary Sanpaolo Life and to Euro 25.7 million for Fideuram Vita. The Group's insurance companies increased their embedded value during the period by means of new production estimated at Euro 35.3 million for Sanpaolo Vita and Sanpaolo Life and Euro 13 million for Fideuram Vita.

Business sectors

The various situations that have been described at Group level are mirrored by the results of the various business sectors.



Retail banking

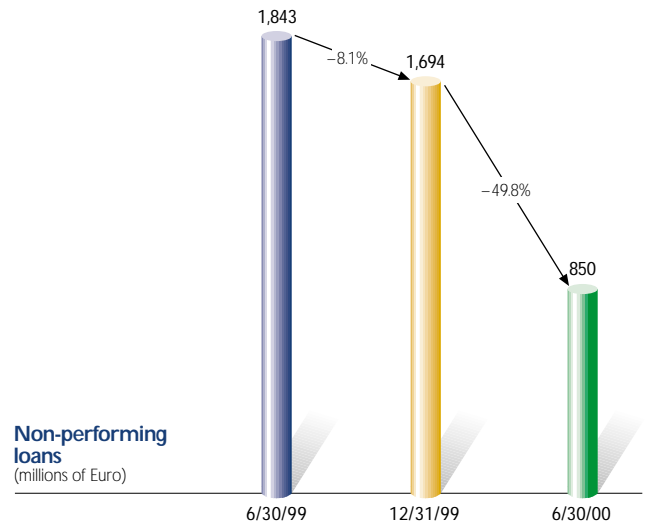
During the period the Retail Banking sector worked on improving its position on the market, with a particular focus on developing new electronic channels and on expanding and specializing the branch network. As its sight deposits especially and other volumes increased, it saw an upturn in net interest income. The most significant contribution, however, was made by net commissions: thanks to growth in the asset management these accounted for 51% of net interest and other banking income. Net income in this sector came to Euro 378 million, bringing the annualized RORAC to 29%.

Personal Financial Services

Banca Fideuram invested to expand its network of consultants and develop innovative distribution channels. Despite these costs, it remained one of Italy's most successful banks in terms of profitability and the creation of value for its shareholders. It closed the half-year with net income of Euro 100 million (+28.3% on the first half of 1999) and an annualized RORAC of 28.5%.

Sanpaolo Invest, now licensed as a bank, concentrated on improving the business tools at the disposal of its financial consultants. From an earnings perspective, the rise in revenues offset the extraordinary costs of becoming a bank and improving its competitive position. Net income was Euro 8 million, up 18% on an annual basis, and the annualized RORAC came to 18.3%.

The Personal Financial Services sector also developed the on-line trading services offered by way of @IMIWeb.



Wholesale Banking

The Large Corporate area aimed at improving commission income, streamlining its activities and limiting the absorption of capital. During the half-year it took steps to bolster its project and export financing units, rationalize its international activities and plan a securitization initiative for performing loans, which is due to be carried out soon. Net income came to Euro 37 million, producing an annualized RORAC of 10.3%.

The area of Government Agencies and Infrastructure improved its market position during the period, against a backdrop of strong national and international competition. There was an increase in loans, in terms of average balance, which was reflected in net interest income. This brought net income for the half-year to Euro 15 million and annualized profitability to 14.7%. In July, the area was incorporated and operates as Banca OPI.

Banca IMI, the Group's investment banking arm, has finished rationalizing its capital market activities. During the half-year it strengthened its leadership on the domestic market for the placement of bonds and equities, and strengthened its role as a primary dealer on the main European markets. It also launched a platform of web services for institutional customers. Net income for the period was Euro 42 million, generating an annualized RORAC of 22.2%.

The Merchant Banking area, run by NHS, made merchant banking investments of Euro 38 million during the period as well as Euro 42 million in financial investments in listed companies. NHS also served as sponsor and lead investor in a foreign private equity fund designed to acquire stakes in medium-sized companies. Net income came to Euro 44 million and the annualized RORAC, not counting unrealized capital gains on the investment portfolio, to 11.7%.

Overview of Group results

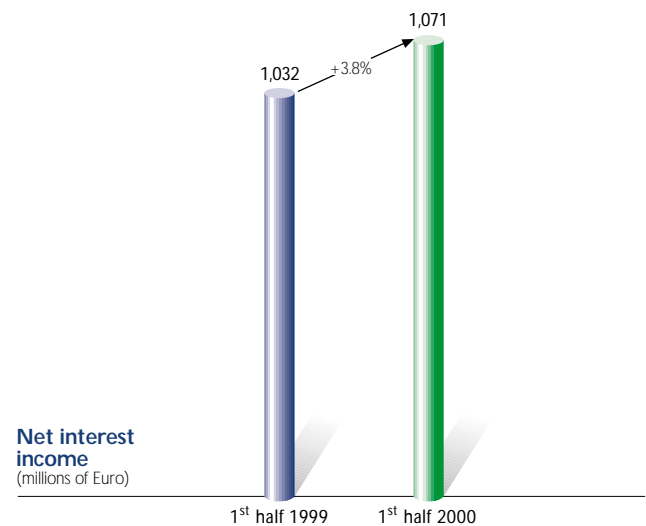
Net interest income

After last year's decline, net interest income during the first half of 2000 reversed its trend and gained 3.8% year-on-year, totalling Euro 1,071 million at the end of June.

The upturn in net interest income owes to a more favorable market interest rate structure, but above all to a rise in volumes, which was accompanied by a shift toward less costly forms of funding.

After the downward trend in 1998 and 1999, market interest rates rose considerably. The three-month interbank Euribor rate went from 2.87% in the first half of 1999 to 3.89% in the first half of 2000. The higher market rates translated into a higher yield on the difference between interest-bearing assets and interest-charging liabilities. The customer spread recovered from the low it hit late last year, but ended lower than during the first half of 1999, penalized by the competition's aggressive loan policies which caused the rise in lending rates to be smaller than the rise in market rates.

Sight deposits were mostly responsible for the rise in volumes under administration. Current accounts and savings deposits at the Parent Bank's branches in Italy increased by 9.1% in terms of average balance, compared with the first half of 1999, while certificates of deposit dropped by 44% and bonds by 8%. The volume of customer loans also expanded: the average balance of loans by the Parent Bank's branches in Italy, net of non-performing loans and repurchase agreements, went up by 2.4%.



Net interest income

	1 st half 2000 (€/mln)	1 st half 1999 (€/mln)	1999 (€/mln)	Change 1 st half '00/'99 (%)
Interest income and similar revenues	3,238	3,042	5,981	+6.4
Interest expense and similar charges	-2,167	-2,010	-3,934	+7.8
Net interest income	1,071	1,032	2,047	+3.8

Net interest and other banking income

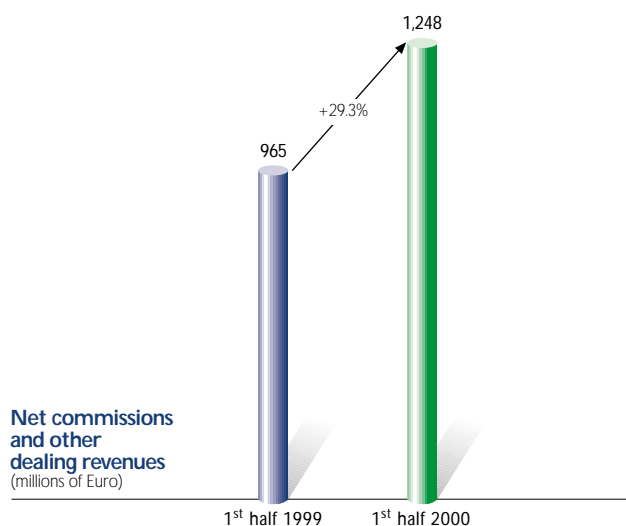
Net interest and other banking income came to Euro 2,517 million, an increase of 13.9% on an annual basis.

Of great significance was the rise in net commission income, especially from household asset management. Indeed, commissions from management, brokerage and consulting came to Euro 974 million, an increase of 38.4%. This was the result of an increase in asset management volumes - more than 22% year-on-year - and of a shift toward products of higher value added, such as equity and balanced funds and unit- and index-linked policies. The rise in commissions helped improve the ratio of commissions to personnel expenses, which went from 126% for the first half of 1999 to 160% for the same period this year, and the ratio of commissions to total administrative costs, which rose from 80% to 98%.

The profits of companies valued at net equity and dividends on equity investments rose by 7.2% with respect to the first half of 1999, to Euro 74 million. Of the companies valued at net equity, the Group's life companies - Sanpaolo Vita, Sanpaolo Life and Fideuram Vita - made a significant contribution to consolidated net income with a total of Euro 35 million. Dividends on equity investments, including

the tax credit, came to Euro 36 million compared with Euro 13 million for the first half of last year; of note are the dividends paid by Beni Stabili (Euro 10.7 million) and Banco Santander Central Hispano (Euro 9.6 million).

The decision to limit the Group's risk profile resulted in another decline in profits from financial transactions, by 13.9%.



Net interest and other banking income

	1 st half 2000 (€/mln)	1 st half 1999 (€/mln)	1999 (€/mln)	Change 1 st half '00/'99 (%)
Net interest income	1,071	1,032	2,047	+3.8
Net commissions and other dealing revenues	1,248	965	2,066	+29.3
- Management, dealing and consultancy services	974	704	1,523	+38.4
- Loans and guarantees	88	85	174	+3.5
- Collection and payment services	65	59	127	+10.2
- Deposits and current accounts	96	92	169	+4.3
- Other banking services	25	25	73	-
Profits (losses) on financial transactions and dividends on shares	124	144	251	-13.9
Profits of companies carried at equity and dividends on equity investments	74	69	205	+7.2
Net interest and other banking income	2,517	2,210	4,569	+13.9

Operating income

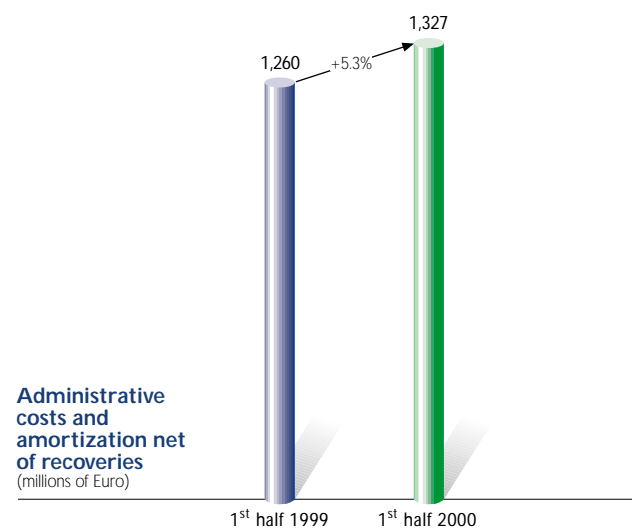
Operating income came to Euro 1,190 million, up 25.3% on the first half of last year.

Administrative expenses, amortization and depreciation, at Euro 1,327 million net of cost recoveries, increased by 5.3% due to the extraordinary expenses incurred by the Parent Bank and the subsidiaries Banca Fideuram, Sanpaolo Invest and @IMIWeb, in the form of investments for the development of innovative distribution channels and the expansion of the sales network.

The increase in costs from development activities were countered by the Parent Bank's ongoing efforts to limit normal business costs. Administrative expenses, amortization and depreciation at the Parent Bank, net of cost recoveries, fell by 1.2%.

The rise in revenues more than compensated for the

increase in costs, so the cost to income ratio - including amortization and depreciation, and net of recoveries - fell from 57% to 52.7% compared to the first half of 1999.



Operating income

	1 st half 2000 (€/mln)	1 st half 1999 (€/mln)	1999 (€/mln)	Change 1 st half '00/'99 (%)
Net interest and other banking income	2,517	2,210	4,569	+13.9
Administrative costs	-1,279	-1,211	-2,466	+5.6
- <i>personnel</i>	-778	-765	-1,534	+1.7
- <i>other administrative costs</i>	-416	-363	-763	+14.6
- <i>indirect duties and taxes</i>	-85	-83	-169	+2.4
Other operating income	88	85	175	+3.5
Adjustments to tangible fixed assets	-58	-62	-133	-6.5
Adjustments to intangible fixed assets	-78	-72	-160	+8.3
Operating income	1,190	950	1,985	+25.3

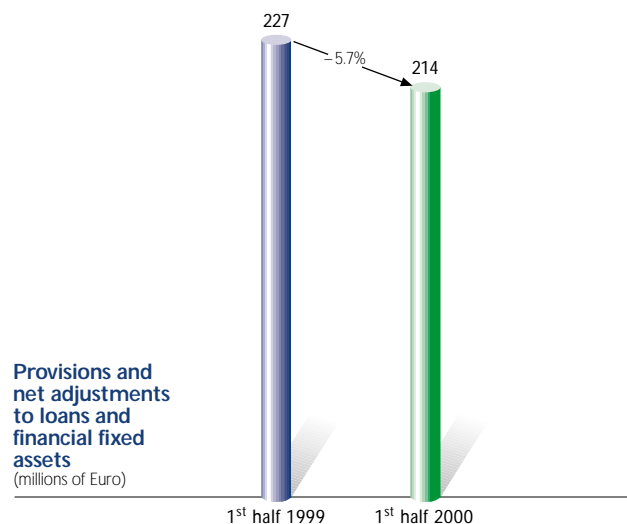
Income before extraordinary items

Income before extraordinary items came to Euro 976 million (+35%). A contributing factor was the reduction in provisions and writedowns on loans and financial fixed assets, because of the improvement in asset quality.

Provisions and writedowns totalled Euro 214 million, down 5.7% with respect to the first half of 1999. The decline was possible even though a provision of Euro 160 million was made for the sake of prudence, in the event that lending rates on low-interest loans would go down in connection with Treasury Decree no. 110 of March 24, 2000, and for an increase in general provisions on the Parent Bank's performing loans.

The smaller volume of new doubtful loans and the recoveries achieved during the period, thanks in part to without-recourse sales by the Parent Bank, resulted in a 50% drop in non-performing loans since the beginning of the year. Many doubtful loans were recovered at rates much

higher than the net values booked in previous years: writebacks in principal and interest came to Euro 177 million, of which Euro 100 million owed to the non-recourse sales mentioned.



Income before extraordinary items

	1 st half 2000 (€/mln)	1 st half 1999 (€/mln)	1999 (€/mln)	Change 1 st half '00/'99 (%)
Operating income	1,190	950	1,985	+25.3
Provisions for risks and charges	-132	-31	-81	+325.8
Adjustments to loans and provisions for guarantees and commitments	-77	-170	-313	-54.7
- net writedowns and losses	-244	-270	-537	-9.6
- net provisions for guarantees and commitments	-10	-	-	n.s.
- writebacks following collections	177	100	224	+77.0
Adjustments to financial fixed assets	-5	-26	-87	-80.8
- net writedowns of equity investments	-5	-9	-73	-44.4
- net writedowns of investment securities	-	-17	-14	n.s.
Income before extraordinary items	976	723	1,504	+35.0

Net income

Net income amounted to Euro 746 million, an increase of 23.3% on the first half of 1999.

Net extraordinary income contributed Euro 304 million to the net income, with little change since the first half of last year. Of the total:

- Euro 150 million came from the disposal of the remaining 40% of Crediop;

- Euro 82 million came from the Parent Bank's sale of own shares;
- Euro 46 million came from the sale of minority holdings by NHS;
- Euro 16 million came from the partial disposal of the investment in Beni Stabili.

Income taxes have been calculated, for the sake of prudence, without taking account of the tax break offered under the "Ciampi Law" in connection with the 1998 merger of San Paolo and IMI.

Net income

	1 st half 2000 (€/mln)	1 st half 1999 (€/mln)	1999 (€/mln)	Change 1 st half '00/'99 (%)
Income before extraordinary items	976	723	1,504	+35.0
Extraordinary income (expenses)	304	301	294	+1.0
- <i>net gains on disposal of equity investments</i>	217	313	322	-30.7
- <i>other net extraordinary items</i>	87	-12	-28	n.s.
Income before income taxes	1,280	1,024	1,798	+25.0
Income taxes	-488	-398	-685	+22.6
Change in reserve for general banking risks	3	-	-1	n.s.
Income attributable to minority shareholders	-49	-21	-62	+133.3
Net income	746	605	1,050	+23.3

Operating volumes and organization

Assets managed on behalf of customers

Customer assets came to Euro 266,118 million at the end of the half-year, an increase of Euro 6,092 million (9.9%) with respect to June 1999.

Much of the growth in customer assets can be attributed to the various forms of professional asset management: mutual funds, portfolio management and insurance policies totalled Euro 119,891 million at the end of June, an increase of Euro 9,419 million over the six-month period and an annual rise of 22.3%. As a percentage of total customer assets, asset management topped 45% at the end of the period, compared with 42% in December 1999 and 40% last June.

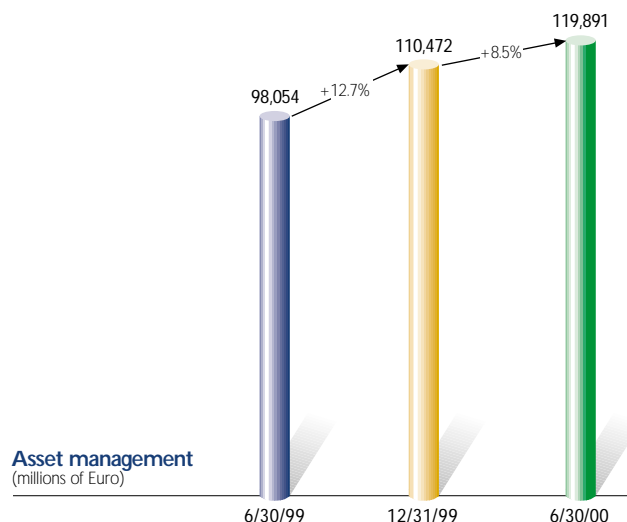
Asset management and administration

Every form of customer investment contributed to the rise in asset management.

Mutual funds and fund-based portfolio management schemes amounted to Euro 101,472 million at the end of

the period, an increase of Euro 7,617 million since December 1999 and of 22.2% over the previous 12 months. Net subscriptions during the period totalled Euro 7,379 million: Euro 2,205 million in mutual funds and Euro 5,174 million in fund-based portfolio management.

The Group further improved its share of the mutual fund market in Italy, which rose from 17.5% at the end of 1999 to 18% as of June 2000. The upward trend of the capital markets fostered an additional rise in equity and balanced funds, which increased, respectively, from 38%



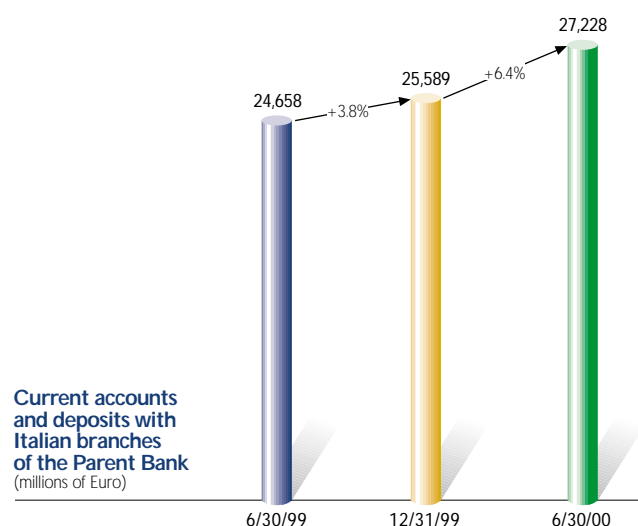
Customer assets under administration

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	Amount (€/mln)	%	Amount (€/mln)	%	Amount (€/mln)	%	
Asset management	119,891	45.0	98,054	40.5	110,472	42.5	+22.3
- mutual funds	78,002	29.3	70,087	29.0	76,019	29.2	+11.3
- fund-based portfolio management	23,470	8.8	12,926	5.3	17,836	6.9	+81.6
- portfolio management	6,659	2.5	5,868	2.4	6,117	2.4	+13.5
- life assurance	11,760	4.4	9,173	3.8	10,500	4.0	+28.2
Asset administration	68,008	25.6	62,519	25.8	70,597	27.1	+8.8
Direct deposits	78,219	29.4	81,521	33.7	78,957	30.4	-4.1
- current accounts and deposits	37,674	14.1	33,362	13.8	36,096	13.9	+12.9
- certificates of deposit	7,274	2.7	8,923	3.7	9,090	3.5	-18.5
- bonds	22,371	8.4	24,389	10.1	23,643	9.1	-8.3
- commercial paper	2,013	0.8	2,202	0.9	2,584	1.0	-8.6
- repurchase agreements and securities lent	5,020	1.9	6,257	2.6	3,758	1.4	-19.8
- other	3,867	1.5	6,388	2.6	3,786	1.5	-39.5
Total customer assets under administration	266,118	100.0	242,094	100.0	260,026	100.0	+9.9

to 43% and from 11% to 14% of the total over the six-month period.

The technical reserves of the Group's life companies came to Euro 11,760 million, rising by Euro 1,260 million during the half-year. The increase was due mainly to the growing success of unit- and index-linked policies, which alone grew by 69% over the 12-month period and by 27% since the end of last year.

The portfolio management business prospered from the new schemes devised during the first few months of the year, rising by 13.5% on an annual basis. Portfolios managed on behalf of institutional customers, insurance companies, banks, pension funds and other entities exceeded Euro 7 billion, an increase of 16.4% year-on-year and of 6.7% since December 1999.



Direct deposits

Direct customer deposits totalled Euro 78,219 million at the end of June, with little change since December 1999 and a decline of 4.1% on an annual basis.

Customers continued to move their assets away from time deposits and into short-term deposits and, above all, into asset management. Bonds and certificates of deposit fell respectively by Euro 1,272 and Euro 1,816 million during the half-year, and by 8.3% and 18.5% on an annual basis; on the other hand, current accounts and savings deposits gained Euro 1,578 million between January and June, and enjoyed a 12.9% increase with respect to June 1999. On their own, sight deposits at the Italian branches of the Parent Bank - the most remunerative component of total funding - rose by 6.4% since last December and by 10.4% since June.

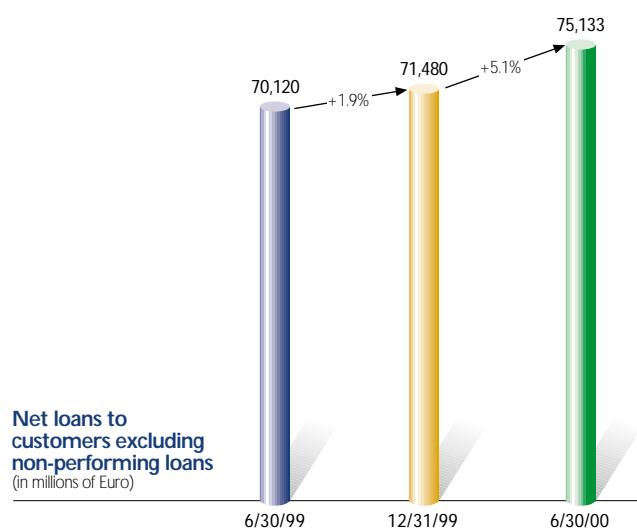
The Group's market share for direct deposits was 6.9% at the end of the period, compared with 7.1% as of December 1999.

Customer loans

Net customer loans amounted to Euro 75,983 million at the end of June, having resumed their growth phase after the group-wide loan policy review taking place in 1999. The increase in loans during the half-year was Euro 2,809 million, and 5.6% on an annual basis. Excluding non-performing loans, the increase came to Euro 3,653 million for the period and annual growth of 7.1%.

Loans to customers

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	Amount (€/mln)	%	Amount (€/mln)	%	Amount (€/mln)	%	
Short-term loans	29,616	39.0	27,082	37.6	26,701	36.5	+9.4
Medium and long-term loans	45,517	59.9	43,038	59.8	44,779	61.2	+5.8
Non-performing loans	850	1.1	1,843	2.6	1,694	2.3	-53.9
Customer loan portfolio	75,983	100.0	71,963	100.0	73,174	100.0	+5.6



Short-term loans accounted for most of the increase. Net of non-performing loans, they rose by Euro 2,915 million since the end of 1999 and by 9.4% on an annual basis. The rise in long-term loans was more moderate: Euro 738 million for the period and 5.8% for the year.

The increase in short-term loans reflects the rising demand from businesses, which had higher borrowing requirements because of the general economic recovery. Also of note was the amount of loans to large Italian groups involved in extraordinary finance operations, due to be transformed into longer-term loans in the future.

In the long-term sector, household loans continued to be the fastest-growing component, as families' inclination to

Loan to customers by category of borrower

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	Amount (€/mln)	%	Amount (€/mln)	%	Amount (€/mln)	%	
Loans to households	12,890	17.0	11,461	15.9	12,361	16.9	+12.5
Loans to family businesses and non-financial companies	43,322	57.0	43,108	59.9	43,260	59.1	+0.5
Loans to financial companies	8,286	10.9	7,009	9.7	6,751	9.2	+18.2
Loans to governments and public bodies	11,257	14.8	8,830	12.3	9,940	13.6	+27.5
Loans to other operators	228	0.3	1,555	2.2	862	1.2	-85.3
Loans to customers	75,983	100.0	71,963	100.0	73,174	100.0	+5.6

Loans to customers by type of lending

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	Amount (€/mln)	%	Amount (€/mln)	%	Amount (€/mln)	%	
Loans to households	12,890	17.0	11,461	15.9	12,361	16.9	+12.5
- Loans by Italian branches	11,697	15.4	10,564	14.7	11,132	15.2	+10.7
- current accounts	922	1.2	878	1.2	848	1.2	+5.0
- personal loans	1,046	1.4	812	1.1	966	1.3	+28.8
- mortgage loans	9,231	12.1	8,604	12.0	8,615	11.8	+7.3
- other	498	0.7	270	0.4	703	1.0	+84.4
- Loans by foreign branches	1,193	1.6	897	1.2	1,229	1.7	+33.0
Loans to family businesses, companies, governments, public bodies and others	63,093	83.0	60,502	84.1	60,813	83.1	+4.3
- Loans by Italian branches	52,129	68.6	52,777	73.3	52,333	71.5	-1.2
- current accounts	7,653	10.1	8,283	11.5	7,996	10.9	-7.6
- repurchase agreements	1,852	2.4	2,014	2.8	1,245	1.7	-8.0
- import/export loans	1,495	2.0	2,053	2.8	1,290	1.8	-27.2
- leasing	1,595	2.1	1,515	2.1	1,580	2.2	+5.3
- mortgage loans	27,736	36.5	28,265	39.3	28,176	38.5	-1.9
- other	11,798	15.5	10,647	14.8	12,046	16.5	+10.8
- Loans by foreign branches	10,964	14.4	7,725	10.7	8,480	11.6	+41.9
Loans to customers	75,983	100.0	71,963	100.0	73,174	100.0	+5.6

borrow seems to be approaching European standards thanks to the reduction in the real cost of debt. Mortgage loans to private customers of the Italian branches exceeded Euro 800 million during the period, and personal loans - granted by the Parent Bank and Finconsumo - increased by 28.8% on an annual basis.

During the half-year, the Group's share of the Italian market for short-term loans rose from 5.8% to 5.9%, while its share of the long-term market dropped from 11% to 10.4%.

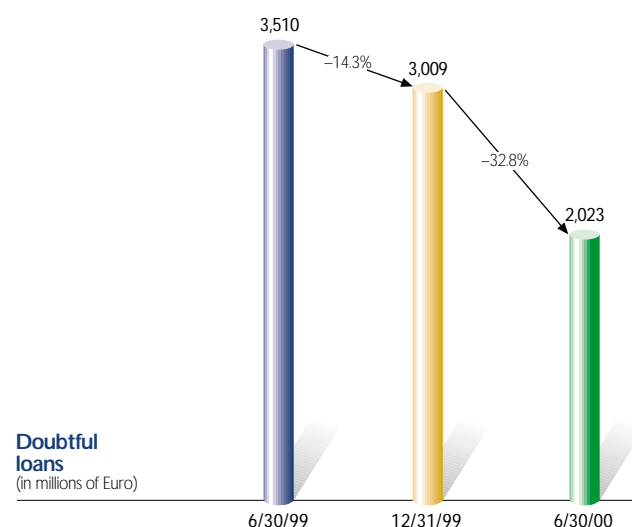
Doubtful loans

Doubtful loans fell to Euro 2,023 million, plunging by Euro 986 million for the period and by 42.4% on an annual basis.

In addition to the decline in new doubtful loans and the Group's determined efforts to recover critical positions, the drop in doubtful loans was caused by the sale without recourse of loans with a book value of Euro 662 million. Net non-performing loans came down by Euro 844 million during the half-year, to a total of Euro 850 million, and therefore fell from 2.3% of the total in December 1999 to 1.1% at the end of June. Net of write-offs, coverage increased from 71% to 79.1%.

Problem loans, rescheduled loans and those being rescheduled, net of adjustments, fell to Euro 992 million (less Euro 170 million for the period). As a percentage of total loans they dropped from 1.6% in December 1999 to 1.3%. Total coverage, including write-offs, was 42.4%.

There was a slight increase in unsecured cash loans to countries at risk, which were affected by the depreciation of the Euro. Exposure rose from Euro 153 to Euro 180 million during the half-year, and coverage came to 50.4%.



Doubtful loans

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	Amount (€/mln)	%	Amount (€/mln)	%	Amount (€/mln)	%	
Non-performing loans	850	1.1	1,843	2.6	1,694	2.3	-53.9
Problem and rescheduled loans and those being rescheduled	992	1.3	1,467	2.0	1,162	1.6	-32.4
Loans subject to country risk - customers	84	0.1	89	0.1	48	0.1	-5.6
Performing loans	74,057	97.5	68,564	95.3	70,270	96.0	+8.0
Total customer loans	75,983	100.0	71,963	100.0	73,174	100.0	+5.6
Non-performing and problem loans - banks	1		1		-		-
Loans subject to country risk - banks	96		110		105		-12.7

Financial markets

Brokerage

Trading activities, carried on by Banca IMI and its subsidiaries, were geared toward improving the Group's position on the Italian and international markets. Banca IMI strengthened its role as a primary dealer on Europe's most important government bond markets, and boosted its presence on the market for primary-issuer Eurobonds. The bank also continued its expansion into foreign equity markets, focusing its trading activities on arbitrage opportunities and hedging on structured products and limiting its position taking.

On the interbank market, the Group confirmed its leading position both through the Parent Bank, now a member of the Euribor panel (made up of Europe's major banks), and through subsidiaries specialized in funding on foreign markets. Treasury operations were influenced by the gradual rise in debt, which has paralleled the trend in funding and lending aggregates at the Parent Bank; in response to the growing need for funding, the Group aimed to diversify its sources in terms of instruments, markets and counterparties. As always, risk positions were limited, but they enabled the Group to profit from the rise in short-term interest rates and from the positive trend in the yield curve.

Placement and advisory business

Banca IMI arranged and took part in the placement of loans for corporate and banking issuers for a total of Euro 4,398 million, 42% more than during the first half of last year. It also served as bookrunner for the placement of two issues by the Italian government, totalling Euro 4,000 million, of which Euro 3,000 million was also offered over the Internet platform IMI Direct.

In equities, Banca IMI was global coordinator and sponsor for placements by AS Roma, CDC and Mondo TV. It also took part, as a member of the public offer management group, in the placement syndicate for Finmeccanica. Banca IMI was lead manager in the placement of the Italian tranche of Deutsche Telekom and co-lead manager for the placement in Italy of Banco Santander Central Hispano. During the first half of the year it also significantly increased its role in placements of foreign companies (AT&T Wireless, Metlife and Eads).

In the field of corporate consulting for extraordinary finance operations, Banca IMI assisted Italian and international customers and served as financial advisor in a number of operations.

Securities, interbank positions and derivatives

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	Amount (€/mln)	%	Amount (€/mln)	%	Amount (€/mln)	%	
Investment securities	1,694	8.2	1,687	6.7	1,756	9.5	+0.4
Dealing securities	18,909	91.8	23,665	93.3	16,645	90.5	-20.1
Total portfolio	20,603	100.0	25,352	100.0	18,401	100.0	-18.7
Loans to banks	21,732		20,005		22,145		+8.6
Funding from banks	3,916		4,086		4,278		-4.2
Funding from other banks	26,861		21,593		23,734		+24.4
Derivatives and forward forex transactions (notional value)	273,808		336,651		268,741		-18.7

Equity investments

The INA - Banco di Napoli operation

During the first half of 2000, SANPAOLO IMI set out the procedures for taking control of Banco di Napoli:

- SANPAOLO IMI agreed with Banca Nazionale del Lavoro the acquisition of BNL's 49% stake in Banco di Napoli Holding, which owns 56.1% of Banco di Napoli's ordinary share capital. The transaction was finalized in July for a price of Euro 874 million;
- the Boards of Directors of SANPAOLO IMI and INA voted to ask their shareholders, who met in late July, to approve a non-proportional spin-off of INA. The spin-off will involve SANPAOLO IMI's acquisition of the remaining 51% of Banco di Napoli Holding currently owned by INA, whose value has been estimated at Euro 945 million. This will be in exchange for the cancellation of SANPAOLO IMI's residual 9.14% stake in INA, valued at Euro 903 million, and for the allotment of 3.6 million SANPAOLO IMI shares - valued at Euro 57 million - to INA shareholders other than the majority shareholder Generali. Lastly, Generali will pay SANPAOLO Euro 15 million in cash by way of equalization. The operation was approved by the legal authorities in Turin and Rome in early September, and should be carried out at the start of October. Since Banco di Napoli Holding will be acquired in its entirety, the Neapolitan bank will become a member of the SANPAOLO IMI Group.

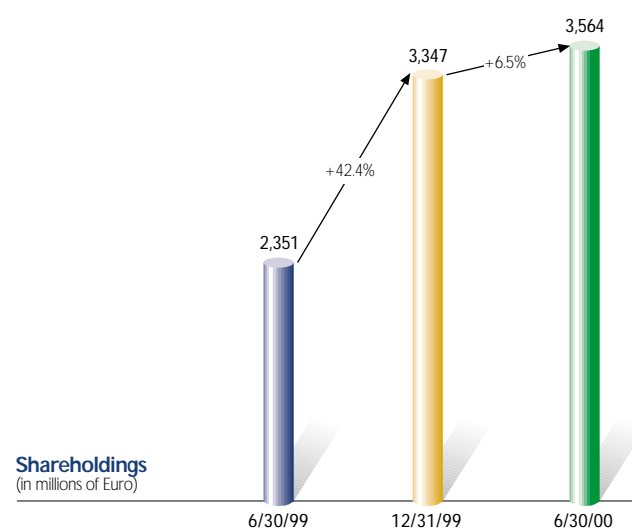
During the half-year the conditions were also determined for the mandatory takeover bid that CONSOB requires on the remaining 43.9% of Banco di Napoli ordinary shares currently held by minority shareholders and the market. The bid, which will be launched once the spin-off has taken place, will amount to Euro 1.533 per share; if all shareholders accept, the operation will cost SANPAOLO IMI a total of Euro 1,255 million.

The acquisition of Banco di Napoli is an important step in the Group's strategy of bolstering its retail banking business. With over 700 branches serving more than a million retail customers, Banco di Napoli has a solid position in Southern Italy which complements SANPAOLO IMI's network.

Other initiatives

The following are among the other operations of note during the first half of 2000:

- the completion of the strategic agreement with Cassa di Risparmio di Firenze, which raised the Group's stake in the bank from 4.1% to 19.1% and gave the Ente Cassa di Risparmio di Firenze a 2% interest in SANPAOLO IMI;
- the sale to the Franco-Belgian group Dexia of SANPAOLO IMI's remaining 40% stake in Crediop. The sale, pursuant to agreements reached at the end of 1998, produced a gross capital gain of Euro 150 million;
- an increase from 2% to 2.8% in the Group's share of Banco Santander Central Hispano, for an investment of Euro 442 million. The stake will be raised to 3%, to



Non-consolidated equity investments

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	Amount (€/mln)	%	Amount (€/mln)	%	Amount (€/mln)	%	
Equity investments	3,564	100.0	2,351	100.0	3,347	100.0	+51.6
- carried at equity value	729	20.5	1,077	45.8	843	25.2	-32.3
- carried at cost	2,835	79.5	1,274	54.2	2,504	74.8	+122.5
- in listed companies	2,639	74.0	1,103	46.9	2,258	67.5	+139.3
- in other companies	196	5.5	171	7.3	246	7.3	+14.6

strengthen the partnership between the two groups. To that end, after the close of the half-year, the parties signed an agreement for the distribution of products to customers in Italy and South America. SANPAOLO IMI and BSCH, together with Commerzbank, Royal Bank of Scotland and Société Générale, have also announced a joint venture for the on-line sale of treasury and capital market services to international companies and investors;

- an increase from 0.29% to 0.31% in the Group's interest in the Royal Bank of Scotland, for an investment of Euro 74 million. The stake was reduced to 0.2% in July and August, generating a capital gain of Euro 12 million.

The operating structure

The distribution network

The Group has reinforced its distribution network by selectively adding and specializing its branches, hiring

new financial consultants and developing innovative distribution channels.

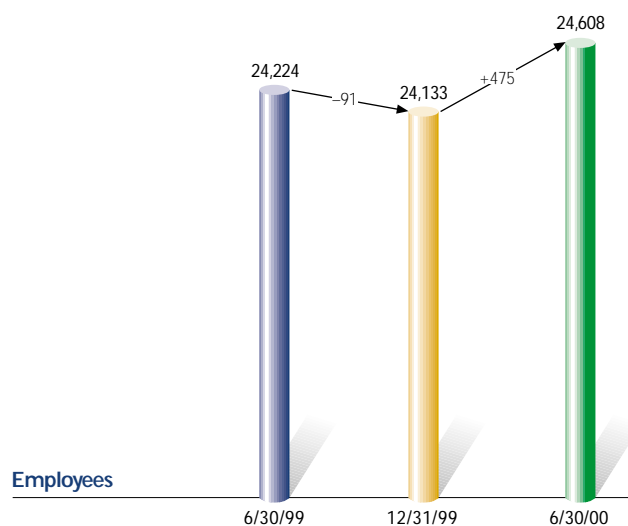
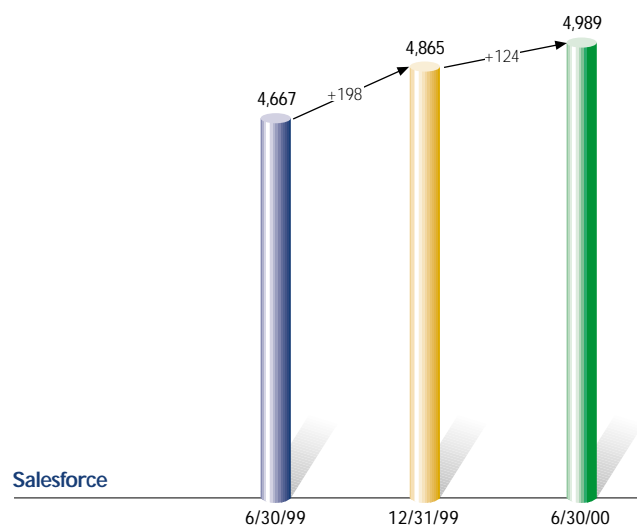
The Parent Bank's Italian network grew by 17 branches during the half-year, and another 17 outlets were opened in July and August. Banca Fideuram also expanded its network, as did Banque Sanpaolo in France. The Group continued to specialize its existing outlets by market segment; at the end of August, the Parent Bank had 15 private banking facilities and four branches in shopping centres.

The number of financial consultants rose by 124, to a total of 4,989. Most of the increase took place at Banca Fideuram, which had 3,509 consultants in December 1999 and 3,629 at the end of June.

Innovative distribution channels received substantial investments from the Parent Bank, through its Commercial Banking Area, from Banca Fideuram and Sanpaolo Invest. The on-line trading service offered by @IMIWeb gathered strength, with the number of cus-

Distribution network

	6/30/00	6/30/99	12/31/99	Change 6/00 - 6/99 (%)
Banking branches and area offices	1,452	1,415	1,419	+2.6
- Italy	1,381	1,351	1,355	+2.2
- Parent Company	1,309	1,291	1,292	+1.4
- North West (Piedmont, Valle d'Aosta, Lombardy and Liguria)	939	935	935	+0.4
- North East (Veneto, Trentino Alto Adige, Friuli Venezia Giulia and Emilia Romagna)	92	89	89	+3.4
- Centre (Tuscany, The Marches, Umbria, Latium, Abruzzo and Molise)	119	115	115	+3.5
- South and Islands (Campania, Puglia, Basilicata, Calabria, Sicily and Sardinia)	159	152	153	+4.6
- Banca Fideuram	72	60	63	+20.0
- Abroad	71	64	64	+10.9
- Parent Company	10	11	11	-9.1
- Banque Sanpaolo	60	52	52	+15.4
- Banca IMI	1	1	1	-
Area offices	13	12	12	+8.3
Financial consultants	4,989	4,667	4,865	+6.9
- Banca Fideuram	3,629	3,281	3,509	+10.6
- Sanpaolo Invest	1,360	1,386	1,356	-1.9



tomers exceeding 10,000 at the end of June and a trading volume of more than Euro 1,900 million since the start of the year.

The Parent Bank now has more than 1,800 ATMs, which handled 32 million transactions during the period and disbursed Euro 3,269 million. The number of POS machines rose to 21,541, with transactions up 12.3% for the half-year. Phone banking contracts now number 95,800, an

increase of 32% since December. More than 27,000 companies have remote banking links with the Bank.

Personnel

The workforce increased by 475 employees during the period, totalling 24,608 at the end of June. The increase reflects the growth of sectors with the highest earning potential, namely Commercial Banking and Personal Financial Services.

Personnel

	6/30/00		6/30/99		12/31/99		Change 6/00 - 6/99 (%)
	(€/mln)	%	(€/mln)	%	(€/mln)	%	
Period-end headcount	24,608	100.0	24,224	100.0	24,133	100.0	+1.6
- Executives	367	1.5	323	1.3	345	1.4	+13.6
- Managers	4,469	18.2	4,422	18.3	4,416	18.3	+1.1
- Other employees	19,772	80.3	19,479	80.4	19,372	80.3	+1.5
Average headcount	24,370		24,262		24,216		+0.4

Equity Capital

Shareholders' equity

Shareholders' equity attributable to the Group amounted to Euro 8,165 million as of June 30, 2000, net of own shares held by the Parent Bank. Movements during the year were as follows:

<i>Shareholders' equity</i>	<i>€/mln</i>
Shareholders' equity as of January 1, 2000	8,036
Decreases	-922
- Dividends	-724
- Offset of goodwill arising on consolidation	-181
- Exchange differences and other adjustments	-17
Increases	1,051
- Capital	4
- Exchange gains and other adjustments	12
- Net income for the period	746
- Disposal of own shares in Parent Bank	289
Shareholders' equity as of June 30, 2000	8,165

The increase of Euro 4 million in capital and of Euro 12 million in additional paid-in capital results from the subscription to 1,254,250 shares, at a price of Euro 12.396 each, by Group management under a stock option plan. The plan was introduced by the Parent Bank's Board of Directors on February 9, 1999 in accordance with the shareholders' resolution of July 31, 1998.

Own shares

The own shares of SANPAOLO IMI held by the Group as of June 30, 2000 amounted to 6,801,632 shares, equal to 0.48% of capital. They are carried in the balance sheet at Euro 104 million, with an unrealized capital gain of around Euro 21 million.

Transactions in SANPAOLO IMI shares by the Group during the half-year were as follows:

- at the end of 1999, the Parent Bank held 27,431,500 of its own shares with a nominal value of Euro 76.8 million and a carrying value of Euro 335.6 million. During the first half of 2000, it bought 14,923,000 shares (for a nominal value of Euro 41.8 million, paying a total of Euro 183.5 million) and sold 38,645,500 shares (for a nominal value of Euro 108.2 million and total proceeds of Euro

554.2 million). As of June 30, 2000, the Parent Bank held 3,709,000 own shares with a nominal value of Euro 10.4 million and a carrying value of Euro 46.9 million;

- at the end of 1999, the subsidiary Banca IMI held 1,556,657 SANPAOLO IMI shares with a nominal value of Euro 4.4 million and a carrying value of Euro 20.9 million. During the first half of 2000, it bought 13,133,436 shares (for a nominal value of Euro 36.8 million, paying a total of Euro 176.1 million) and sold 11,597,461 shares (for a nominal value of Euro 32.5 million and total proceeds of Euro 161.4 million). As of June 30, 2000, Banca IMI held 3,092,632 shares with a nominal value of Euro 8.7 million and a carrying value of Euro 57 million.

Regulatory capital and capital adequacy

The ratio between regulatory capital and total assets weighted for lending risk and market risk stands at 10.9%. The ratio between Tier 1 capital and total risk-weighted assets comes to 9.5%. The solvency ratio for just lending risks is 12% compared with the 8% minimum required by the regulatory authorities.

The ratio will be around 10% even after the Group takes control of Banco di Napoli, thanks to the issue of preferred shares and subordinated loans.

Regulatory capital and capital adequacy

	6/30/00	6/30/99	12/31/99
Regulatory capital (€/mln)			
Tier 1 capital	7,939	8,017	7,505
Tier 2 capital	1,941	1,165	1,255
less: prescribed deductions	-841	-461	-737
Total capital	9,039	8,721	8,023
Weighted assets (€/mln)			
Lending risk	75,250	75,790	70,838
Market risk	7,413	6,133	6,637
Other parameters	500	439	500
Total assets	83,163	82,362	77,975
Capital adequacy ratios			
Tier 1 ratio	9.5	9.7	9.6
Total capital ratio	10.9	10.6	10.3

Risk management

The basic principles

The Sanpaolo IMI Group is strongly committed to risk management and control, which is based on three principles:

- clear identification of responsibility for taking risks;
- measurement and control systems in line with best international practice;
- separation of duties between the business units undertaking day-to-day operations and undertaking controls.

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

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

The business units that generate lending and/or financial risks operate within the autonomous limits granted to them and each has its own control structure.

Financial risk

Lending

The market risk associated with the Group's lending operations was maintained quite low throughout the period. The change in the market value of the banking book, measured in terms of shift sensitivity (reaction to a parallel, uniform upward shift of 100 bp in the interest rate curve), averaged a negative Euro 88 million during the period, with a low of Euro 51 million and a high of Euro 125 million. The banking book's Value at Risk (VaR), i.e. the largest "unexpected" loss in the market value of the portfolio that could have arisen during the following 10 working days, with a confidence limit of 99%, averaged Euro 196 million and came to Euro 190 million at the end of June.

Equity investments in non-Group listed companies

The market value of the equity investments held by the Parent Bank and by SANPAOLO IMI Bank International in listed companies that are not part of the Group - excluding the 9.2% stake in INA, which will be cancelled during the spin-off operation in connection with the takeover of Banco di Napoli - amounted as of June 30, 2000 to Euro 1,828 million, with unrealized capital gains over book value of Euro 246 million (attributable mostly to the investments in Banco Santander Central Hispano and Beni Stabili). The market value of listed investments held by the merchant bank NHS, a 51% subsidiary of SANPAOLO IMI, was Euro 324 million with unrealized capital gains over book value of Euro 92 million.

The VaR of listed non-Group investments held by the Parent Bank and by the subsidiaries SANPAOLO IMI Bank International and NHS (for the latter, in proportion to SANPAOLO IMI's share) was Euro 208 million at the end of June.

Trading

Trading activities, mainly in securities (fixed-interest and equities), exchange rates and derivative contracts are analyzed here.

The VaR of the trading activities, which are performed by the subsidiary Banca IMI, oscillated between a low of Euro 6.5 million and a high of Euro 19.5 million during the half-year, with an average of approximately Euro 12 million.

In addition to VaR, the *Worst Case* technique is also used to monitor the impact of potential losses that might arise in extreme circumstances. This technique reveals the worst loss obtained under a variety of assumed conditions, constructed to represent a significant shock in market parameters, on the basis of a one-day holding period. The evolution in the maximum potential daily loss shows an increase in potential risks during the first part of the year, reaching a high of Euro 61 million in March, and then a gradual fall to around the half-year average of Euro 43 million.

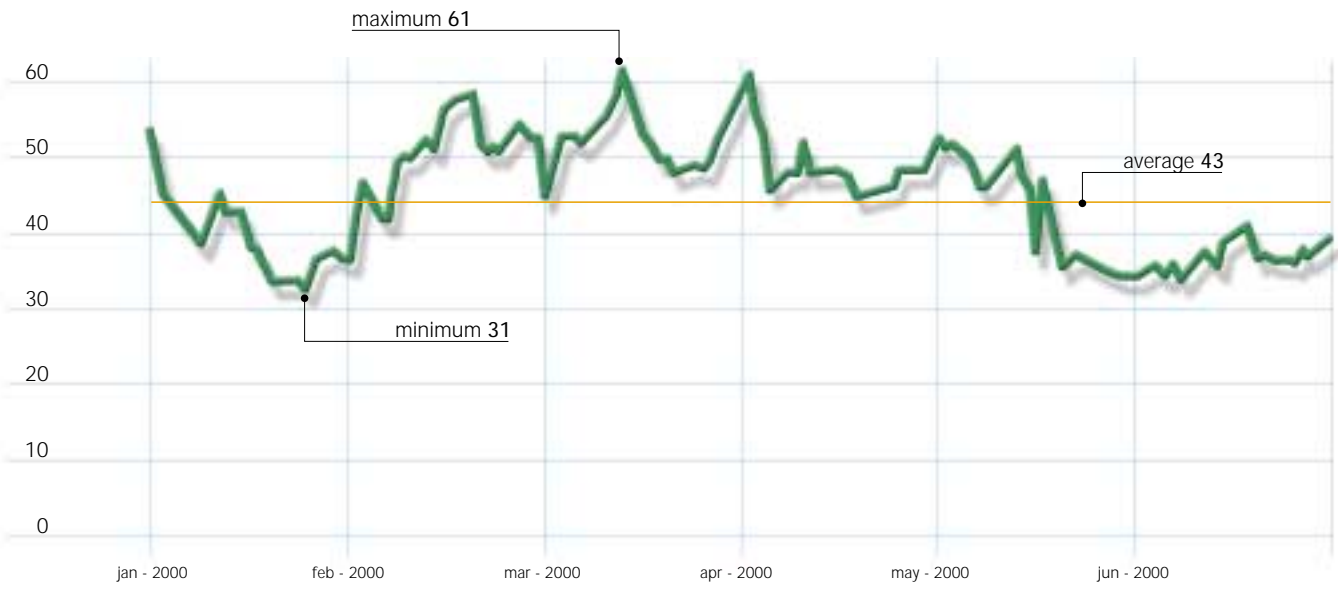
Lending risk

The risk generated by lending operations is monitored by a set of instruments, of which the most important is the counterparty rating. A rating is available for customers accounting for three quarters of exposure by the Parent

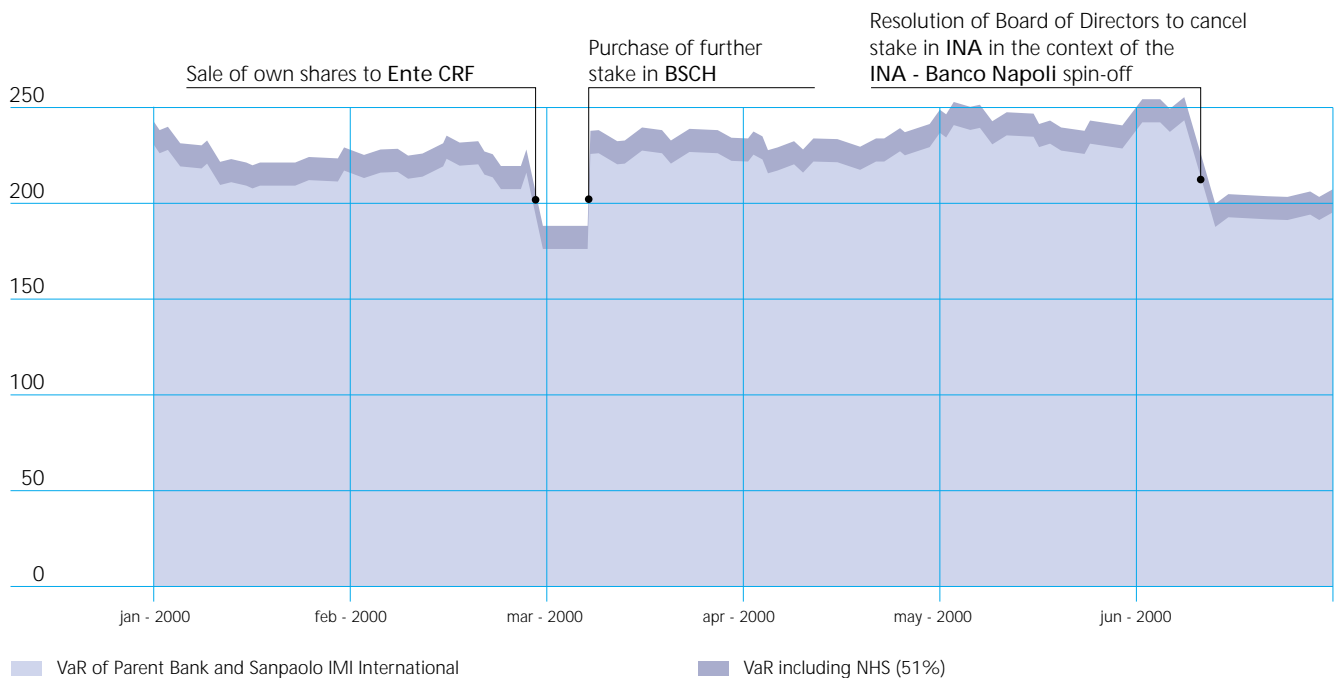
Bank, which constitutes 85% of the Group's lending risk on the basis of weighted assets. Slightly more than half of the ratings are internal, and the rest have been issued by rating agencies. They show a high quality of loans and a gradual improvement over the past 18 months: more than

80% of loans are rated investment grade. The non-rated portfolio consists essentially of loans to household.

The ratings are not only a direct instrument to monitor loan quality, but also a primary element for the credit risk port-



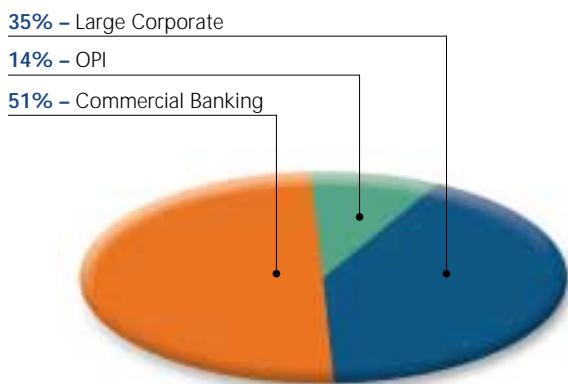
Maximum potential daily loss in trading
(€/mln)



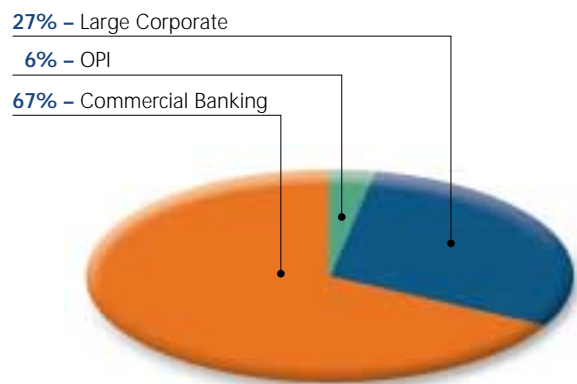
VaR of Group shareholdings (€/mln)

folio model, which summarizes the information on asset quality in risk indicators, primarily capital at risk (defined as the maximum unexpected loss that the Bank could incur with a confidence level of 99.95%). As confirmation that loan quality has improved, capital at risk against loans granted by the business units amounted at the end of June

to Euro 2,540 million, or 3.37% of drawdowns, a decrease of 8 bp with respect to a December figure reconstructed on a comparable basis. Two thirds of capital at risk is allocated to the Commercial Banking Area, and the rest is divided between Large Corporate and Public Works and Infrastructure, which have a more limited risk profile.



Loans by Business Area



Risk capital by Business Area

Supplementary information

Ratings

In April, Moody's raised its rating of the SANPAOLO IMI Group:

- hanging its rating of SANPAOLO IMI's medium/long-term debt from A1 with positive creditwatch to Aa3;
- raising SANPAOLO IMI's Bank Financial Strength rating from C+ to B;
- raising Banque Sanpaolo's ratings from P-2 to P-1 for short-term debt and from A3 to A2 for medium/long-term debt.

SANPAOLO IMI debt ratings

Rating agency	Rating type	Rating
Fitch-IBCA	• Short-term debt	F1+
	• Medium/long-term (senior) debt	AA-
Japan Rating and Investment Information	• Medium/long-term (senior) debt	AA
Moody's Investors Service	• Short-term debt	P-1
	• Medium/long-term (senior) debt	Aa3
Standard & Poor's	• Short-term debt	A-1
	• Medium/long-term (senior) debt	A+ with stable outlook
Thomson BankWatch	• Short-term debt	TBW-1
	• Medium/long-term (senior) debt	AA-

Subsidiary companies' debt ratings

Group company	Rating agency	Short-term debt rating	Senior debt rating
Banque Sanpaolo	Fitch-IBCA	F1	A+
	Moody's Investors Service	P-1	A2
Banca Fideuram	Standard & Poor's	A-1	A+
Sanpaolo IMI Bank International	Moody's Investors Service	P-1	A1
	Standard & Poor's	A-1	A+
	Thomson BankWatch	TBW-1	AA-
Sanpaolo US Financial	Moody's Investors Service	P-1	-
	Standard & Poor's	A-1	-
	Thomson BankWatch	TBW-1	-

Other ratings for SANPAOLO IMI

Rating type	Rating agency	Rating
Bank Financial Strength	Moody's Investors Service	B
Individual	Fitch-IBCA	B/C
Legal	Fitch-IBCA	2
Issuer	Thomson BankWatch	B

Performance of the Bank's share price

SANPAOLO IMI shares gained 37% in the first half of 2000. The price continued to appreciate in subsequent months; and

the end of August it had gained 49% since January, and in early September the share price reached an all-time high by exceeding 20 euros. SANPAOLO IMI shares were included in the Eurostoxx 50 from September 18, 2000.

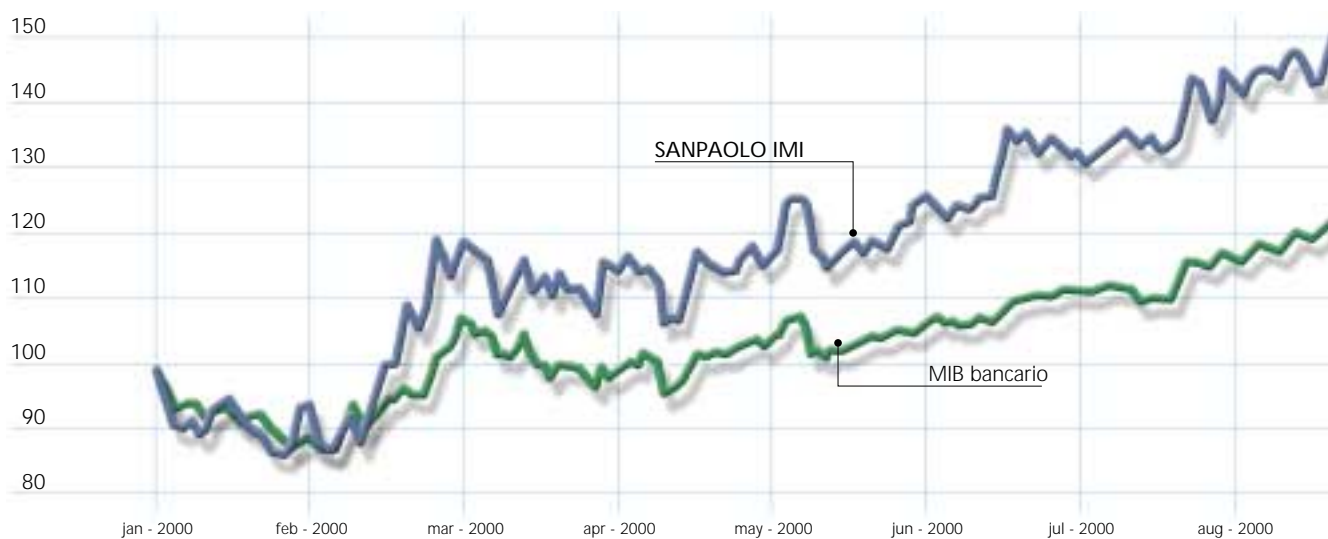
SANPAOLO IMI share price

Year	High (*) (€)	Low (*) (€)	Average (*) (€)
1995	5.110	4.030	4.573
1996	5.287	4.210	4.758
1997	8.833	4.583	6.263
1998	16.102	8.654	12.427
1999	16.035	11.102	13.191
2000 (Until 09/07/2000)	20.380	11.658	15.864

(*) Share prices before November 2, 1999 have been adjusted to take account of the real estate spin-off.

Market comparison

	8/31/00	6/30/00	12/30/99	Change (%) 6/30/00 - 12/30/99
SANPAOLO IMI shares (€)	19.910	18.368	13.424	+36.8
Banking index (MIB bancario corrente, base 12/30/1999 = 1,000)	1,216	1,101	1,000	+10.1



SANPAOLO IMI share price and MIB bancario index
(12/30/99=100)

Shareholders of SANPAOLO IMI

Based on available information, the shareholding structure of Sanpaolo IMI as of June 30, 2000 was as follows:

<i>Ownership of SANPAOLO IMI</i>	%
Compagnia di San Paolo	16.14
Banco Santander Central Hispano	7.03
Monte dei Paschi di Siena	6.20
IFI / IFIL	4.99
Cariplo Foundation	2.77
Ente Cassa di Risparmio di Firenze	2.58
Reale Mutua di Assicurazioni	2.06
Lehman Brothers International (Europe)	2.00
KBC Bank	1.16
Other shareholders (*)	55.07
Total	100.00

(*) includes own shares held by the Group.

Intercompany transactions and transactions with related parties

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

Transactions with related parties as defined in the CONSOB Communications dated February 20, 1997 and February 27, 1998 - including those with personnel and officers of the SANPAOLO IMI Group and any companies they control - similarly comply with current legislation and are conducted at market prices.

Operating sectors

Organization by Business Areas

The Group has been organized into autonomous Business Areas, supported and directed by a Corporate Centre.

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

In order to evaluate the profitability of a given area, the accounting information deriving from the Parent Bank's activities in that area is consolidated with that deriving from the activities of the subsidiaries concerned. Within the Parent Bank, results are allocated to individual Business Areas on the following principles:

- net interest income is calculated using appropriate internal transfer rates;
- in addition to actual commissions, notional commissions are also quantified for the services rendered by one area to another;
- the direct costs of each area are determined and parameters are used to apportion the cost of central services (except for holding company functions).

Capital is allocated to each Business Area as follows:

- for Areas whose operations are performed by the Parent Bank as well as subsidiaries, the average economic cap-

ital absorbed by the Parent Bank is consolidated with that absorbed by the subsidiaries. Absorbed capital is measured using the VaR approach, and distinguishing among the different types of risk: lending risk, market risk and operational risk;

- for Areas whose operations are performed by subsidiaries alone, the criterion is the accounting value of shareholders' equity.

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

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

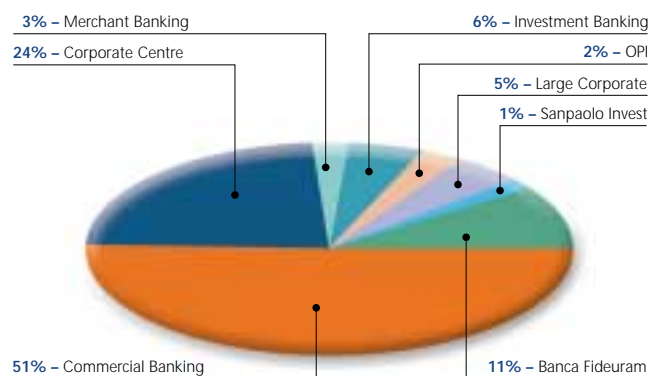
The results posted by the various Business Areas for the first half of 2000 are not fully comparable with the figures shown in the 1999 financial statements. This is because the operating perimeters of the various Areas, transfer prices and the method of calculating capital absorbed were better defined during the course of last year.

Results by Business Area for first half 2000

The results of the Group's Business Areas for the first half of 2000 are summarized in the following table:

Business Area	Net income (€/mln)	Economic capital (€/mln)	Annualized RORAC (%)
Retail Banking			
<i>Commercial Banking</i>	378	2,622	29.0
Personal Financial Services			
<i>Banca Fideuram</i>	80	566	28.5
<i>Sanpaolo Invest</i>	8	89	18.3
<i>@IMIWeb</i>	-13	30	n.s.
Wholesale Banking			
<i>Large Corporate</i>	37	715	10.3
<i>Public Works and Infrastructure</i>	15	199	14.7
<i>Investment Banking</i>	42	383	22.2
<i>Merchant Banking</i>	22	384	11.7
Corporate Centre	176	2,789	n.s.
SANPAOLO IMI Group	746	7,777	19.3

Net income by the Corporate Centre consists solely of dividends and extraordinary income from minority equity



Net income by Business Area (in %)

Retail Banking

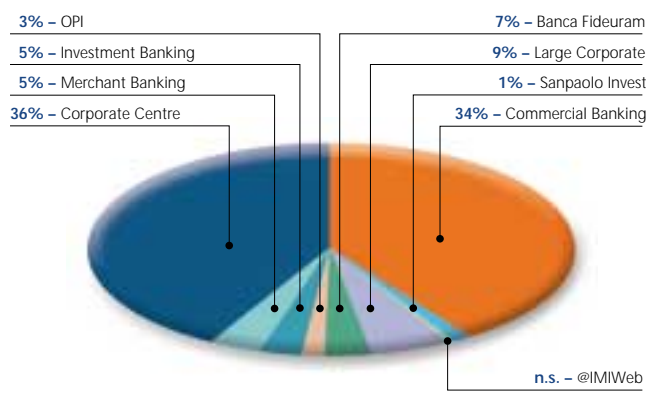
The group offers retail banking services to households and small to medium-sized companies through the Commercial Banking Area. The Retail Banking sector also includes the activities of the Cassa di Risparmio di Firenze, of which the SANPAOLO IMI Group owns 19.1%, and will include Banco di Napoli's operations once it is under the Group's control.

Commercial Banking

		1 st half 2000
RESULTS (€/mln)		
Operating income		850
Net income		378
AVERAGE ECONOMIC CAPITAL (€/mln)		
		2,622
ANNUALIZED RORAC (%)		
		29.0
	6/30/00	Change % 12/31/99
OPERATING STATISTICS (€/mln)		
Net cash loans to customers	40,282	+5.3
Direct funding	36,963	+5.4
Asset management	71,476	+5.9
- Mutual funds and fund-based portfolio management	59,143	+4.7
- Portfolio management	6,441	+10.2
- Life assurance	5,892	+15.1

The Area operates in Italy through the Parent Bank's branch-

investments. Fifty-eight percent of its economic capital can be attributed to minority investments.



Economic capital by Business Area (in %)

es, which numbered 1,309 at the end of the period. Its operations are supported by Group companies specialized in asset management (Sanpaolo IMI Asset Management, Sanpaolo Vita, Sanpaolo Life, Sanpaolo Bank Lux, Sanpaolo Bank Austria, Sanpaolo Fiduciaria and Sanpaolo Gestion Internationale), leasing (Sanpaolo Leasint) and consumer credit (Finconsumo, which is controlled jointly with Banco Santander Central Hispano). The Commercial Banking Area also operates through the French subsidiary Banque Sanpaolo, with 60 branches in the Paris area, Lyon and the Côte d'Azur, and the 32.5% stake in Hungary's Inter-Europa Bank.

The action taken by the Commercial Banking Area during the half-year aimed principally at reinforcing the Group's position on the market. Actions were undertaken, in particular, as follows:

- new electronic channels: the area is building a new information architecture that will transform the technological environment of branches and enable the full integration of all distribution channels (branches, Internet, the call centre, remote banking, ATMs and POS terminals);
- the branch network: following a logic of selective reinforcement and specialization, 34 new Italian branches were opened during the first eight months of the year. The number of branches focusing on private banking services was increased from 8 to 15, and a project has been designed to specialize the network further, including by distinguishing between "retail branches" and "business branches";
- rationalization of production units: this project aims to concentrate the various asset management companies

- and to expand the international private banking business;
- improved customer relationships: a first group of branches has been given new electronic workstations to support operations by asset management specialists, who are now in charge of specific customer portfolios. Commercial efforts involve the creation of new products and services;
- loan quality: workstations have been designed for the managers of specific customer portfolios, and a new scoring and watch list system has been devised for non-standard loans;
- bonus system: the bonus system has been revised to make it more results-oriented.

The Commercial Banking Area boosted its operating volumes during the period. Asset management amounted to Euro 71,476 million, up 5.9% on the end of 1999, while direct customer funding reached Euro 37,000 million (+5.4%) and shifted dramatically toward short-term deposits. On the lending side, customer loans amounted to Euro 40,282 million, rising 5.3% over the six-month period.

In Italy, asset management exceeded Euro 64,600 million, rising 3.4% since the start of the year by way of Euro 2,570 million in net inflows. Especially impressive was the increase in loans to private individuals: more than Euro 800 million in retail loans was disbursed during the period, and consumer loans gained 28.8% on an annual basis.

The retail business in France, conducted by Banque Sanpaolo, also picked up speed. Funds in asset management soared 33% for the half-year, and there was a 13% rise in mortgage loans to households.

Results by the Commercial Banking Area were influenced first and foremost by the improvement in net interest income, which was favoured by the trend in sight deposits and by business volumes in general. Commissions were the greatest contributor to the area's revenues, accounting for 51% of net interest and other banking income. As the growth in ordinary costs was limited, funds could be invested in sectors with the highest growth potential without harming profitability: net income by the Area came to Euro 378 million, taking annualized RORAC to 29%.

Personal Financial Services

Banca Fideuram and Sanpaolo Invest use their networks of financial consultants to distribute financial services to households and small businesses with a medium-to-high

investment potential. Along with the on-line trading service offered by @IMIWeb, they constitute the sector of Personal Financial Services.

Banca Fideuram

	1 st half 2000	
RESULTS (€/mln)		
Operating income	127	
Net income	100	
Contribution to net income of the SANPAOLO IMI Group (74%)	80	
AVERAGE ECONOMIC CAPITAL (74% share) (€/mln)		
	566	
ANNUALIZED RORAC (%)		
	28.5	
	6/30/00	Change % 12/31/99
OPERATING STATISTICS (€/mln)		
<i>Asset management</i>	40,839	+13.1
- <i>Mutual funds and fund-based portfolio management</i>	35,402	+13.7
- <i>Life assurance</i>	5,437	+9.0

Banca Fideuram had 3,629 financial consultants and 72 branches at the end of June. It operates through a number of specialized asset-management companies (Fideuram Fondi, Fideuram Vita, Fideuram Capital, Fideuram Gestions, Fonditalia, Fideuram Bank Lux, Fideuram Fiduciaria, Fideuram GPM, Interfund Advisory, ISAC, Fideuram Assicurazioni, Fideuram Fund and Turis).

During the half-year it pursued growth by:

- expanding its distribution network, with a net increase of 120 consultants and the opening of nine new branches;
- strengthening its product range with the creation of unit-linked policies designed specially for the private banking business;
- completing the first phase of the Internet project, which now offers an on-line trading service for Italian securities and will soon be extended to foreign securities, multi-sector funds and current accounts;
- pursuing foreign expansion in private banking, starting with initiatives in Switzerland and France.

Asset management at Banca Fideuram rose 13.1% for the period, reaching a total of Euro 40,839 million, by way of Euro

4,712 million in net inflows. Together, mutual funds and fund-based portfolio management expanded by 13.7%. Equity-based funds had risen to 54% of total mutual funds by the end of June, and the bank's market share in Italy had gone from 5.8% to 6.3%.

Banca Fideuram reported net income of Euro 100 million, 36% more than during the first half of last year. Its contribution to consolidated net income, reflecting the 74% held by SANPAOLO IMI, was Euro 80 million. Its profitability, expressed in terms of annualized RORAC, came to an impressive 28.5% despite considerable investments during the period.

Sanpaolo Invest

	1 st half 2000	
RESULTS (€/mln)		
Operating income	13	
Net income	8	
AVERAGE ECONOMIC CAPITAL (€/mln)	89	
ANNUALIZED RORAC (%)	18.3	
	6/30/00	Change % 12/31/99
OPERATING STATISTICS (€/mln)		
Asset management	7,576	+9.9
- Mutual funds and fund-based portfolio management	6,927	+11.3
- Portfolio management	218	-20.0
- Life assurance policies	431	+8.7

Sanpaolo Invest, which employed 1,360 financial consultants at the end of June, works with the product companies belonging to the Commercial Banking Area.

During the half-year it strengthened its position by:

- assuming status as a bank, autonomous of the Parent Bank in organizational terms;
- upgrading the tools available to its financial consultants;
- arranging for the distribution in Italy of mutual funds managed by major international firms;
- establishing Sanpaolo Invest Ireland, which will supply specialized products starting from October.

For the half-year, Sanpaolo Invest had net asset management inflows of Euro 671 million, bringing its total volume to Euro 7,576 million, nearly 10% more than at the end of 1999.

Net income was Euro 8 million, up 15.7% thanks to the rise in commissions, which offset the extraordinary costs of turning the company into a bank and strengthening its competitive position. Annualized RORAC came to 18.3%.

@IMIWeb

	1 st half 2000
RESULTS (€/mln)	
Operating income	-13
Net income	-13
AVERAGE ECONOMIC CAPITAL (€/mln)	30
ANNUALIZED RORAC (%)	n.s.
	6/30/00
OPERATING STATISTICS	
Number registered with IMIWebTrader	42,362
including: number of active customers	10,162
Average number of daily orders	4,000
Market share of on-line trading (%)	15
	1 st half 2000
Volumes brokered on behalf of third parties (€/mil)	1,918

Substantial investments were devoted to the development of the on-line trading service provided by @IMIWeb. This company:

- has entered a partnership with the Internet provider Tiscali, for the joint creation of on-line financial services that will gradually be extended in the European market;
- is the first Italian broker to permit Internet access by way of WAP-equipped mobile phones.

Six months from its launch, @IMIWeb had earned an approximate 15% share of the trading-on-line market, with more than 10,000 active customers and 30,000 registered. Its result for the period, a loss of Euro 13 million, is explained by start-up costs and the development of the new on-line brokerage service.

Wholesale Banking

The Group's Wholesale Banking sector is made up of the following Areas: Large Corporate, Public Works and Infrastructure, Investment Banking and Merchant Banking.

Large Corporate

	1 st half 2000	
RESULTS (€/mln)		
Operating income	79	
Net income	37	
AVERAGE ECONOMIC CAPITAL (€/mln)	715	
ANNUALIZED RORAC (%)	10.3	
	6/30/00	Change % 12/31/99
OPERATING STATISTICS (€/mln)		
Net cash loans to customers	21,679	+4.8

The Large Corporate Area engages in lending and the provision of services to large business customers. On the domestic market, it focuses on groups with a turnover exceeding 1,000 billion lire via a number of central units plus six area offices. Foreign operations are conducted via the Parent Bank's 10 branches and 12 representative offices abroad, and through the subsidiary Sanpaolo IMI Bank Ireland.

As competition in this business is high from both domestic and international banks, the Area has been working on improving commission income, streamlining its activities and reducing the absorption of capital. It has strengthened its project and export financing units, centralized the computer procedures of its European branches, and embarked on a securitization project that will be completed in coming months and help reduce the risk level of the loan portfolio.

Volumes in the Large Corporate Area expanded during the period. Net cash loans to customers went up 4.8%, reaching Euro 21,679 million at the end of June. The growth in loans and in commission income compensated for the reduced spread that was caused by competitive pressure. Net income for the half-year came to Euro 37 million, permitting an annualized RORAC of 10.3%.

Public Works and Infrastructure

	1 st half 2000	
RESULTS (€/mln)		
Operating income	31	
Net income	15	
AVERAGE ECONOMIC CAPITAL (€/mln)	199	
ANNUALIZED RORAC (%)	14.7	
	6/30/00	Change % 12/31/99
OPERATING STATISTICS (€/mln)		
Net cash loans to customers	10,104	-5.8
Disbursement in the half year	1,976	-

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

Operations during the first six months were conducted by a central department of the Parent Bank, which deals directly with major customers. Relations with smaller, local customers are coordinated via the domestic branch network of the Commercial Banking Area. At the beginning of July all activities were spun off to the subsidiary IMI Lease, which has been licensed as a bank and has taken the name of Banca OPI.

During the half-year, the Area defended its market position in the face of stiff competition from Italy and abroad. New disbursements amounted to Euro 2 billion, compared with Euro 2.6 billion for all of 1999. In terms of average balance, loans increased by an estimated 15% with respect to the first half of 1999, and the effect on net interest income helped offset the narrowing of the spread caused by competitive pressure. Net income for the period came to Euro 15 million and annualized RORAC to 14.7%.

Investment Banking

	1 st half 2000
RESULTS (€/mln)	
Operating income	62
Net income	42
AVERAGE ECONOMIC CAPITAL (€/mln)	383
ANNUALIZED RORAC (%)	22.2
	6/30/00
OPERATING STATISTICS	
Volumes brokered by Banca IMI Spa	
- trading	241,691
- sales	51,969
- repurchase agreements	428,301
- placements	11,741

The Investment Banking Area handles trading on behalf of the Group and third parties, raises risk capital and debt financing for corporate customers, and provides corporate finance consultancy. These activities are conducted by Banca d'Intermediazione Mobiliare (Banca IMI) and its subsidiaries other than @IMIWeb.

Having completed the concentration of capital market activities previously handled by various Group companies, Banca IMI strengthened its leadership of the market for bond and equity placements in Italy and boosted its role as a primary dealer on Europe's major government securities markets. It also:

- increased its business in the issue of listed covered warrants;
- gained permission to trade directly on the German equity and derivatives markets;
- designed a platform of Web services (IMI Direct) for institutional customers;
- boosted its business in extraordinary finance consulting for Italian and international customers.

Net income by Banca IMI and its subsidiaries (excluding @IMIWeb) came to Euro 42 million for the half-year, an increase of 13.5% compared with the first half of 1999, as the rise in revenues offset the amount spent on expansion. Profitability, expressed in terms of annualized RORAC, was 22.2%.

Merchant Banking

	1 st half 2000		6/30/00	Change % 12/31/99
RESULTS (€/mln)				
Operating income	33			
NHS net income	44			
Contribution to the SANPAOLO IMI Group's net income (51%)	22			
AVERAGE ECONOMIC CAPITAL (51% share) (€/mln)	384			
ANNUALIZED RORAC (%)	11.7			
OPERATING STATISTICS (€/mln)				
Merchant Banking's direct investments	131			+19.0
Equity investments	273			-11.7

The Merchant Banking Area acquires and grooms minority interests, with a view to generating capital gains on their subsequent divestment. It operates through NHS, owned 51%, and its Dutch subsidiary LDV Holding.

During the half-year NHS made merchant banking investments of Euro 38 million, including Euro 21 million for a stake in the Camuzzi Group, which works mainly in the production and distribution of energy. It also made financial investments in listed companies of Euro 42 million; in the largest operations, it bought Buzzi Unicem shares for Euro 17 million and Banca Popolare di Lodi shares for Euro 16 million.

In its capacity as sponsor and lead investor, it started a closed-end private equity fund amounting to Euro 120 million. The purpose of the fund is to buy investments in medium-sized companies.

NHS reported first-half net income of Euro 44 million. Contributing to that result were Euro 6.2 million in proceeds from the sale of merchant banking investments, Euro 12.4 million on the trading portfolio and capital gains, and Euro 46 million from the disposal of shareholding investments. It added Euro 22 million to the Group's consolidated net income, and its annualized profitability - not including unrealized capital gains on the investment portfolio - was 11.7%.

Corporate Centre

	1 st half 2000	
RESULTS (€/mln)		
Operating income		8
Net income		176
AVERAGE ECONOMIC CAPITAL (€/mln)		2,789
ANNUALIZED RORAC (%)		n.s.
	6/30/00	Change % 12/31/99
OPERATING STATISTICS (€/mln)		
Investments in companies not consolidated	2,559	+18.1

The Corporate Centre exercises the usual holding company functions (strategic direction, supervision, administration and investor relations) and provides supporting services to the Parent Bank (systems and organization, back-office management, logistics, purchasing and management of real estate holdings). The Corporate Centre also carries out treasury operations, collects non-performing loans and manages minority equity investments. Most of its net income for the period came from extraordinary gains on equity investments (about Euro 250 million before taxes).

Developments in the second half of the year

Economic background

The economic outlook for the rest of 2000 is good. International estimates put world economic growth at over 4%, a good deal higher than in 1999. Growth by the U.S. economy - which does, however, show signs of losing momentum - is accompanied by a good performance in the Euro-zone and signs of an upturn in Japan, while emerging countries should see their real economy expand and enjoy increased financial stability.

In the Euro-zone, the upward cycle should continue with less of a gap among the various countries. For Italy, estimated GDP growth was revised upward at the start of the year by the leading observers and is now close to 3% for the year, thanks to the revival of international and domestic demand. The healthy economy could generate an upturn for lending and the securities markets, which will be nourished by large extraordinary operations, mainly in the fields of telecommunications, information technology and finance.

Since the start of the year, upward pressure on consumer prices has led central banks in the U.S. and the

Euro-zone to raise their policy rates. In Europe, monetary policy is likely to stay restrictive. If the price tension does not ease, the ECB could raise its policy rates again by the end of the year, which would flatten the yield curve further.

Group performance and prospects

In July the Group did as well as it had during the period under review: both operating income and net income grew by over 20% during the first seven months of the year. Good news continues to come from net interest income, which has confirmed the reversal of trend reported for the first half of the year, and especially from commissions, thanks to the rise in asset management. Funds managed on behalf of customers showed a net inflow of Euro 1,058 million in the month of July, bringing the gain since January to Euro 10 billion.

Prospects for the rest of the year are good. The Group should enjoy increased profitability through increases at all levels of income.

Turin, September 12, 2000

The Board of Directors



**Report of the Independent Auditors
on the Review of the First Half Report
as of June 30, 2000**
(Translation from the Original Issued in Italian)

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino

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

1. We have performed a review of the first half report as of June 30, 2000 composed of the accounting schedules (balance sheet and statement of income) and the related explanatory notes of Sanpaolo IMI S.p.A. (hereinafter the Bank) and of the consolidated report of the Group. We have also checked the part of the report related to the information on operations with the sole purpose of verifying its consistency thereof with the rest of the first half report.
2. Our review was made in accordance with the criteria for reviews recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") under the Resolution no. 10867 of July 31, 1997. The review of the first half data of certain subsidiaries (or certain enterprises in which the Bank has a significant influence), the total assets and the net interest and other banking income of which represent approximately 31.1% and 31.2%, respectively, of the consolidated amounts, has been performed by other auditing firms, whose reports have been furnished to us. Our review consisted principally of obtaining the information regarding the items reported in the accounting schedules and the consistency of the valuation criteria through discussion with company management and of applying analytical procedures to the data contained in the accounting schedules. Our review did not include those audit procedures such as compliance tests and substantive tests of assets and liabilities and was significantly less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, unlike the auditors' report accompanying the statutory and consolidated financial statements, we do not express an opinion on the first half report.
3. With regard to the comparative information related to the annual statutory and consolidated financial statements and to the prior year first half report, reference should be made to our reports issued respectively on April 10, 2000 and September 24, 1999.



4. Based on our review, we are not aware of any material modifications or additions, that should be made to the accounting schedules related to the explanatory notes identified in paragraph 1. of this report, for them to be in conformity with the reporting standards set out by CONSOB regulation related to six-month reports as approved by Resolution no. 11971 of May 14, 1999 and subsequent amendments.

Turin, Italy,
September 22, 2000

Arthur Andersen SpA
s/Giulio Lubatti - Partner

s/Mario M. Busso - Partner

Note: The six-month report has been translated into English from the original version in Italian. It has been prepared in accordance with the CONSOB regulation related to interim reports, interpreted and integrated by the accounting principles established or adopted by the Italian Accounting Profession. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Italy, may not conform with generally accepted accounting principles in other countries.

Consolidated half-year Financial Statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(millions of Euro)

ASSETS	6/30/00	12/31/99	6/30/99
10. Cash and deposits with central banks and post offices	449	528	431
20. Treasury bills and similar bills eligible for refinancing with central banks	3,898	3,332	5,096
30. Due from banks:	21,732	22,144	20,005
a) repayable on demand	4,848	3,115	4,691
b) other deposits	16,884	19,029	15,314
40. Loans to customers	75,983	73,174	71,963
including:			
- loans using public funds	42	47	56
50. Bonds and other debt securities	12,712	13,605	15,780
a) public entities	6,336	7,369	10,527
b) banks	3,612	3,959	3,327
including:			
- own bonds	854	1,392	1,016
c) financial institutions	604	632	279
including:			
- own bonds	62	10	-
d) other issuers	2,160	1,645	1,647
60. Shares, quotas and other equities	3,936	1,443	4,431
70. Equity investments	3,126	2,899	1,716
a) carried at equity	291	395	442
b) other	2,835	2,504	1,274
80. Investments in Group companies	438	448	635
a) carried at equity	438	448	635
b) other	-	-	-
90. Goodwill arising on consolidation	6	7	9
100. Goodwill arising on application of the equity method	87	51	36
110. Intangible fixed assets	258	267	267
including:			
- start-up costs	1	2	2
- goodwill	9	17	26
120. Tangible fixed assets	1,108	1,120	1,475
140. Own shares (par value € 19 million)	104	357	45
150. Other assets	13,677	16,199	13,254
160. Accrued income and prepaid expenses	3,239	4,649	3,588
a) accrued income	3,017	4,435	3,264
b) prepaid expenses	222	214	324
including:			
- discounts on bond issues	9	8	10
Total assets	140,753	140,223	138,731

		(millions of Euro)		
LIABILITIES AND SHAREHOLDERS' EQUITY		6/30/00	12/31/99	6/30/99
10.	Due to banks	30,777	28,012	25,679
	a) repayable on demand	6,108	3,151	6,379
	b) time deposits or with notice period	24,669	24,861	19,300
20.	Due to customers	45,692	43,189	45,514
	a) repayable on demand	34,439	31,818	31,622
	b) time deposits or with notice period	11,253	11,371	13,892
30.	Securities issued	32,483	35,718	35,947
	a) bonds	22,371	23,643	24,389
	b) certificates of deposit	7,274	9,090	8,923
	c) other	2,838	2,985	2,635
40.	Public funds administered	44	50	59
50.	Other liabilities	15,237	15,715	15,503
60.	Accrued expense and deferred income	3,501	5,154	4,286
	a) accrued expense	3,186	4,827	3,965
	b) deferred income	315	327	321
70.	Provision for termination indemnities	447	438	434
80.	Provisions for risks and charges	1,534	1,483	1,146
	a) pensions and similar commitments	44	46	48
	b) taxation	976	1,029	727
	c) other	514	408	371
90.	Reserve for possible loan losses	31	29	21
100.	Reserve for general banking risks	354	357	355
110.	Subordinated liabilities	2,207	1,524	1,346
120.	Negative goodwill arising on consolidation	846	952	952
130.	Negative goodwill arising on application of the equity method	83	199	238
140.	Minority interests	588	539	170
150.	Capital	3,930	3,926	4,345
160.	Additional paid-in capital	12	-	-
170.	Reserves	2,241	1,888	2,131
	a) legal reserve	792	792	869
	b) reserve for own shares	104	357	45
	d) other reserves	1,345	739	1,217
200.	Net income for the period	746	1,050	605
Total liabilities and shareholders' equity		140,753	140,223	138,731
GUARANTEES AND COMMITMENTS		6/30/00	12/31/99	6/30/99
10.	Guarantees given	11,285	11,045	12,134
	<i>including:</i>			
	- <i>acceptances</i>	137	132	144
	- <i>other guarantees</i>	11,148	10,913	11,990
20.	Commitments	20,620	18,028	24,996

CONSOLIDATED STATEMENT OF INCOME

(millions of Euro)

	1 st half 2000	1999	1 st half 1999
10. Interest income and similar revenues	3,234	5,966	3,042
<i>including from:</i>			
– loans to customers	2,316	4,324	2,201
– debt securities	394	915	498
20. Interest expense and similar charges	-2,167	-3,934	-2,010
<i>including on:</i>			
– deposits from customers	-534	-909	-402
– securities issued	-958	-1,847	-1,026
30. Dividends and other revenues	141	250	112
a) from shares, quotas and other equities	101	148	99
b) from equity investments	40	102	13
40. Commission income	1,647	2,587	1,223
50. Commission expense	-401	-530	-255
60. Profits (losses) on financial transactions	23	103	45
70. Other operating income	109	224	103
80. Administrative costs	-1,279	-2,466	-1,211
a) payroll	-778	-1,534	-765
<i>including:</i>			
– wages and salaries	-558	-1,097	-545
– social security charges	-183	-365	-183
– termination indemnities	-37	-69	-36
– pensions and similar commitments	-	-3	-1
b) other	-501	-932	-446
90. Adjustments to intangible and tangible fixed assets	-136	-293	-134
100. Provisions for risks and charges	-132	-81	-31
110. Other operating expenses	-19	-40	-21
120. Adjustments to loans and provisions for guarantees and commitments	-319	-664	-406
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	245	361	239
140. Provisions to the reserve for possible loan losses	-3	-10	-3
150. Adjustments to financial fixed assets	-6	-89	-27
160. Writebacks of adjustments to financial fixed assets	1	2	1
170. Income (losses) from investments carried at equity	38	118	56
180. Income from operating activities	976	1,504	723
190. Extraordinary income	319	367	332
200. Extraordinary expenses	-15	-73	-31
210. Extraordinary income, net	304	294	301
230. Change in reserve for general banking risks	3	-1	-
240. Income taxes	-488	-685	-398
250. Minority interests	-49	-62	-21
260. Net income for the period	746	1,050	605

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Introduction – Background information on the consolidated half-year financial statements

Form and content of the consolidated half-year financial statements

The report on Group performance during the first half of 2000 has been prepared in accordance with Decree 87 of January 27, 1992, and the CONSOB instructions approved in Resolution 12475 of April 6, 2000. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The SANPAOLO IMI Group's half-year report is structured much like the annual consolidated financial statements, comprising a report on operations and the financial statements as of June 30, which are represented by the balance sheet, the statement of income and the explanatory notes. This ensures also in formal term, as far as possible, the necessary continuity between the annual and half-year accounts.

As in the full-year financial statements, the report on operations describes the Group's financial position and its performance during the half-year, both as a whole and with reference to its various sectors of activity. The notes to the half-year financial statements provide details and analyses regarding balance sheet and statement of income information.

In addition to the information required by the Bank of Italy and CONSOB, the notes and the report on operations provide all the supplementary information considered necessary, even where not specifically required by law, in order to present a true and fair view of the Group's financial and operating position.

The amounts contained in the Group's half-year report are stated in millions of Euro. For comparison purposes, the 1999 half-year figures have been converted into millions of Euro at the fixed parity of 1,936.27 lire to one Euro.

The consolidated financial statements at 31 December 1999 and 30 June 1999 are set forth as reclassified according to the criteria used for the current financial statements. The reclassification, which does not affect consolidated net shareholders' equity and consolidated net income, concerns negative goodwill arising on consolidation and provisions for risks and charges.

The following schedules are attached to the consolidated half-year financial statements:

- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Statement reconciling the Bank's half-year financial statements with the consolidated half-year financial statements;
- List of equity investments that exceed 10% of the capital of unquoted and private companies (as per Consob resolution no. 11715 of November 24, 1998).

Scope of consolidation

The scope of line-by-line consolidation reflects membership of 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 subsidiaries whose balance sheets and results of operations are not significant to the consolidated financial statements, or which have been put into liquidation or listed for disposal. In addition to SANPAOLO IMI S.p.A. (the Parent Bank), the Banking Group comprises those directly- and indirectly-controlled subsidiaries which carry out banking, finance or other activities which complement those of the Parent Bank.

The following changes affected the scope of line-by-line consolidation as of June 30, 2000 compared with December 31, 1999:

- exclusion of Imil Ltd., which was liquidated;

and compared with June 30, 1999, the inclusion of:

- Nuova Holding Subalpina S.p.A., a merchant bank, which is now 51%-owned following the spin-off of the Parent Bank's merchant banking business;
- Fideuram Gestions S.A., set up in the second half of 1999 by the subsidiary Banca Fideuram;
- Sanpaolo Services Luxembourg S.A. set up in the second half of 1999 by the Parent Bank.

The subsidiaries Finconsumo S.p.A. and the recently set up F.C. Factor S.r.l. (wholly owned by Finconsumo) were consolidated on a proportional basis since they are joint ventures.

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 E, Section 1 of these explanatory notes.

Financial statements used for the consolidation

The financial statements used for the consolidation are those prepared as of June 30, 2000, and approved by the boards of the subsidiaries concerned. 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 financial method, which is more consistent with Group accounting policies.

Consolidation principles

The main consolidation principles adopted are as follows:

The book value of investments in consolidated companies, held by the Parent Bank or other Group companies, is eliminated against the Group's interest in their shareholders' equity (as adjusted in line with the accounting principles of reference), and their assets and liabilities are combined on a line-by-line basis. The elimination of book value against shareholders' equity is carried out with reference to the values current at the time the investment was consolidated for the first time, or at the time the controlling interest was acquired. Where appropriate, any differences arising are allocated to the assets and liabilities of the consolidated companies concerned. Differences arising on application of the equity method are allocated to goodwill or negative goodwill arising on consolidation, depending on whether the value of the investment is higher or lower than the related portion of shareholders' equity.

More specifically, the comparison of book value with the corresponding portion of 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 subsequent to December 31, 1994, with reference to their balance sheets at the date

of acquisition or, where these are not available, with reference to the balance sheets included in the official financial statements prepared closest to that date;

- for investments formerly belonging to the IMI Group, with reference to their shareholders' equity as of January 1, 1998 (effective date for accounting purposes of the merger between Sanpaolo and IMI).

It should be noted that in these financial statements, "negative goodwill arising on consolidation" arising from the first time consolidation of former IMI Group investments has been recorded as "negative goodwill arising on consolidation", instead of being booked to the various captions of consolidated shareholders' equity. The latter treatment had been adopted in the financial statements of the former IMI Group. For comparison purposes, the prior period figures have been restated using consistent criteria. This restatement has not caused the amount of consolidated shareholders' equity and net income to change.

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.

Intercompany receivables, payables, off-balance sheet transactions, costs and revenues are eliminated, as are any intercompany gains and losses arising from significant transactions between Group companies. By way of exception, given the provisions of art. 34, Decree 87/92, costs and revenues arising from intra-Group trading in securities and currency are not eliminated if such transactions were carried out on an arms'-length basis.

The foreign currency financial statements of consolidated companies outside the EMU are translated into Euro using the period-end rates of exchange. Differences arising on the translation of their shareholders' equity using these closing rates of exchange are allocated to consolidated reserves, unless they are offset by specific hedging transactions.

Adjustments and provisions made solely for fiscal purposes in the financial statements of companies consolidated on a line-by-line basis are eliminated.

Review of the consolidated half-year report

The half-year report of the SANPAOLO IMI Group has been subjected to a review by Arthur Andersen S.p.A., in accordance with CONSOB Recommendations 97001574 of February 20, 1997 and 10867 of July 31, 1997, and the shareholders' resolution of April 30, 1998.

Comparison with the quarterly accounts as of June 30, 2000

The consolidated half-year report, prepared using final accounting information for the Parent Bank and its subsidiaries, includes a number of changes with respect to the quarterly report as of June 30, 2000, which was presented at the end of July in order to provide advance information concerning the Group's results for the first six months of the year.

The differences are not significant and do not alter the substance of the information already provided. They relate primarily to:

- the completion of the reconciliation process and the elimination of intercompany transactions;
- the precise valuation of equity investments using the equity method.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The consolidated half-year report as of June 30, 2000, has been prepared using the accounting policies adopted in relation to the financial statements as of December 31, 1999. The consolidated half-year accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial year. Accordingly, the half-year consolidated statement of income reflects both the ordinary and extraordinary components of income pertaining to the period, in accordance with the accrual principle.

Loans, guarantees and commitments

Loans

Loans, comprising principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking account of the solvency of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the countries in which borrowers are resident. The assessment performed also takes into consideration any guarantees received, market prices (where applicable) and general difficulties experienced by the different categories of borrower. Estimated realizable value is determined following a detailed review of loans outstanding at period-end, considering the degree of risk associated with the various forms of lending and the risk of default inherent in loans that are currently performing normally. The estimated realizable value of "doubtful loans" (non-performing, problem and restructured loans, loans being restructured and loans to companies under observation, assessed on a case-by-case basis) takes into consideration not only the likelihood of eventual recovery, but also any total or partial failure to generate income and delayed repayments 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 that not lower than those specified by the banking association. In addition, specific positions are assessed on a case-by-case basis, using objective criteria, with reference to the category of risk concerned;
- performing loans, being loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. General adjustments to performing loans are calculated on a historical-statistical basis, taking into consideration the average percentage of previously performing loans which became doubtful loans during the last four years. This percentage was then applied to the total of performing loans at the end of the period 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 write-down for each risk category was then applied to this total.

The present value adjustments reflect the difference between:

- estimated realizable value;
- the discounted 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 the department responsible for the evaluation of lending, whose work includes reference to estimates and general statistics deriving from historical data and surveys of the business sectors concerned.

With regard to the discounting rate applied as of June 30, 2000, the Parent Bank has used a reference rate of 5.96%, as applied at the end of 1999, since this reflects the best approximation of the average yield on the problem loan portfolio – considering the contractual rates currently applied by the Bank over the medium-long term (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.

With regard to the Parent Bank, 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 organisation empowered to take such decisions.

Default interest accrued during the period is eliminated from the statement of income since, for the sake of prudence, collection is considered unlikely.

Writedowns, both specific and general, are made by an adjustment to reduce the value of the asset recorded in the balance sheet on the basis discussed above. The original values may be reinstated by means of writebacks, should the reasons for any writedowns cease to apply.

The discounting process automatically means that there will be writebacks to discounted loans: in fact, the mere passage of time, with the consequent approach of the expected collection deadlines, implies an automatic reduction in the implicit financial charges previously deducted from the value of the loans.

Loans deriving from financing and deposit contracts

These are recorded at the amount disbursed. The difference between the amount of the loan granted to a customer and the amount actually disbursed is credited to the statement of income in accordance with the loan repayment plan. Loans backed by discounted notes, acquired within the scope of lending activities, are recorded in the financial statements at their nominal value, while the portion pertaining to future years is recorded among deferred income.

Reverse repurchase agreements on securities

Reverse repurchase agreements that require the holder to resell securities when the agreement matures are treated as lending transactions. The amounts disbursed in this way are therefore recorded as loans. Income from lending, comprising interest coupons on securities and the differential between the spot and forward prices for such securities, are recorded on an accruals basis as interest in the statement of income.

Loan of securities

Transactions involving the loan of securities guaranteed by funds freely available to the lender are treated in the same way as repurchase agreements on securities. Securities loaned, not guaranteed by sums of money, are reported in the financial statements as a combination of two functionally-linked transactions: a loan to and a deposit from a third party (or vice versa). These transactions are essentially the same as repurchase agreements, which means that the securities loaned remain in the portfolio of the lender.

Finance leases

Lease transactions are recorded using financial accounting methodology, which states lease contracts and transactions in such a way as to disclose their economic substance. This approach, which recognises 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 instalments 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 Group 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 organised markets: the official price quoted on the last trading day of the period;
- securities not quoted in organised 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, also takes into consideration the contractual forward sale price.

Equity investments

Equity investments not consolidated line-by-line 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, among others, 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, together with the related tax credits, in the period in which they are collected.

Own shares

Own shares purchased by the Parent Bank are valued at their average daily cost. Shares of the Parent Bank purchased by subsidiaries for dealing purposes are valued at their market value corresponding to the "official quotation of the period closing date".

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 denominated in foreign currencies subject to local exchange-control restrictions (non-convertible currencies), when funded in lire, are instead 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 period-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 transformations, 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 amortized, generally on a straight-line basis, over five years;
- costs incurred for the purchase of software or for its development using external resources are amortized, generally on a straight-line basis, over three years, taking account of the residual period such software is expected to benefit;
- the differences arising on the merger of Banca Provinciale Lombarda and Banco Lariano in 1993 and on the merger of Crediop - Credito per le Imprese e le Opere Pubbliche in 1995, net of the portion allocated to more closely reflect the value of the related assets, are amortized on a straight-line basis. Amortization is provided over a period of ten years in the case of Banca Provinciale Lombarda and Banco Lariano, and over five years with regard to Crediop. These amortization periods reflect the durability of the goodwill accumulated by the merged banks, as determined by the expert appraisals prepared in relation to the respective mergers.

Payables

Payables are stated at their nominal value. The difference between the face value of loans received, or securities placed, and the amount actually received, is recorded in the financial statements among deferrals and released to the statement of

income on an accruals basis, in accordance with the repayment plan implicit in the funding transaction. Zero-coupon securities issued are stated at their issue price plus accrued interest. Consistent with the policies described above, funding repurchase agreements that require the holder to resell the securities acquired when the agreement matures are recorded among payables, as are related securities borrowing transactions.

Funding repurchase agreements on securities issued by Group companies are not reported on the above basis if they are arranged by the issuing company concerned. In this case, they are recorded as securities issued with a forward repurchase commitment.

Provision for employee termination indemnities

The provision for employee termination indemnities represents the liability to each employee at period-end, accrued in accordance with current legislation and payroll agreements.

Provisions for risks and charges

Provisions for risks and charges cover determined, probable or certain liabilities whose timing and extent cannot be determined at period-end or at the time the financial statements are prepared.

Pensions and similar commitments

On the basis of the clarification made by the Bank of Italy (Technical Note 009416 of July 27, 2000) from this report the provisions under this heading relate to supplementary pensions for the retired employees of former IMI S.p.A..

The comparative data have been restated according to consistent criteria to allow correct comparison with the current financial statements. This has involved the reclassification of the caption to line item 80.c) other provisions: €16 million and €17 million for December 31, 1999 and June 30, 1999, respectively, concerning provisions made by foreign subsidiaries.

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 determined on the basis of actual tax rates expected at year end and applied to the half-year results of the individual Group companies.

Deferred taxation, determined using 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, e.g. general loan writedowns in excess of the fiscally deductible amount).

Deferred tax liabilities are calculated by applying the average tax rate to taxable timing differences likely to generate a tax burden. Deferred tax assets are calculated on deductible timing differences if these are likely to be recovered. Deferred tax assets and liabilities relating to the same kind of tax, 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 the Group's guarantees and commitments.

Other provisions for risks and charges cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Group'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, to the Cassa di Previdenza, an independent supplementary employee pension fund to the obligatory general insurance fund, to cover unfunded pension liabilities, as well as provisions for contributions that may be due in relation to the personnel of the Parent Bank;
- provisions made on an actuarial basis to set up the technical reserve needed to cover long-service bonuses payable when staff celebrate twenty-five and thirty-five years of employment;
- other provisions made by foreign subsidiaries against retired personnel.

Reserve for general banking risks

This reserve covers general business risks and, as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

Accruals and deferrals are recognised in accordance with the matching principle. No adjustments connected with accruals and deferrals have been made directly to the balance sheet captions concerned.

Derivative 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 off-setting 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 agreements") are not relevant for disclosure purposes, but are taken into consideration when assessing the counterparty's lending risk.

The values determined by the contract valuation process (hedging and non-hedging) are written down on a case-by-case or a general basis, where appropriate, in order to reflect the lending risk (counterparty and/or country risk) inherent in the contracts.

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of assets or liabilities, on or off the balance sheet, from the risk of market fluctuations. In the case of combinations of assets or liabilities, on- or off-balance sheet, 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 summarised below:

Balance sheet: the period element of differentials or interest margins on maturing contracts hedging the interest arising from interest-earning / bearing assets and liabilities is classified among "Accrued income" or "Accrued expenses". The period element of differentials on forward rate agreements hedging the interest arising from interest-earning / bearing assets and liabilities is classified among "Prepaid expenses" or "Deferred income". The market value of contracts hedging the risk of price fluctuations, and the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among "Other assets" or "Other liabilities". Contracts hedging investment securities, or total loans and deposits, are valued consistently with 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 net interest income 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 organised 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 period. Other contracts are valued with reference to other elements determined on an objective and consistent basis.

Foreign currency derivatives: these are stated using the forward exchange rates ruling at period-end for the maturity dates of the transactions subject to valuation.

The related procedures for presentation in the financial statements are summarised 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”.

Internal deals

The Parent Bank has adopted an organisational structure based on specialised trading desks that have exclusive authorisation 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 specialised 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 authorised to deal in the market, by means of internal deals in derivatives at market prices. The non-specialised 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 specialised desk portfolios are stated at market value;
- internal deals involving derivatives held in non-specialised 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 in 1999, the net income and shareholders' equity of CREDIOP S.p.A., sold in the first half of 2000, have been increased to reflect the reversal of provisions for possible 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:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Due from banks (caption 30)	21,732	22,144	-1.9
Loans to customers (caption 40)	75,983	73,174	3.8
Total	97,715	95,318	2.5

Due from banks (caption 30)

Amounts due from banks include:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) deposits with central banks	230	668	-65.6
(b) bills eligible for refinancing with central banks	-	-	-
(c) finance leases	-	-	-
(d) repurchase agreements	5,187	5,429	-4.5
(e) securities loaned	51	102	-50.0

Deposits with central banks as of June 30, 2000, include the compulsory reserve with the Bank of Italy, € 209 million (€ 633 million as of December 31, 1999).

Loans to customers (caption 40)

Loans to customers, which are analyzed by technical form in the report on operations, include:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Bills eligible for refinancing with central banks	-	-	-
(b) Finance leases	1,594	1,579	0.9
(c) Repurchase agreements	1,819	1,796	1.3
(d) Securities loaned	380	7	n.s

“Secured loans to customers”, excluding those granted directly to Governments or other public entities which amount to € 11,257 million (€ 9,940 million as of December 31, 1999) are detailed as follows:

Secured loans to customers

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Mortgages	16,463	17,266	-4.7
(b) Pledged assets:			
1. cash deposits	370	328	12.8
2. securities (*)	3,084	2,990	3.1
3. other instruments	834	158	427.8
(c) Guarantees given by:			
1. Governments	3,387	3,677	-7.9
2. other public entities	527	279	88.9
3. banks	921	1,197	-23.1
4. other operators	7,835	8,043	-2.6
Total	33,421	33,938	-1.5

(*) Includes repurchase and similar agreements guaranteed by underlying securities totalling € 2,199 million (€ 1,803 million as of December 31, 1999).

Loans to customers guaranteed by banks and other operators include € 175 million in positions for which the Parent Bank obtained buyer protection against the risk of default through the use of credit derivative contracts.

Secured loans to customers and those granted directly to Governments or other public entities represent 58.8% of total loans to customers (60.0% as of December 31, 1999).

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 made by directly reducing the consolidated balance sheet value of the loans concerned.

The estimated realizable value of problem loans takes into account not only the likelihood of recovery, but also the financial cost deriving from their total or partial failure to generate income and from the rescheduling of payments. Adjustments to discount loans to their present value as of June 30, 2000 total € 194 million.

Analysis of loans to customers

	6/30/00 (€/mn)			12/31/99 (€/mn)		
	Gross value	Total adjustments	Net book Value	Gross value	Total adjustments	Net book Value
A. Doubtful loans	4,406	2,480	1,926	5,920	3,016	2,904
A.1 Non-performing loans	2,858	2,008	850	4,146	2,452	1,694
A.2 Problem loans	1,264	415	849	1,545	496	1,049
A.3 Loans currently being restructured	23	6	17	25	6	19
A.4 Restructured loans	155	29	126	130	36	94
A.5 Unsecured loans exposed to country risk	106	22	84	74	26	48
B. Performing loans	74,408	351	74,057	70,544	274	70,270
Total loans to customers	78,814	2,831	75,983	76,464	3,290	73,174

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 € 7 million and € 3 million respectively. Value adjustments made to these loans amount to € 4 million for non-performing loans and € 2 million for problem loans.

The coverage of non-performing loans, gross of write-offs, has risen to 79.1% from 71% at the end of 1999, while the equivalent figure for problem loans has reached 45% compared with 42% at the end of 1999. Net of write-offs, the coverage of non-performing and problem loans is, respectively, 70.3% (59.2% in 1999) and 32.8% (32.1% in 1999).

Analysis of loans to banks

	6/30/00 (€/mn)			12/31/99 (€/mn)		
	Gross value	Total adjustments	Net book Value	Gross value	Total adjustments	Net book Value
A. Doubtful loans	269	172	97	273	168	105
A.1 Non-performing loans	12	11	1	11	11	-
A.2 Problem loans	-	-	-	-	-	-
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	257	161	96	262	157	105
B. Performing loans	21,635	-	21,635	22,039	-	22,039
Total loans to banks	21,904	172	21,732	22,312	168	22,144

Non-performing loans include € 11 million in unsecured loans to residents of nations exposed to country risk, held in portfolio by the Parent Bank, which have been written down by € 10 million.

Movements in doubtful loans to customers

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

Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	(millions of Euro) Unsecured loans exposed to country risk
A. Gross value as of January 1, 2000	4,146	1,545	25	130	74
<i>A.1 including: for default interest</i>	921	47	3	-	-
B. Increases	294	272	1	34	39
B.1 transfers from performing loans	39	155	-	1	3
B.2 default interest	80	6	-	1	-
B.3 transfers from other categories of doubtful loans	117	13	1	31	-
B.4 other increases	58	98	-	1	36
C. Decreases	1,582	553	3	9	7
C.1 transfers to performing loans	12	47	-	2	4
C.2. write-offs	607	66	-	-	-
C.3. collections	190	293	1	4	3
C.4. disposals	762	1	-	-	-
C.5. transfers to other categories of doubtful loans	11	146	2	3	-
C.6. other decreases	-	-	-	-	-
D. Gross value as of June 30, 2000	2,858	1,264	23	155	106
<i>D.1 including: for default interest</i>	722	42	3	1	-

The decreases in the non-performing loans category mainly refer to the Parent Bank as a result of finalising during the half year two operations to dispose of without recourse 16,282 construction loans and 19,982 short-term loan positions. These loans, booked in the Parent Bank's balance sheet with a gross value of € 1,307 million and a net value of € 662 million, were sold for € 762 million.

Movements in doubtful amounts due from banks

Movements in gross doubtful amounts due from banks during the period were as follows

Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	(millions of Euro) Unsecured loans exposed to country risk
A. Gross value as of January 1, 2000	11	-	-	-	262
<i>A.1 including: for default interest</i>	-	-	-	-	-
B. Increases	2	-	-	-	27
B.1 transfers from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfers from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	2	-	-	-	27
C. Decreases	1	-	-	-	32
C.1 transfers to performing loans	-	-	-	-	17
C.2. write-offs	-	-	-	-	-
C.3. collections	1	-	-	-	14
C.4. disposals	-	-	-	-	-
C.5. transfers to other categories of doubtful loans	-	-	-	-	-
C.6. other decreases	-	-	-	-	1
D. Gross value as of June 30, 2000	12	-	-	-	257
<i>D.1 including: for default interest</i>	-	-	-	-	-

Movements in adjustments made to loans granted to customers

Categories	(millions of Euro)					
	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of January 1, 2000	2,452	496	6	36	26	274
<i>A.1 including: for default interest</i>	921	47	3	-	-	9
B. Increases	324	66	1	9	5	89
B.1 adjustments	273	57	-	2	5	61
<i>B.1.1 including: for default interest</i>	80	6	-	1	-	2
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfers from other categories of doubtful loans	30	6	-	7	-	12
B.4 other increases	21	3	1	-	-	16
C. Decreases	768	147	1	16	9	12
C.1. writebacks from valuations	23	27	-	4	6	4
<i>C.1.1. including: for default interest</i>	-	-	-	-	-	-
C.2. writebacks following collections	130	17	-	-	3	3
<i>C.2.1. including: for default interest</i>	23	8	-	-	-	1
C.3. write-offs	607	66	-	-	-	2
C.4. transfers to other categories of doubtful loans	5	36	1	12	-	1
C.5. other decreases	3	1	-	-	-	2
D. Total adjustments as of June 30, 2000	2,008	415	6	29	22	351
<i>D.1 including: for default interest</i>	722	42	3	1	-	10

As already discussed, total adjustments include € 194 million relating to the adoption of a policy of discounting doubtful loans. Writedowns for discounting purposes total € 126 million on non-performing loans, € 60 million on problem loans and € 8 million on restructured loans.

Performing loans include € 90 million specifically under observation by the Parent Bank, covered by writedowns totalling € 13 million. In addition, the inherent risk associated with other performing loans is covered by general writedowns of € 338 million.

Movements in adjustments made to amounts due from banks

Categories	<i>(millions of Euro)</i>					
	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of January 1, 2000	11	-	-	-	157	-
<i>A.1 including: for default interest</i>	-	-	-	-	-	-
B. Increases	-	-	-	-	8	-
B.1 adjustments	-	-	-	-	-	-
<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 doubtful loans	-	-	-	-	-	-
B.4 other increases	-	-	-	-	8	-
C. Decreases	-	-	-	-	4	-
C.1. writebacks from valuations	-	-	-	-	4	-
<i>C.1.1. including: for default interest</i>	-	-	-	-	-	-
C.2. writebacks following collections	-	-	-	-	-	-
<i>C.2.1. including: for default interest</i>	-	-	-	-	-	-
C.3. write-offs	-	-	-	-	-	-
C.4. transfers to other categories of doubtful loans	-	-	-	-	-	-
C.5. other decreases	-	-	-	-	-	-
D. Total adjustments as of June 30, 2000	11	-	-	-	161	-
<i>D.1 including: for default interest</i>	-	-	-	-	-	-

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

Country	<i>(millions of Euro)</i>						Change %
	Total Exposure	Exposure as of 6/30/00				Net exposure as of 12/31/99 pro forma	
		<i>of which: unsecured</i>					
		Gross exposure	Gross-weighted exposure	Total adjustments	Net exposure		
Russia	632	199	199	162	37	27	37.0
Brazil	140	69	12	3	66	56	17.9
Argentina	70	21	21	2	19	2	n.s.
Qatar	46	15	15	3	12	14	-14.3
Venezuela	21	12	13	3	9	6	50.0
Philippines	14	9	9	1	8	4	100.0
Tunisia	10	7	6	1	6	15	-60.0
Morocco	120	5	5	1	4	5	-20.0
Algeria	92	5	2	2	3	1	200.0
Iran	38	4	4	1	3	3	-
Indonesia	5	3	3	1	2	1	100.0
Bahrein	12	1	1	-	1	1	-
Other countries	286	13	10	3	10	18	-44.4
Total	1,486	363	300	183	180	153	17.6

Adjustments to unsecured loans exposed to country risk have been generally made by applying the writedown percentages agreed industry-wide by the Italian bankers' association, with the exception of unsecured loans to customers resident in Russia, to which an 81% writedown has been applied instead of 60% agreed by the Italian bankers' association.

Secured loans, amounting to € 1,123 million, are insured by SACE (and similar foreign entities), by sureties from banks operating in the OECD (€ 809 million) or by other forms of guarantee deemed adequate to cover the lending risk (€ 314 million). The last mentioned mainly comprise Parent Bank loans of € 311 million granted 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 Group'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:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	3,898	3,332	17.0
Bonds and other debt securities (caption 50)	12,712	13,605	-6.6
Shares, quotas and other equities (caption 60)	3,936	1,443	172.8
Total	20,546	18,380	11.8

“Treasury bills and similar bills eligible for refinancing with central banks” represent securities that may be used for refinancing purposes but which, at the balance sheet date, 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 which have been reported as investment securities in their financial statements. The investment securities portfolio is analyzed as follows:

	6/30/00 (€/mn)		12/31/99 (€/mn)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	687	698	690	712
– unquoted	-	-	-	-
1.2 other securities				
– quoted	702	699	701	676
– unquoted	303	298	365	359
2. Equities				
– quoted	2	3	-	1
– unquoted	-	-	-	-
Total	1,694	1,698	1,756	1,748

A comparison between the market value and book value of “Government securities” reveals a net unrealised, unrecorded gain of € 11 million, of which € 8 million on securities pertaining to the Parent Bank hedged by interest-rate swaps. The valuation of these derivatives reveals a potential loss of € 7 million.

“Other securities” include the portfolio of the Parent Bank (€ 307 million) and that of foreign subsidiaries (€ 611 million), comprising, among others, securities issued by public entities in the European Union (€ 139 million), guaranteed securities issued by South American countries (€ 41 million) and securities issued by leading banks and other European issuers (€ 387 million).

The difference between the market and book values of “other securities” largely refers to € 7 million in securities held by a foreign subsidiary, where the utilization and presence of repayment guarantees do not pose any valuation problems in relation to the issuer’s financial status

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

During the period the Parent Bank made no transfers from its investment to dealing portfolio (nor vice versa). Some transfers were made by foreign Group subsidiaries following strategic refocusing of their activities.

Dealing securities

Dealing securities comprise:

	6/30/00 (€/mn)		12/31/99 (€/mn)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	7,681	7,681	8,281	8,281
– unquoted	305	305	419	419
1.2 other securities				
– quoted	3,633	3,633	3,199	3,199
– unquoted	3,299	3,300	3,282	3,286
2. Equities				
– quoted	3,932	3,932	1,435	1,435
– unquoted	2	2	8	8
Total (*)	18,852	18,853	16,624	16,628

(*) Dealing securities itemized in the reclassified consolidated financial statements include shares in the Parent Bank (€ 57 million) acquired by subsidiaries in the course of their trading activities.

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:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Equity investments (caption 70)	3,126	2,899	7.8
Investments in Group companies (caption 80)	438	448	-2.2
Total	3,564	3,347	6.5
<i>of which:</i>			
- significant investments carried at equity	729	843	-13.5

Composition of the investment portfolio

Analysis of caption 80 "Investments in Group companies"

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
a) Investment in banks			
1. quoted	-	-	-
2. unquoted	1	1	-
b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	11	9	22.2
c) Other investments			
1. quoted	-	-	-
2. unquoted	426	438	-2.7
Total	438	448	-2.2

Analysis of caption 70 "Equity investments"

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
a) Investment in banks			
1. quoted	1,464	1,022	43.2
2. unquoted	238	443	-46.3
b) Investment in financial institutions			
1. quoted	10	10	-
2. unquoted	45	66	-31.8
c) Other investments			
1. quoted	1,184	1,235	-4.1
2. unquoted	185	123	50.4
Total	3,126	2,899	7.8

The principal transactions during the period, which resulted in a net increase in the portfolio by € 217 million to a total of € 3,564 million, were:

Increases:

- acquisition by the Parent Bank of a 15% interest in Cassa di Risparmio di Firenze S.p.A., for € 118 million, net of the goodwill arising on consolidation.
- Investments purchased by Sanpaolo IMI International S.A. in Banco Santander Central Hispano BSCH for € 442 million and in the Royal Bank of Scotland for € 74 million, subsequently valued at € 68 million.
- Investments purchased by NHS-Nuova Holding Subalpina S.p.A. in Buzzi Unicem S.p.A. for € 17 million, in Banca Popolare di Lodi for € 16 million, subsequently valued at € 13 million, (the latter also through the subsidiary LDV Holding BV) and in Engineering Ingegneria Informatica S.p.A. for € 10 million .

Decreases:

- Disposal by the Parent Bank of the residual 40% interest in Crediop S.p.A. to the Dexia Group, generating a capital gain of € 150 million.
- Disposal by NHS Nuova Holding Supalpina S.p.A. of its interests in Countrywide Assured Group Plc (with a capital gain of € 20 million) and Efibanca S.p.A. (with a capital gain of € 7 million), as well as a sale of part of the holdings in Tecnost S.p.A. (with a capital gain of € 9 million) and in Milano Assicurazioni S.p.A. (with a capital gain of € 3 million).
- Market sale by Sanpaolo IMI S.p.A. of partial interest in Beni Stabili S.p.A. with a capital gain of € 16 million.
- Transfers by the subsidiary Sanpaolo IMI International S.A. of € 90 million (book value) to the dealing portfolio in respect of the residual interest in Banque Nationale de Paris S.A.

Amounts due to and from Group companies

The following table sets out the amounts due to and from companies belonging to the SANPAOLO IMI Banking Group and the amounts due to and from subsidiaries that are not part of the banking group:

Amounts due to and from Group companies

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Assets			
1. due from banks	-	-	-
<i>of which:</i>			
- subordinated	-	-	-
2. due from financial institutions	8	-	n.s.
<i>of which:</i>			
- subordinated	-	-	-
3. due from other customers	55	76	-27.6
<i>of which:</i>			
- subordinated	-	-	-
4. bonds and other debt securities	-	-	-
<i>of which:</i>			
- subordinated	-	-	-
Total assets	63	76	-17.1
(b) Liabilities			
1. due to banks	-	-	-
2. due to financial institutions	2	3	-33.3
3. due to other customers	29	72	-59.7
4. securities issued	806	867	-7.0
5. subordinated liabilities	-	-	-
Total liabilities	837	942	-11.1
(c) Guarantees and commitments			
1. guarantees given	2	4	-50.0
2. commitments	-	4	-100.0
Total guarantees and commitments	2	8	-75.0

The following table sets out the amounts due to and from associated companies (companies where Group companies hold interests of at least 20% or 10%, if quoted):

Amounts due to and from associated companies

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Assets			
1. due from banks	91	335	-72.8
<i>of which:</i>			
- <i>subordinated</i>	20	20	-
2. due from financial institutions	61	286	-78.7
<i>of which:</i>			
- <i>subordinated</i>	-	-	-
3. due from other customers	-	2	-100.0
<i>of which:</i>			
- <i>subordinated</i>	-	-	-
4. bonds and other debt securities	-	33	-100.0
<i>of which:</i>			
- <i>subordinated</i>	-	-	-
Total assets	152	656	-76.8
(b) Liabilities			
1. due to banks	11	26	-57.7
2. due to financial institutions	-	-	-
3. due to other customers	1	20	-95.0
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
Total liabilities	12	46	-73.9
(c) Guarantees and commitments			
1. guarantees given	184	209	-12.0
2. commitments	-	-	-
Total guarantees and commitments	184	209	-12.0

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Property			
- operating	928	948	-2.1
- non-operating	34	35	-2.9
- undergoing renovation	20	20	-
Furniture and installations			
- electronic equipment	56	54	3.7
- office furniture and equipment	35	31	12.9
- general and specific installations	34	31	9.7
- vehicles	1	1	-
Total	1,108	1,120	-1.1

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Merger differences (goodwill of merged companies)	68	81	-16.0
Goodwill	9	17	-47.1
Other deferred charges	181	169	7.1
Total	258	267	-3.4

The merger differences refer to the mergers of Banca Provinciale Lombarda and Banco Lariano in 1993.

Goodwill reflects the value that emerged on the 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:

- € 140 million in software costs which will benefit future years, € 13 million of which relates to investments made in connection with the introduction of the Euro;
- € 20 million in leasehold improvements;
- € 1million in start-up and expansion costs.

The bases adopted for the analysis and accounting recognition of these charges are consistent with the Group's accounting policies and CONSOB recommendations. In particular, amounts have been deferred as intangible fixed assets if they will benefit future years, rather than just the accounting period in which they were incurred.

SECTION 5 - OTHER ASSETS

Consolidated asset captions 90, 100, 150 and 160, not analyzed in the preceding sections, comprise the following:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Goodwill arising on consolidation (caption 90)	6	7	-14.3
Goodwill arising on application of the equity method (caption 100)	87	51	70.6
Other assets (caption 150)	13,677	16,199	-15.6
Accrued income and prepaid expenses (caption 160)	3,239	4,649	-30.3
Total	17,009	20,906	-18.6

Goodwill arising on consolidation (caption 90)

Analysis of caption 90 " Goodwill arising on consolidation "

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
SANPAOLO IMI Asset Management S.g.r. S.p.A.	4	5	-20.0
Finconsumo S.p.a.	2	2	-
Total	6	7	-14.3

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

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Cassa di Risparmio di Firenze	71	-	n.s.
Sanpaolo Vita S.p.A.	16	24	-33.3
Azimut S.p.A.	-	24	-100.0
Bafin S.p.A.	-	3	-100.0
Total	87	51	70.6

The goodwill subject to be amortized on application of the equity method concerning Cassa di Risparmio di Firenze is part of the excess price paid for acquiring a 19.1% interest (including 4.1% already held by the controlled NHS), net of amortization charged for the period (€ 4 million), compared with the share of the subsidiary shareholders' equity. The complementary part is offset by negative goodwill arising on application of the equity method and on consolidation (Part B – Section 8). This positive goodwill arising on application of the equity method is amortized over 10 years considering the strategic nature of the investment and the related operating and commercial synergies.

Other assets (caption 150)*Analysis of caption 150 "Other assets"*

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Valuation of derivative contracts on interest rates and stockmarket indices	6,916	9,289	-25.5
Due from tax authorities	642	1,115	-42.4
- tax credits relating to prior years	336	125	168.8
- tax withholdings overpaid during the period on bank interest income	49	122	-59.8
- taxes withheld during the period	15	20	-25.0
- taxes paid in advance on termination indemnities (Law 662/96)	48	48	-
- advance direct taxes	102	684	-85.1
- other credits	92	116	-20.7
Unprocessed transactions (a)	1,876	1,104	69.9
Effect of currency hedges, forex swap and cross-currency swap transactions	699	972	-28.1
Amounts in transit between branches and subsidiaries (a)	583	605	-3.6
Deferred tax assets (b)	576	558	3.2
Premiums paid on purchased options	508	364	39.6
Tax collection accounts	108	205	-47.3
Deposits with clearing-houses	107	-	n.s.
Transactions by foreign branches	71	133	-46.6
Net effect of translating funds from international agencies using current rates, with the exchange risk borne by third parties	84	89	-5.6
Cheques and other instruments held	35	39	-10.3
Items relating to currency settlements	157	-	n.s.
Items relating to securities transactions	53	18	194.4
Other	1,262	1,708	-26.1
Total	13,677	16,199	-15.6

(a) Largely allocated at the beginning of the following accounting period.

(b) Further information on deferred tax assets is given in part B – Section 7 of these notes.

SECTION 6 - PAYABLES

The Group payables are analyzed as follows:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Due to banks (caption 10)	30,777	28,012	+9.9
Due to customers (caption 20)	45,692	43,189	+5.8
Securities issued (caption 30)	32,483	35,718	-9.1
Public funds administered (caption 40)	44	50	-12.0
Total	108,996	106,969	+1.9

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Due to central banks			
- repurchase agreements and securities borrowed	2,624	4,477	-41.4
- other deposits from the Italian Exchange Office	81	35	131.4
- other deposits from central banks	807	558	44.6
Due to banks			
- deposits	19,930	13,661	45.9
- repurchase agreements and securities borrowed	1,586	1,249	27.0
- long-term loans from international bodies	3,916	4,278	-8.5
- current accounts	920	1,009	-8.8
- other	913	2,745	-66.7
Total	30,777	28,012	9.9

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

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

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Due to customers			
- current accounts	33,181	31,344	5.9
- repurchase agreements and securities borrowed	5,020	3,758	33.6
- savings deposits	4,493	4,752	-5.5
- short-term payables relating to special management services carried out for the government	461	475	-2.9
- other (*)	2,537	2,860	-11.3
Securities issued			
- bonds	22,371	23,643	-5.4
- certificates of deposit	7,274	9,090	-20.0
- bankers' drafts	379	380	-0.3
- other securities	2,459	2,605	-5.6
Total	78,175	78,907	-0.9

(*) Includes short positions on securities in connection with trading activities.

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

Public funds administered (caption 40)

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Funds provided by the State	9	10	-10.0
Funds provided by regional public agencies	20	20	-
Other funds	15	20	-25.0
Total	44	50	-12.0
<i>of which:</i>			
<i>funds with risk borne by the Government under Law 19 of 2/6/87</i>	<i>15</i>	<i>16</i>	<i>-6.3</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 reported under consolidated liabilities are detailed below:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Provision for termination indemnities (caption 70)	447	438	2.1
Provisions for risks and charges (caption 80)			
- pensions and similar commitments (caption 80.a)	44	46	-4.3
- taxation (caption 80.b)	976	1,029	-5.2
- other (caption 80.c)			
- provisions for guarantees and commitments	45	40	12.5
- provisions for other risks and charges	327	231	41.6
- provisions for other personnel charges	142	137	3.6
Reserve for possible loan losses (caption 90)	31	29	6.9
Total	2,012	1,950	3.2

Provisions for risks and charges

Pensions and similar commitments (caption 80.a)

This provision covers charges relating to the supplementary pensions of former IMI S.p.A. personnel that have already retired. The extent of the potential liability is determined on the basis of an independent actuarial appraisal.

Taxation (caption 80.b)

Provisions for duties and taxes cover income taxes due, including local taxes payable by foreign branches and subsidiaries, as well as outstanding and potential fiscal disputes (€ 741 million). They also include deferred taxes (€ 235 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 tax authorities have appealed to the Regional Tax Commission in Rome against this ruling. The tax commission delivered its verdict on July 27, 2000 rejecting the appeal by the tax authorities.

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 arising in the first half of 2000 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.

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

Provisions for guarantees and commitments, € 45 million, cover expected losses in respect of guarantees given and, more generally, the contingencies associated with the Group's guarantees and commitments.

Provisions for risks and other charges, € 327 million, include:

- provisions made by the Parent Bank to cover charges in connection with the possible re-negotiation of loans relating to building projects benefiting from government assistance under Law 133/99 and Treasury Ministry Decree 110 of March 24, 2000 (€ 103 million);
- expected losses of the Parent Bank deriving from legal action including, in particular, the repayments claimed by receivers of bankrupt customers, as well as charges which might arise in connection with guarantees given on the disposal of equity investments, from the commitment to the Interbank Deposit Guarantee Fund, and from other contingencies (€ 150 million);
- € 52 million recorded by the subsidiaries which distribute financial products, in order to cover the operating risks typical of their respective areas of business.

Smaller provisions have also been recorded by other Group companies.

The provision for other personnel charges, € 142 million, includes:

- € 103 million provided by the Parent Bank, on the basis of an independent actuarial appraisal, to cover the unfunded liabilities of its independent pension fund supplementary to the obligatory general insurance;
- € 16 million provided by foreign subsidiaries to cover employee pensions;
- € 11 million provided to cover long-service bonuses earned by employees;
- € 8 million relating to provisions for personnel leaving incentives;
- € 3 million in relation to the provision made to cover potential contributions for employees taken on following the merger of a subsidiary;
- € 1 million provided to cover contingencies relating to the renovation of the Frankfurt and New York branches of the Parent Bank.

Reserve for possible loan losses (caption 90)

This caption reflects provisions made by certain subsidiaries to cover lending risks - including the risks deriving from derivative transactions. This reserve does not adjust the related asset accounts, since it is intended to cover unspecified contingencies.

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

The Group's interest in shareholders' equity is detailed below:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Shareholders' equity			
– capital (caption 150)	3,930	3,926	0.1
– additional paid-in capital (caption 160)	12	-	n.s.
– reserves (caption 170)			
– legal reserve	792	792	-
– reserve for own shares	104	357	-70.9
– other reserves	1,345	739	82.0
– reserve for general banking risks (caption 100)	354	357	-0.8
– negative goodwill arising on consolidation (caption 120)	846	952	-11.1
– negative goodwill arising on application of the equity method (caption 130)	83	199	-58.3
– net income for the period (caption 200)	746	1,050	-29.0
Group interest in shareholders' equity	8,212	8,372	-1.9
Own shares (caption 140 – assets)	104	357	-70.9
<i>of which : Parent Bank portfolio (*)</i>	47	336	-86.0
Minority interests (caption 140)	588	539	9.1
Subordinated liabilities (caption 110)	2,207	1,524	44.8

(*) In the reclassified balance sheet, the Parent Bank's own shares are shown as a deduction from consolidated shareholders' equity, while the remaining own shares are included in the dealing securities portfolio.

Group interest in consolidated shareholders' equity

Capital and equity reserves (captions 150, 160 and 170)

"Capital", "additional paid-in capital" and the "legal reserve" reflect the amounts reported in the financial statements of the Parent Bank; "other reserves" include the remaining reserves of the Parent Bank and changes in the Group's interest in the shareholders' equity of consolidated companies; the "reserve for general banking risks" comprises amounts reported by the Parent Bank and other companies consolidated line-by-line.

In keeping with the stock option plan authorised by the extraordinary meeting of shareholders on April 30, 1998, 1,254,250 own shares were subscribed during the period, with a resulting increase of € 4 million in capital and € 12 million in additional paid-in capital.

The "reserve for own shares" refers to shares in SANPAOLO IMI held at period-end by the Parent Bank and the subsidiary Banca d'Intermediazione Mobiliare IMI S.p.A.. More specifically, the subsidiary holds shares in the Parent Bank mainly for hedging FIB 30 futures contracts and options as part of its trading activities. The matching entry to this reserve, set up through reallocation of amounts from other reserves, is found under asset caption 140 "Own shares".

Reserve for general banking risks (caption 100)

The reserve for general banking risks comprises € 336 million recorded by the Parent Bank and € 18 million recorded by certain subsidiary companies.

Negative goodwill arising on consolidation and on application of the equity method (captions 120 and 130)

The negative goodwill arising on consolidation and on application of the equity method, calculated using the methods described in Part A of these Explanatory Notes, are shown net of that part of the positive goodwill arising on application of the equity method to Cassa di Risparmio di Firenze not subject to amortization (See part B – section 5 “ Other assets”). This treatment, illustrated in the tables below, is permitted by current legislation and generally accepted accounting standards.

Analysis of caption 120 “ Negative goodwill arising on consolidation ”

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Negative goodwill arising on first-time consolidation	952	952	-
Positive goodwill arising in the period: Cassa di Risparmio di Firenze (*)	-106	-	n.s.
Total	846	952	-11.1

(*) Complements the € 75 million taken in full compensation against negative goodwill on first consolidation using the equity method (see following table).

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Negative goodwill arising on first-time consolidation using the equity method	75	78	-3.8
Positive goodwill arising in the period: Cassa di Risparmio di Firenze	-75	-	n.s.
Subsequent value adjustments (*)	83	121	-31.4
Totals	83	199	-58.3

(*) As of June 30, 2000 these include capitalised gains of insurance companies for € 65 million (€ 110 million as of December 31, 1999).

The reduction in negative goodwill on first consolidation using the equity method (€ 3 million) is due to the sale of the stake in Crediop Overseas Bank Ltd.

Asset captions “ 90. Goodwill arising on consolidation ” and “ 100. Goodwill arising on application of the equity method ” are analyzed in part B – section 5 “ Other assets ”.

Minority interests (caption 140)

Minority interests totalling € 588 million at June 30, 2000 essentially relate to the interest in equity attributable to the minority shareholders of Banca Fideuram and Nuova Holding Subalpina.

A statement of changes in consolidated shareholders’ equity during the period is attached to these notes, together with a reconciliation of the Parent Bank’s net income and shareholders’ equity with the corresponding consolidated amounts.

Regulatory capital

Regulatory capital is analyzed below together with the minimum requirements for supervisory purposes. The final estimated will be relayed to the Supervisory Body on approval of this half-year report:

Bank of Italy instructions dated 12.17.98

Category/Value	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	7,939	7,505	5.8
A.2 Tier 2 capital	1,941	1,255	54.7
A.3 Items to be deducted	-841	-737	14.1
A.4 Regulatory capital	9,039	8,023	12.7
B. Minimum regulatory requirements			
B.1 Lending risk	6,020	5,667	6.2
B.2 Market risk	593	531	11.7
<i>of which:</i>			
- risks on trading portfolio	553	505	9.5
- exchange risks	36	26	38.5
- concentration risks	4	-	n.s.
B.3 Other minimum requirements	40	40	-
B.4 Total minimum requirements	6,653	6,238	6.7
C. Risk assets and capital-adequacy ratios			
C.1 Risk-weighted assets (*)	83,163	77,975	6.7
C.2 Tier 1 capital/risk weighted assets	9.5%	9.6%	
C.3 Regulatory capital/risk weighted assets	10.9%	10.3%	

(*) Total minimum requirement multiplied by compulsory minimum ratio for lending risks (corresponding to 12.5).

Subordinated liabilities (caption 110)

Loan	Book value as of 6/30/00 (€/mn)	Original currency (in millions)	Interest rate	Issue date	Maturity date	Book value as of 12/31/99 (€/mn)
Notes in Luxembourg francs	-	1,000	7.75%	05/26/93	05/26/00	25
Notes in Luxembourg francs	25	1,000	7.63%	07/09/93	07/09/01	25
Notes in Luxembourg francs	-	1,000	9%	02/10/92	02/10/00	25
Notes in US dollars	173	165	floating	07/12/93	07/30/03	165
Notes in US dollars	83	79	floating	09/24/93	09/24/03	79
Notes in US dollars	99	94	floating	11/30/93	11/30/05	94
Notes in US dollars	33	32	floating	08/25/95	08/25/00	32
Notes in Canadian dollars	107	151	floating	11/10/93	11/10/03	104
Notes in Italian lire	357	690,000	floating	06/30/94	06/30/04	356
Notes in Eurolire	102	198,000	floating	07/06/95	07/06/00	102
Notes in Eurolire	27	52,000	floating	12/30/96	01/20/02	27
Subordinated loan in Italian lire	39	100,000	5.10%	06/01/98	06/01/03	51
Subordinated loan in Italian lire	93	240,000	5.30%	01/01/98	01/01/03	124
Subordinated loan in Italian lire	87	224,000	floating	02/01/98	02/01/03	115
Subordinated loan in Euro	400	400	6.38%	04/06/00	04/06/10	-
Subordinated loan in Euro	350	350	floating	04/06/00	04/06/10	-
Subordinated loan in Euro	200	200	floating	10/01/99	10/01/09	200
Subordinated loan in Euro	32	32	floating	10/12/99	10/12/09	-
Total	2,207					1,524

Subordinated liabilities include subordinated debt totalling € 193 million which is not included in the calculation of the regulatory capital.

Contractually, subordinated loans may not be redeemed early, nor converted into capital or any other type of liability. In particular, such contracts lay down that:

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

SECTION 9 - OTHER LIABILITIES

Other liabilities (caption 50)

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Valuation of derivatives on interest rates and stock market indices	7,158	9,676	-26.0
Unprocessed transactions	2,895	1,462	98.0
Amounts available for third parties	1,344	1,134	18.5
Amounts in transit with branches and subsidiaries	869	584	48.8
Tax payment accounts	118	107	10.3
Transactions involving foreign branches	52	324	-84.0
Non-liquid balances from portfolio transactions	369	334	10.5
Due to the tax authorities	266	276	-3.6
Amounts due to employees	194	300	-35.3
Premiums collected on options sold	291	318	-8.5
Amounts payable due to settlement value date	-	127	-100.0
Items relating to securities transactions	43	23	87.0
Deposits guaranteeing agricultural and construction loans	35	35	-
Other	1,603	1,015	57.9
Total	15,237	15,715	-3.0

SECTION 10 - GUARANTEES AND COMMITMENTS

Guarantees (caption 10)

Analysis of caption 10 "Guarantees given"

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Commercial guarantees	10,251	9,437	8.6
(b) Financial guarantees	855	1,416	-39.6
(c) Assets lodged in guarantee	179	192	-6.8
Total	11,285	11,045	2.2

Commitments (caption 20)

Analysis of caption 20 "Commitments"

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Commitments to grant finance (certain to be called on)	5,184	2,287	126.7
(b) Commitments to grant finance (not certain to be called on)	15,436	15,741	-1.9
Total	20,620	18,028	14.4

Commitments are detailed below:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Undrawn lines of credit granted	9,033	11,548	-21.8
Put options issued	1,991	2,252	-11.6
Other commitments certain to be called on	3,369	1,548	117.6
Mortgage loans to be disbursed	3,259	861	278.5
Purchase of securities not yet settled (*)	1,815	741	144.9
Deposits and loans to be made	466	354	31.6
Membership of Interbank Deposit Guarantee Fund	70	70	-
Other commitments not certain to be called on	617	654	-5.7
Total	20,620	18,028	14.4

(*) As of June 30, 2000 these include € 874 million relating to the purchase price of shares representing 49% of Banco di Napoli Holding.

Unused lines of credit

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Central banks	45	41	9.8
(b) Other banks	1,048	641	63.5
Total	1,093	682	60.3

Forward transactions

Forward transactions, excluding dealing transactions on behalf of third parties, are detailed below:

	<i>(millions of Euro)</i>			
	Hedging	Dealing (*)	Other	Total
1. Purchase/sale of				
1.1 securities				
• purchases	-	1,748	-	1,748
• sales	-	3,155	-	3,155
1.2 currency				
• currency against currency	5,540	1,274	-	6,814
• purchases against euro	6,685	3,588	-	10,273
• sales against euro	3,914	3,588	-	7,502
2. Deposits and loans				
• to be disbursed	-	2,149	459	2,608
• to be received	-	2,994	1,845	4,839
3. Derivative contracts				
3.1 with exchange of capital				
(a) securities				
• purchases	-	4,862	-	4,862
• sales	421	6,056	-	6,477
(b) currency				
• currency against currency	790	624	-	1,414
• purchases against euro	1,505	1,180	-	2,685
• sales against euro	369	1,675	-	2,044
(c) other instruments				
• purchases	-	-	-	-
• sales	-	-	-	-
3.2 without exchange of capital				
(a) currency				
• currency against currency	127	-	-	127
• purchases against euro	374	4	-	378
• sales against euro	10	-	-	10
(b) other instruments				
• purchases	13,219	94,957	150	108,326
• sales	17,826	102,338	2,732	122,896
Total	50,780	230,192	5,186	286,158

(*) These also include derivative contracts hedging positions within the dealing portfolio.

At period end, hedging contracts, entered into as part of loan-arrangement activities, show an unrecognised net loss of € 260 million. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of these derivative contracts is to hedge interest and exchange rate risks with regard to funding activities (in particular, deposit-taking transactions made via the issue of bonds with a structured yield) and/or lending activities. The above contracts are in fact recorded on a consistent basis with those adopted for hedged transactions, with the identification of period-end accruals in the financial statements. Had the hedged assets and liabilities been valued in the same way, the resulting gain would have offset the above loss.

Forward transactions outstanding as of June 30, 2000 presented in the table above, essentially reflect the activities of the Parent Bank and those subsidiaries operating in the banking and stockbroking sector.

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

<i>Notional amounts</i>	<i>(millions of Euro)</i>			
	Interest rates	Currency	Stockmarket indices	Other
OTC trading contracts				
- Forward (a)	696	8,449	-	-
- Swaps (b)	156,550	2,347	-	-
- Options purchased	12,971	569	1,238	-
- Options sold	13,814	567	2,794	-
Exchange traded contracts				
- Futures purchased	5,051	-	1,551	-
- Futures sold	3,139	-	727	-
- Options purchased	3,028	-	1,847	-
- Options sold	2,889	-	1,919	-
Total trading contracts	198,138	11,932	10,076	-
Total non-trading contracts	29,548	19,313	4,594	207
Total contracts	227,686	31,245	14,670	207

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

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

<i>Notional amounts of OTC transactions, related market values and add on</i>	<i>(millions of Euro)</i>			
	Interest rates	Currency	Stockmarket indices	Other
Notional amounts	213,579	31,245	8,626	207
Market value of OTC trading contracts				
- positive	3,706	247	106	-
- negative	3,556	275	139	-
Add on	934	126	108	-
Market value of OTC non-trading contracts				
- positive	481	576	254	-
- negative	531	299	122	-
Add on	173	255	322	25

The market values of hedging and dealing derivative contracts arranged with third parties have been calculated using criteria established by the Bank of Italy for determining the solvency ratio. The market values identified in the table above

derive from applying such criteria. In particular, they include period-end accruals and the effect of restating at spot rates the notional amounts to be exchanged on the maturity of cross-currency interest rate swaps.

<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	64,817	95,882	52,880	
Exchange rate related	27,406	3,277	562	
Stockmarket index related	2,995	4,991	640	
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	62	48	110	
Banks	4,229	1,414	5,643	
Other operators	1,079	481	1,560	
Total	5,370	1,943	7,313	

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

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in part B, section 11 of these notes.

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 consolidated 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.

	6/30/00
(a) Amount (in millions of Euro)	9,833
(b) Number	6

Distribution of loans to customers, by category of borrower

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Governments	4,916	4,471	10.0
(b) Other public entities	6,341	5,469	15.9
(c) Non-financial businesses	41,009	40,762	0.6
(d) Financial institutions	8,286	6,751	22.7
(e) Family businesses	2,313	2,498	-7.4
(f) Other operators	13,118	13,223	-0.8
Total	75,983	73,174	3.8

Distribution of loans to resident non-financial and family businesses

The distribution of loans to non-financial and family businesses resident in Italy is detailed below, by industry:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Sales and distribution services	5,498	5,490	0.1
(b) Commerce, salvage and repairs	5,412	5,412	-
(c) Construction and public works	3,230	3,711	-13.0
(d) Transport	2,586	2,840	-8.9
(e) Energy	1,991	2,847	-30.1
(f) Other sectors	16,413	15,691	4.6
Total	35,130	35,991	-2.4

Distribution of guarantees given, by category of counterparty

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Governments	21	20	5.0
(b) Other public entities	23	13	76.9
(c) Banks	613	795	-22.9
(d) Non-financial businesses	8,832	8,860	-0.3
(e) Financial institutions	1,382	971	42.3
(f) Family businesses	97	95	2.1
(g) Other operators	317	291	8.9
Total	11,285	11,045	2.2

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:

	6/30/00 (€/mn)				12/31/99 (€/mn)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	10,084	8,899	2,749	21,732	10,131	8,772	3,241	22,144
1.2 loans to customers	62,288	8,362	5,333	75,983	60,999	7,679	4,496	73,174
1.3 securities	14,820	3,491	2,235	20,546	12,608	4,110	1,662	18,380
Total	87,192	20,752	10,317	118,261	83,738	20,561	9,399	113,698
2. Liabilities								
2.1 due to banks	8,974	9,606	12,197	30,777	9,722	7,173	11,117	28,012
2.2 due to customers	32,945	9,849	2,898	45,692	31,958	8,283	2,948	43,189
2.3 securities issued	22,684	6,516	3,283	32,483	25,081	6,459	4,178	35,718
2.4 other accounts	1,230	-	1,021	2,251	527	1,047	-	1,574
Total	65,833	25,971	19,399	111,203	67,288	22,962	18,243	108,493
3. Guarantees and commitments	13,349	6,482	12,074	31,905	12,974	7,304	8,795	29,073

Maturities of assets and liabilities

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

	<i>(millions of Euro)</i>								Unspecified	Total
	On demand	Up to 3 months	Specified maturity				Beyond 5 years			
			Between 3 and 12 months	Between 1 and 5 years		Fixed rate		Floating rate		
			Fixed rate	Floating rate	Fixed rate	Floating rate				
1. Assets										
1.1 Treasury bonds eligible for refinancing	2	492	479	356	1,819	458	292	-	3,898	
1.2 due from banks	8,110	10,525	2,296	268	165	136	9	223	21,732	
1.3 loans to customers	13,346	15,342	8,859	9,815	12,253	7,349	7,829	1,190	75,983	
1.4 bonds and other debt securities	138	1,167	2,531	2,362	3,767	1,431	1,316	-	12,712	
1.5 off-balance sheet transactions	5,469	31,018	27,773	28,105	27,935	17,685	16,108	-	154,093	
Total assets	27,065	58,544	41,938	40,906	45,939	27,059	25,554	1,413	268,418	
2. Liabilities										
2.1 due to banks	6,996	15,034	4,269	1,088	1,558	418	1,414	-	30,777	
2.2 due to customers	35,042	7,694	942	804	490	637	76	7	45,692	
2.3 securities issued:										
- bonds	253	149	3,831	6,321	5,688	3,540	2,589	-	22,371	
- certificates of deposit	46	3,876	2,300	260	767	16	9	-	7,274	
- other securities	380	2,396	62	-	-	-	-	-	2,838	
2.4 subordinated liabilities	-	135	73	98	819	400	682	-	2,207	
2.5 off-balance sheet transactions	5,562	30,191	25,785	837	56,323	677	33,110	-	152,485	
Total liabilities	48,279	59,475	37,262	9,408	65,645	5,688	37,880	7	263,644	

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies that are not members of the EMU are analyzed below:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Assets			
1. due from banks	6,331	6,453	-1.9
2. loans to customers	9,583	7,956	20.4
3. securities	3,315	3,196	3.7
4. equity investments	174	125	39.2
5. other accounts	37	51	-27.5
Total assets	19,440	17,781	9.3
(b) Liabilities			
1. due to banks	11,426	8,949	27.7
2. due to customers	5,567	5,626	-1.0
3. securities issued	5,409	7,288	-25.8
4. other accounts	549	474	15.8
Total liabilities	22,951	22,337	2.7

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Asset management

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Asset management (1)	30,129	23,953	25.8

(1) With reference to specific instructions from the Bank of Italy, this information relates solely to personalised asset management on behalf of customers, and excludes Group mutual funds totalling €78,002 million (€ 76,019 million as of December 31, 1999) and the technical reserves of subsidiary insurance companies, consolidated using the equity method, totalling € 11,760 million (€ 10,500 million as of December 31, 1999).

Custody and administration of securities

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Third-party securities held on deposit	192,598	209,672	-8.1
(b) Third-party securities deposited with third parties	124,965	128,231	-2.5
(c) Portfolio securities deposited with third parties	11,006	14,087	-21.9

Other transactions

Fund for applied research

In the area of incentives for research and development, as from January 2000 the Ministry for Universities and Scientific and Technological Research has taken over direct management of the Fund for Applied Research. The Ministry has appointed ten banks, including Sanpaolo Imi, to cooperate in assessing and controlling projects. It also assigned Sanpaolo IMI the supervision of all outstanding projects.

In the first half of 2000, 234 applications were received for investments totalling € 562 million, 272 preliminary inquiries were carried out, and € 557 million was allocated.

In the same period 227 contracts were drawn up for a total amount of € 321 million, and € 176 million in loans were disbursed using public funds and € 37 million using the Bank's funds. These loans benefit from interest rate relief under Law 346/1988.

Guarantee Fund for small and medium-sized undertakings in Southern Italy (Law 341/95)

Under the Convention between the Italian Treasury and the Parent Bank, dated December 21, 1995, as approved and implemented by Decree of the Director-General of the Treasury dated January 5, 1996, the Parent Bank has been granted the concession to administer this Fund established under Law 341/95.

The purpose of Law 341/95 is to help to rationalise the financial situation of those small and medium-sized enterprises in Southern Italy that qualify under EU parameters. This involves measures of various types, from interest-relief grants on financing designed to convert short-term bank borrowings into long-term loans, to the granting of supplementary guarantees for participating loans, for the purchase of equity investments and for the debt consolidation described above.

As of June 30, 2000, 4,122 applications with a total value of € 1,989 million had been received, as detailed below:

- € 1,477 million in relation to the consolidation of short-term debt (of which € 1,428 million is in process of being disbursed and € 49 million is awaiting final approval).
- € 512 million for participating loans.

Third-party portion of syndicated loans

The third-party portion of syndicated loans arranged by the Parent Bank, without representation, totalled € 854 million (€ 857 million as of December 31, 1999).

Asset management services rendered by third parties

As of June 30, 2000, the value of asset management services rendered to customers by third parties amounts to € 4,254 million.

Part C - Consolidated Statement of Income

SECTION 1 - INTEREST

Interest income and similar revenues (caption 10)

Analysis of caption 10 "Interest income and similar revenues"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) On amounts due from banks	449	715	337
<i>including</i>			
- deposits with central banks	18	24	11
(b) On loans to customers	2,316	4,324	2,201
<i>including</i>			
- loans using public funds	-	-	-
(c) On debt securities	394	915	498
(d) Other interest income	7	12	6
(e) Net differential on hedging transactions (*)	68	-	-
Total	3,234	5,966	3,042

(*) The net differential on derivative contracts entered into for hedging purposes.

Detail of caption 10 "Interest income and similar revenues"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
a) On assets denominated in foreign currency	366	870	354

"Interest income and similar revenues" earned on assets denominated in foreign currency relate to transactions not denominated in Euro-zone currencies. The comparative figures for the first half of 1999 have been reclassified accordingly.

Interest expense and similar charges (caption 20)

Analysis of caption 20 "Interest expense and similar charges"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
a) On amounts due to banks	656	992	494
b) On amounts due to customers	525	892	402
c) On securities issued	943	1,834	979
<i>Including:</i>			
- certificates of deposit	230	480	243
d) On public funds administered	-	-	-
e) On subordinated liabilities	43	81	47
f) Net differential on hedging transactions (*)	-	135	88
Total	2,167	3,934	2,010

(*) The net differentials on derivative contracts entered into for hedging purposes.

Detail of caption 20 "Interest expense and similar charges"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
a) On liabilities denominated in foreign currency	456	839	286

"Interest expense and similar charges" incurred on liabilities denominated in foreign currency relate to transactions not denominated in Euro-zone currencies. The comparative figures for 1999 have been reclassified accordingly.

SECTION 2 - COMMISSION

Commission income (caption 40)

Analysis of caption 40 "Commission income"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) Guarantees given	23	44	22
(b) Collection and payment services	91	177	82
(c) Management, dealing and consultancy services			
1. dealing in securities	77	106	56
2. dealing in currency	16	31	17
3. asset management	80	123	37
4. custody and administration of securities	21	39	17
5. placement of securities	31	199	79
6. consultancy services	27	36	20
7. "door-to-door" sales of securities and financial products and services	55	108	51
8. acceptance of instructions	114	110	54
9. management of mutual funds	834	1,107	529
(d) Tax collection services	11	32	15
(e) Other services	267	475	244
Total	1,647	2,587	1,223

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

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Loans granted	74	143	81
Deposits and current account overdrafts	65	109	70
Banking functions in relation to mutual funds deposited	65	108	48
Current accounts	31	61	22
Loan-arrangement activities	1	1	-
Other services	31	53	23
Total	267	475	244

Commission expense (caption 50)*Analysis of caption 50 "Commission expense"*

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) Collection and payment services	26	50	23
(b) Management and dealing services			
1. dealing in securities	27	42	21
2. dealing in currency	-	1	-
3. asset management	-	-	-
4. custody and administration of securities	14	16	5
5. placement of securities	1	1	4
6. "door-to-door" sales of securities and financial products and services	288	369	167
7. management of mutual funds	16	18	7
(c) Other services	29	33	28
Total	401	530	255

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

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Loans obtained	6	12	16
Intermediation on financing transactions	5	8	4
Loan-arrangement activities	1	2	1
Guarantees received	2	1	1
Other services	15	10	6
Total	29	33	28

SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

Profits (losses) on financial transactions (caption 60)

Analysis of caption 60 "Profits (losses) on financial transactions"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Security transactions:			
a) net revaluations / writedowns	-45	-59	-89
b) realized profits and losses	101	-77	-481
Currency transactions	21	5	47
Other transactions	-54	234	568
Total	23	103	45

Current regulations require the separate identification of the economic effects of each element of an integrated and fully-hedged treasury portfolio, comprising shares and other securities (in lire and foreign currency, sensitive to changes in interest rates) and derivatives (futures, options, IRS, interest rate and cross currency swaps and other instruments). Consequently, the above amounts must, to a large extent, be analyzed together with the dividend income included within net interest and other banking income.

SECTION 4 - ADMINISTRATIVE COSTS

Payroll costs (caption 80.a)

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Wages and salaries	558	1,097	545
Social security charges	183	365	183
Termination indemnities	37	69	36
Pensions and similar commitments	-	3	1
Total	778	1,534	765

Average number of employees by category is specified in “Part D – Other information” of these Explanatory Notes.

Other administrative costs (caption 80.b)

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Rental of premises	53	88	43
Consultancy services	44	84	29
Software maintenance and upgrades	43	83	34
Personnel training and travel expenses	22	37	20
Postage and telegraph charges	20	38	20
Maintenance of operating assets	20	41	19
Telephone	16	32	16
External data processing	15	25	14
Advertising and entertainment	15	24	9
Power charges	14	26	15
Data transmission charges	14	28	15
Legal and judiciary expenses	13	24	12
Security services	11	24	12
Cleaning of premises	10	20	10
Office supplies	9	16	9
Databank access charges	9	16	8
Maintenance of properties owned by the Group	9	18	7
Searches/commercial information costs	7	11	5
Insurance premiums - banks and customers	6	11	6
Transport and counting of valuables	5	11	5
Courier and transport services	5	10	5
Equipment leasing charges	4	14	8
Maintenance of leasehold premises	4	7	4
Contributions and membership of trade unions and business associations	3	6	3
Other expenses	45	69	35
Total	416	763	363
Indirect duties and taxes			
– stamp duties	60	120	60
– tax amnesty charge (Pres. Decree 601/73)	9	13	6
– local property taxes	5	10	5
– non-recoverable VAT on purchases	3	11	3
– other	8	15	9
Total	85	169	83
Total other administrative costs	501	932	446

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments to intangible and tangible fixed assets (caption 90)

Analysis of caption 90 " Adjustments to intangible and tangible fixed assets "

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Adjustments to intangible fixed assets			
- amortization of start-up and capital increase expenses	-	1	1
- amortization of goodwill	8	18	9
- amortization of merger differences	14	37	18
- amortization of software costs	22	47	19
- amortization of other deferred charges	16	29	12
- amortization of goodwill arising on consolidation	2	4	2
- amortization of goodwill arising on application of the equity method	16	25	12
Adjustments to tangible fixed assets			
- depreciation of property	23	59	30
- depreciation of furniture and installations	35	73	31
Total	136	293	134

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, € 132 million, recorded during the period reflect the consolidation of the provision made by the Parent Bank (€ 122 million) and those made by subsidiary companies (€ 10 million). The provision made by the Parent Bank mainly includes € 13 million to cover expected losses from legal action and € 103 million against renegotiated mortgage lending, as well as € 3 million to cover long-service bonuses earned by employees, and € 3 million to top up the Parent Bank's employee pension fund. Provisions by subsidiaries were mainly made, on a prudent basis, by companies that provide financial services for families, in order to cover risks associated with the marketing 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"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) Adjustments to loans	309	663	406
<i>of which:</i>			
<i>general adjustments for country risk</i>	5	56	61
<i>other general adjustments</i>	63	11	2
(b) Provisions for guarantees and commitments	10	1	-
<i>of which:</i>			
<i>general provisions for country risk</i>	-	-	-
<i>other general provisions</i>	5	-	-
Total	319	664	406

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

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Revaluation of loans previously written down	68	134	130
Revaluation of loans previously written off	-	3	9
Revaluation of provisions for guarantees and commitments	-	1	1
Collection of loan principal previously written down	121	116	45
Collection of loan principal and default interest previously written off	24	65	24
Collection of default interest previously written down	32	42	30
Total	245	361	239

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 asset accounts since they are intended only to cover unspecified contingencies.

Adjustments to financial fixed assets (caption 150)*Analysis of caption 150 " Adjustments to financial fixed assets "*

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Adjustments to investment securities	-	14	18
Adjustments to equity investments	6	75	9
Total	6	89	27

Adjustments to equity investments, € 6 million, relate to the writedown of holdings in the following companies, to take account of permanent losses in value:

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Banca Popolare di Lodi S.c.r.l.	3	-	-
Filos S.p.A.	2	-	-
Beni Stabili S.p.A.	-	58	-
Inter Europa Bank Rt	-	4	8
Milano Assicurazioni S.p.A.	-	3	-
Snia BPD S.p.A.	-	2	-
Rimoldi Necchi	-	1	-
Sanità S.p.A.	-	1	-
Other adjustments	1	6	1
Total	6	75	9

SECTION 6 - OTHER CONSOLIDATED STATEMENT OF INCOME CAPTIONS

Consolidated statement of income captions 30, 70, 110, 190, 200 and 240, not discussed above, comprise:

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Dividends and other revenues (caption 30)	141	250	112
Other operating income (caption 70)	109	224	103
Other operating expenses (caption 110)	19	40	21
Extraordinary income (caption 190)	319	367	332
Extraordinary expenses (caption 200)	15	73	31
Income taxes for the period (caption 240)	488	685	398

Dividends and other revenues (caption 30)

Analysis of caption 30 "Dividends and other revenues"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Shares, quotas and other equities			
- dividends	64	94	63
- tax credits	37	54	36
Equity investments, other than those consolidated line-by-line and carried at equity			
- dividends	30	69	9
- tax credits	10	33	4
Total	141	250	112

Other operating income (caption 70)

Analysis of caption 70 "Other operating income"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Expenses recovered from customers			
- stamp duties	51	115	57
- other taxes	10	16	8
- legal costs	7	14	7
- other recoveries	8	15	10
Reimbursement of services rendered to third parties	9	14	6
Gains on the sale of leased assets	1	3	1
Property rental income	2	5	3
Income from merchant banking activities	7	28	5
Other income	14	14	6
Total	109	224	103

Other operating expenses (caption 110)*Analysis of caption 110 "Other operating expenses"*

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Losses on the sale of leased assets	4	5	5
Leasing charges on furniture and fittings	-	-	1
Property leasing charges	-	3	-
Losses from merchant banking activities	-	2	2
Other expenses for marketing network of agents	5	10	5
Other leasing charges	4	11	-
Other expenses	6	9	8
Total	19	40	21

Extraordinary income (caption 190)*Analysis of caption 190 "Extraordinary income"*

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Out-of-period income			
– release of excess provisions	5	1	-
– exchange rate effect on consolidation adjustments	-	2	-
– other out-of-period income	14	31	14
Amounts not payable	1	2	2
Gains on:			
– disposal of financial fixed assets – equity investments	217	327	313
– disposal of financial fixed assets – investment securities	-	1	2
– disposal of own shares in portfolio	82	-	-
– disposal of tangible fixed assets	-	3	1
Total	319	367	332

Part D - Other information

SECTION 1 - NUMBER OF EMPLOYEES AND BRANCH NETWORK

Average number of employees by category

	1 st half 2000	1999	1 st half 1999
(a) Managers	356	338	327
(b) Officials	4,442	4,388	4,391
(c) Other employees	19,572	19,490	19,544
Total	24,370	24,216	24,262

Part E - Scope of consolidation

SECTION 1 - INVESTMENTS IN SUBSIDIARIES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Significant investments held by the Group, meaning those in subsidiary companies and companies subject to significant influence as defined in articles 4 and 19 of Decree 87/92, are indicated in the table below:

Significant equity investments

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights in general meeting %	Consolidated book value (€/million)
			Held by	%		
A. Companies consolidated line-by-line						
Sanpaolo IMI S.p.A. (Parent Bank)	Turin		-	-	-	-
<i>A1 Line-by-line</i>						
1 Banca Fideuram S.p.A.	Milan	1	Sanpaolo IMI	74.06	74.06	XXX
2 Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
3 Banca IMI Securities Corp.	United States	1	IMI Capital Market USA	100.00	100.00	XXX
4 Banca Opi S.p.A. (former IMI Lease S.p.A.)	Rome	1	Sanpaolo IMI	100.00	100.00	XXX A
5 Banque Sanpaolo S.A.	France	1	Sanpaolo IMI	100.00	100.00	XXX
6 Bonec Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
7 Fideuram Bank S.A.	Luxembourg	1	Banca Fideuram	99.99	99.99	XXX
			Fideuram Vita	0.01	0.01	XXX
				100.00	100.00	
8 Fideuram Capital S.p.A.	Milan	1	Banca Fideuram	100.00	100.00	XXX
9 Fideuram Fiduciaria S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX
10 Fideuram Fondi S.p.A.	Rome	1	Banca Fideuram	99.25	99.25	XXX
11 Fideuram Gestioni Patrimoniali SIM S.p.A.	Milan	1	Banca Fideuram	100.00	100.00	XXX
12 Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.99	99.99	XXX
			Fideuram Vita	0.01	0.01	XXX
				100.00	100.00	
13 Fonditalia Management Company S.A.	Luxembourg	1	Banca Fideuram	99.96	99.96	XXX
			Fideuram Vita	0.04	0.04	XXX
				100.00	100.00	
14 IDEA S.A.	Luxembourg	1	IMI Bank (Lux)	99.16	99.16	XXX
			Sanpaolo IMI International	0.83	0.83	XXX
				99.99	99.99	
15 IMI Bank (Lux) S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			IMI Investments	0.01	0.01	XXX
				100.00	100.00	
16 IMI Capital Markets USA Corp.	United States	1	IMI Investments	100.00	100.00	XXX
17 IMI Investments S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			Banca IMI Securities Corp.	0.01	0.01	XXX
				100.00	100.00	
18 IMI Real Estate S.A.	Luxembourg	1	IMI Bank (Lux)	99.99	99.99	XXX
			Sanpaolo IMI International	0.01	0.01	XXX
				100.00	100.00	

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights in general meeting %	Consolidated book value (€/million)
			Held by	%		
19 IMI Sigeco (UK) Ltd	United Kingdom	1	Banca IMI	100.00	100.00	XXX
20 Imitec S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX
21 Independent Management for Institutional Advisory Co. S.A.	Luxembourg	1	IMI Bank (Lux)	99.80	99.80	XXX
			IMI Investments	0.20	0.20	XXX
				100.00	100.00	
22 Interfund Advisory Company S.A.	Luxembourg	1	Banca Fideuram	99.92	99.92	XXX
			Fideuram Vita	0.08	0.08	XXX
				100.00	100.00	
23 Int. Securities Advisory Company S.A.	Luxembourg	1	Banca Fideuram	99.98	99.98	XXX
			Fideuram Vita	0.02	0.02	XXX
				100.00	100.00	
24 @IMIWeb S.I.M. S.p.A.	Milan	1	Banca IMI	100.00	100.00	XXX
25 Lackenstar Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
26 LDV Holding B.V.	Netherlands	1	NHS-Nuova Holding Subalpina	100.00	100.00	XXX
27 NHS-Nuova Holding Subalpina S.p.A.	Turin	1	Sanpaolo IMI	51.00	51.00	XXX
28 Sanpaolo Asset Management S.A.	France	1	Banque Sanpaolo	99.97	99.97	XXX
			SCI Parisienne de L'Avenue Hoche	0.01	0.01	XXX
			Société Fonciere d'Investissement	0.01	0.01	XXX
			Société Immobiliere d'Investissement	0.01	0.01	XXX
				100.00	100.00	
29 Sanpaolo Bail S.A.	France	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
			Société Fonciere d'Investissement	0.01	0.01	XXX
				100.00	100.00	
30 Sanpaolo Bank (Austria) AG	Austria	1	Sanpaolo Bank S.A.	100.00	100.00	XXX
31 Sanpaolo Bank S.A.	Luxembourg	1	Sanpaolo IMI	99.99	99.99	XXX
			Sanpaolo Services Luxembourg	0.01	0.01	XXX
				100.00	100.00	
32 Sanpaolo Fiduciaria S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
33 Sanpaolo Fonds Gestion Snc	Luxembourg	1	Banque Sanpaolo	80.00	80.00	XXX
			Sanpaolo Asset Management S.A.	20.00	20.00	XXX
				100.00	100.00	
34 Sanpaolo Gestion Internationale S.A.	Luxembourg	1	Sanpaolo IMI	99.98	99.98	XXX
			Sanpaolo Bank S.A.	0.02	0.02	XXX
				100.00	100.00	
35 Sanpaolo IMI Asset Management SGR S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
36 Sanpaolo IMI Bank (International) S.A.	Madeira	1	Sanpaolo IMI	69.01	69.01	XXX
			Sanpaolo IMI International	30.99	30.99	XXX
				100.00	100.00	
37 Sanpaolo IMI Bank Ireland Plc	Ireland	1	Sanpaolo IMI	100.00	100.00	XXX

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights in general meeting %	Consolidated book value (€/million)
			Held by	%		
38 Sanpaolo IMI International S.A.	Luxembourg	1	Sanpaolo IMI	100.00	100.00	XXX
39 Sanpaolo IMI US Financial CO.	United States	1	Sanpaolo IMI	100.00	100.00	XXX
40 Sanpaolo Immobiliare S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
41 Sanpaolo Invest Banca S.p.A. (former Sanpaolo Invest SIM S.p.A.)	Rome	1	Sanpaolo IMI	100.00	100.00	XXX
42 Sanpaolo Leasint S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
43 Sanpaolo Mur S.A.	France	1	Banque Sanpaolo	99.99	99.99	XXX
			Sanpaolo Bail	0.01	0.01	XXX
				100.00	100.00	
44 Sanpaolo Riscossioni Genova S.p.A.	Genoa	1	Sanpaolo IMI	100.00	100.00	XXX
45 Sanpaolo Riscossioni Prato S.p.A.	Prato	1	Sanpaolo IMI	100.00	100.00	XXX
46 Sanpaolo Services Luxembourg S.A.	Luxembourg	1	Sanpaolo IMI	99.60	99.60	XXX
			Sanpaolo Bank S.A.	0.40	0.40	XXX
				100.00	100.00	
47 SEP S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
48 Societé de Gestion du Fonds commun de Placement Fideuram Fund S.A.	Luxembourg	1	Banca Fideuram	99.20	99.20	XXX
			Fideuram Vita	0.80	0.80	XXX
				100.00	100.00	
49 Tobuk Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
50 Turis A.G.	Switzerland	1	Banca Fideuram	100.00	100.00	XXX
51 Tushingam Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX

A2 Proportional method

1 Finconsumo S.p.A.	Turin	7	Sanpaolo IMI	50.00	50.00	XXX
2 FC Factor S.r.l.	Turin	7	Finconsumo	100.00	100.00	XXX

B. Carried at equity

Subsidiaries

1 Cedar Street Securities Corp.	United States	1	Banca IMI Securities	100.00	100.00	-
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	-
			NHS-Nuova Holding Subalpina	5.00	5.00	-
			Sanpaolo IMI Asset Management	5.00	5.00	-
				95.00	95.00	
3 Fideuram Assicurazioni S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	10
4 Fideuram Vita S.p.A.	Rome	1	Banca Fideuram	99.75	100.00	292
5 Gedit S.A.	Luxembourg	1	Sanpaolo IMI	90.00	90.00	-
			Prospettive 2001	10.00	10.00	-
				100.00	100.00	
6 IMI Sigeco (Nominees) Ltd.	United Kingdom	1	Banca IMI	100.00	100.00	-
7 Independent Management for Institutionals Sicav	Luxembourg	1	IMI Bank (Lux)	50.00	50.00	-
			Independent Management for Institutional Adv.	50.00	50.00	-
				100.00	100.00	

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights in general meeting %	Consolidated book value (€/million)
			Held by	%		
8 Leasint Servizi Integrati S.p.A.	Milan	1	Sanpaolo Leasint	100.00	100.00	1
9 Prospettive 2001 S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	13
10 S.P.I. Lux I a r.l.	Luxembourg	1	NHS-Nuova Holding Subalpina	100.00	100.00	-
11 S.P.I. Lux II a r.l.	Luxembourg	1	NHS-Nuova Holding Subalpina	100.00	100.00	-
12 Sanpaolo IMI Capital Partners Ltd	Guernsey	1	NHS-Nuova Holding Subalpina	99.00	99.00	-
			Sanpaolo IMI Management	1.00	1.00	-
				100.00	100.00	
13 Sanpaolo IMI Institutional Asset Management SGR S.p.A.	Monza	1	Sanpaolo IMI Asset Management	55.00	55.00	1
			Fideuram Capital	30.00	30.00	-
			Banca IMI	15.00	15.00	-
				100.00	100.00	
14 Sanpaolo IMI Investments S.A.	Luxembourg	1	Banca IMI	99.90	99.90	1
			Sanpaolo IMI International	0.10	0.10	-
				100.00	100.00	
15 Sanpaolo IMI Management Ltd	United Kingdom	1	NHS-Nuova Holding Subalpina	100.00	100.00	-
16 Sanpaolo IMI Private Equity S.p.A.	Turin	1	NHS-Nuova Holding Subalpina	100.00	100.00	2
17 Sanpaolo Invest Ireland Limited	Ireland	1	Sanpaolo Invest Banca	100.00	100.00	-
18 Sanpaolo Leasint GMBH	Austria	1	Sanpaolo Leasint	100.00	100.00	-
19 Sanpaolo Life Ltd	Ireland	1	Sanpaolo Vita	100.00	100.00	-
20 Sanpaolo Vita S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	106
21 Soci�t� Civile Les Jardins d'Arcadie	France	1	Banque Sanpaolo	55.00	55.00	-
22 Soci�t� Civile Parisienne de l'Av. Hoche	France	1	Banque Sanpaolo	100.00	100.00	3
23 Socavie	France	1	Banque Sanpaolo	99.80	99.80	1
			Soci�t� Fonciere d'Investissement	0.20	0.20	-
				100.00	100.00	
24 Soci�t� Fonciere d'Investissement	France	1	Banque Sanpaolo	99.92	99.92	-
			Soci�t� Civile Parisienne de l'Av. Hoche	0.08	0.08	-
				100.00	100.00	
25 Soci�t� Immobili�re d'Investissement	France	1	Banque Sanpaolo	99.98	99.98	-
			Soci�t� Fonciere d'Investissement	0.02	0.02	-
				100.00	100.00	
26 SP Asset Management Luxembourg S.A.	Luxembourg	1	Sanpaolo Bank SA	99.99	99.99	1
			Sanpaolo Services Luxembourg	0.01	0.01	-
				100.00	100.00	
27 SPB 1650 Van Ness Corp.	United States	1	Sanpaolo IMI	100.00	100.00	-
28 SPB Delta Towers LLC	United States	1	Sanpaolo IMI	100.00	100.00	-
29 Spei S.p.A.	Rome	1	Banca Opi	100.00	100.00	1
30 UNI Invest S.A. (ex Sanpaolo Gestion Immobiliere S.A.)	France	1	Banque Sanpaolo	99.98	99.98	-
			Sanpaolo Bail	0.01	0.01	-
			Soci�t� Civile Parisienne de l'Av. Hoche	0.01	0.01	-
				100.00	100.00	

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights in general meeting %	Consolidated book value (€/million)
			Held by	%		
31 Apokè Two Srl (in liq.)	Milan	1	Sanpaolo IMI	100.00	100.00	-
32 Fidimi Consulting S.p.A. (in liq.)	Rome	1	Sanpaolo IMI	100.00	100.00	-
33 Imifin S.p.A. (in liq.)	Rome	1	Sanpaolo IMI	100.00	100.00	-
34 IMI Bank A.G. (in liq.)	Germany	1	IMI Bank Lux	95.24	95.24	1
			Sanpaolo IMI International	4.76	4.76	-
				100.00	100.00	
35 Sanpaolo U.S. Holding Co. (in liq.)	United States	1	Sanpaolo IMI	100.00	100.00	3
Other minor investments						2 (B)

Total investments in Group companies carried at equity 438

Other

36 Azimut S.p.A.	Viareggio	8	LDV Holding	13.33	13.33	21
			NHS-Nuova Holding Subalpina	6.67	6.67	10
				20.00	20.00	
37 Banca Italo-Romena S.p.A.	Milan	8	Sanpaolo IMI	20.00	20.00	1
38 Banque Michel Inchauspe S.A. (BAMI)	France	8	Banque Sanpaolo	20.00	20.00	5
39 Beaujon Immobilière	France	7	Banque Sanpaolo	50.00	50.00	-
40 BNC Assicurazioni S.p.A.	Rome	8	Sanpaolo IMI	30.00	30.00	40
41 Cassa di Risparmio di Firenze S.p.A.	Florence	8	Sanpaolo IMI	14.98	14.98	118
			NHS-Nuova Holding Subalpina	4.11	4.11	32
				19.09	19.09	
42 CBE Service	Belgium	8	Sanpaolo IMI	20.00	20.00	-
43 Conservateur Finance S.A.	France	8	Banque Sanpaolo	20.00	20.00	3
44 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	Sanpaolo IMI	50.00	50.00	4
45 Esatri S.p.A.	Milan	8	Sanpaolo IMI	31.50	31.50	14
46 Eurosic S.A.	France	8	Banque Sanpaolo	32.77	32.77	10
47 Finnat Investments S.p.A.	Rome	8	Sanpaolo IMI	20.00	20.00	-
48 Inter-Europa Bank RT	Hungary	8	Sanpaolo IMI	32.51	32.51	8
49 Logiasit S.A.	France	8	Banque Sanpaolo	20.00	20.00	-
50 Macapel S.p.A.	Milan	8	NHS-Nuova Holding Subalpina	46.75	46.75	9
51 Nuova Strategia S.p.A.	Milan	8	LDV Holding	25.00	25.00	13
52 Picus S.p.A.	Bergamo	8	NHS-Nuova Holding Subalpina	40.58	40.58	1
53 San Marino Gestion S.A.	Luxembourg	8	Sanpaolo Bank SA	20.00	20.00	-
54 Sanpaolo IMI Private Equity Scheme B.V.	Netherlands	8	LDV Holding	45.00	45.00	-
55 Societé Civile 26 Rue Richard Gardebled	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-Courbevoie	France	8	Banque Sanpaolo	50.00	50.00	-
64 Consorzio Bancario SIR S.p.A. (in liquidation)	Rome	8	Sanpaolo IMI	32.49	32.49	-

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights in general meeting %	Consolidated book value (€/million)
			Held by	%		
65 Eurofondo S.C.p.A. (in liquidation)	Rome	8	Sanpaolo IMI	25.00	25.00	-
66 Finexpance S.p.A. (in liquidation)	Chiavari	8	Sanpaolo IMI	30.00	30.00	-
67 Galère 28 (in liquidation)	France	8	Banque Sanpaolo	23.44	23.44	-
68 Galileo Holding (in liquidation)	Venice	8	Sanpaolo IMI	31.52	31.52	-
Other investments						2 (B)
Total other investments carried at equity						291
Total investments carried at equity						729

(*) 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 presumed to exist if at least 20% of the voting rights at an ordinary meeting are held.

(A) The company changed its name during the first half of 2000, starting to carry out its new banking activities as from July 1, 2000, the date when the transfer of the public works and infrastructure business took effect by the parent bank Sanpaolo IMI S.p.A..

(B) Represents the sum of book values of equity investments lower than € 500,000.

SECTION 2 - OTHER SIGNIFICANT INVESTMENTS

Among the remaining equity investments held by the Group, the more significant in value (book value equal to or greater than € 2.5 million) are set out below:

Other investments

Name	Registered offices	Ownership		Consolidated book value (€/million)
		Held by	%	
ACEA S.p.A.	Rome	NHS-Nuova Holding Subalpina	0.09	3
ADR International Airport South Africa Ltd	South Africa	LDV Holding	0.37	8
Banca Agricola Mantovana S.p.A.	Mantua	Sanpaolo IMI	9.57	206
Banca d'Italia	Rome	Sanpaolo IMI	2.00	55
Banca Mediocredito S.p.A.	Turin	Sanpaolo IMI	1.11	4
Banca Popolare di Lodi S.c.r.l.	Lodi	NHS-Nuova Holding Subalpina	0.50	7
		LDV Holding	0.50	7
			1.00	14
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.89	16
Banco Santander Central Hispano S.A.	Spain	Sanpaolo IMI	1.28	458
		Sanpaolo IMI International	1.50	653
			2.78	1,111
Banksiel S.p.A.	Milan	Sanpaolo IMI	7.00	3
Beni Stabili S.p.A.	Rome	Sanpaolo IMI	14.05	80
BIAT S.A.	Tunisia	Sanpaolo IMI	5.61	8
Borsa Italiana S.p.A.	Milan	Banca IMI	7.00	3
		IMI Bank (Lux)	0.50	-
			7.50	3
Buzzi Unicem S.p.A.	Alessandria	NHS-Nuova Holding Subalpina	1.31	17
Cedel International S.A.	Luxembourg	Banca IMI	1.32	3
Compart S.p.A.	Milan	NHS-Nuova Holding Subalpina	6.78	102
Convergenza S.C.A.	Luxembourg	LDV Holding	10.00	3
Enel S.p.A.	Rome	NHS-Nuova Holding Subalpina	0.04	20
Elsacom NV	Netherlands	LDV Holding	7.61	8
Engineering Ingegneria Informatica S.p.A.	Rome	NHS-Nuova Holding Subalpina	2.00	10
Fincantieri - Cantieri Navali S.p.A.	Trieste	NHS-Nuova Holding Subalpina	1.23	4
Flashmall.it S.p.A.	Rome	NHS-Nuova Holding Subalpina	14.70	4
ILIAD S.A.	France	Banque Sanpaolo	9.93	5
I. N. A. S.p.A.	Rome	Sanpaolo IMI	9.20	825
Milano Assicurazioni S.p.A.	Milan	NHS-Nuova Holding Subalpina	2.02	20
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	1.39	14
Spinner Global Technology Fund Ltd	Dutch Antilles	NHS-Nuova Holding Subalpina	3.58	7
The Royal Bank of Scotland Plc	United Kingdom	Sanpaolo IMI International	0.31	117
Tecnost S.p.A.	Ivrea	Sanpaolo IMI	0.40	60
		NHS-Nuova Holding Subalpina	0.23	33
			0.63	93
Unionvita S.p.A.	Rome	Fideuram Capital	15.00	5
Utet S.p.A.	Turin	LDV Holding	17.90	19
Other minor investments				37
Total other investments				2,835

Attachments to the Consolidated Financial Statements

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CONSOLIDATED CASH FLOWS

RECONCILIATION OF THE FINANCIAL STATEMENTS OF THE PARENT BANK WITH
THE CONSOLIDATED FINANCIAL STATEMENTS

LIST OF SHAREHOLDING INVESTMENTS

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	<i>Millions of Euro</i>					
	Capital	Reserves and retained earnings	Reserve for general banking risks	Negative goodwill arising on consolidation and application of the equity method	Net income for the period	Total
Shareholders' equity as of December 31, 1999	3,926	1,888	357	1,151	1,050	8,372
Allocation of 1999 net income:						
- to reserves	-	326	-	-	-326	-
- to the shareholders	-	-	-	-	-724	-724
Change in reserves	-	41	-	-41	-	-
Change in reserve for general banking risks	-	-	-3	-	-	-3
Positive goodwill arising on application of the equity method to Cassa di Risparmio di Firenze	-	-	-	-181	-	-181
Stock options exercised	4	12	-	-	-	16
Undistributed dividends on own shares held by the Parent Bank	-	2	-	-	-	2
Differences arising on the translation of foreign currency financial statements and other adjustments	-	-16	-	-	-	-16
Net income for the period	-	-	-	-	746	746
Net shareholders' equity as of June 30, 2000	3,930	2,253	354	929	746	8,212
Own shares held by the Parent Bank	-	-47	-	-	-	-47
Net shareholders' equity as per consolidated financial statements	3,930	2,206	354	929	746	8,165

STATEMENT OF CONSOLIDATED CASH FLOWS

(millions of Euro)

APPLICATION OF FUNDS

Use of funds generated by operations	804
Dividends paid	722
Use of provision for termination indemnities	9
Use of provisions for risks and charges	70
Use of provisions for general banking risks	3
Increase in funds applied	5,230
Loans to customers	2,883
Equity investments	222
Trading securities	1,975
Positive goodwill on consolidation and equity	53
Tangible fixed assets	46
Intangible fixed assets	51
Decrease in funds taken	3,091
Due to customers and securities issued	738
Other liabilities	2,131
Negative good will on consolidation and equity	222
Total	9,125

(millions of Euro)

SOURCES OF FUNDS

Funds generated by operations	1,143
Net income for the period	746
Provision for termination indemnities	16
Net adjustments to loans and provisions for guarantees and commitments	74
Provisions for risks and charges	123
Adjustments to tangible fixed assets	58
Adjustments to intangible fixed assets	60
Adjustments to financial fixed assets	5
Adjustments to positive goodwill on consolidation and equity	18
Exchange differences on translating the equity of consolidated companies and other adjustments	41
Provisions for risks and charges	2
Increase in funds taken	3,497
Minority interests	49
Due to banks	2,765
Subordinated debt	683
Decrease in funds applied	4,485
Cash and central banks	79
Due from banks	412
Investment securities	62
Other asset captions	3,932
Total	9,125

RECONCILIATION OF THE FINANCIAL STATEMENTS OF THE PARENT BANK WITH THE CONSOLIDATED FINANCIAL STATEMENTS

	<i>(millions of Euro)</i>				
	Net income for the period	Capital and reserves	Shareholders' equity	Reserve for possible loan losses	Total
PARENT BANK	808	6,495	7,303	-	7,303
Reported by subsidiary companies consolidated line-by-line	523	4,907	5,430	31	5,461
Consolidation adjustments					
Carrying value of equity investments	-	-3,678	-3,678	-	-3,678
Dividends	-511	511	-	-	-
Offsetting of goodwill arising on consolidation	-	-236	-236	-	-236
Amortization of goodwill arising on consolidation	-17	-115	-132	-	-132
Reversal of gains on the disposal of equity investments	-60	60	-	-	-
Effect of consolidating subsidiary companies using the equity method	38	158	196	-	196
Minority interests	-49	-539	-588	-	-588
Other	14	-97	-83	-	-83
CONSOLIDATED FINANCIAL STATEMENTS	746	7,466	8,212	31	8,243

LIST OF SHAREHOLDINGS AT JUNE 30, 2000 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
BIESSEFIN in liquidation	SANPAOLO IMI	36,10
BOISSY R.E.R. 8	SOCIETE' FONCIERE D'INVESTISSEMENT	99,00
BOISSY R.E.R. 8	SOCIETE' IMMOBILIARE D'INVESTISSEMENT	1,00
	TOTAL	100,00
BRUMMEL INTERNATIONAL LIMITED	WOBCO HOLDING	100,00
CELEASING SRL	SANPAOLO IMI	100,00
CHATEAU BOLIDES	UNO IMMOBILIARE in liquidation	49,00
CIFRALI 8 in liquidation	BANQUE SANPAOLO S.A.	18,30
CIFRALI 9	BANQUE SANPAOLO S.A.	14,09
CIVE	SANPAOLO IMI	68,97
DULEVO	SANPAOLO IMI	16,30
ELVETIA EDILE	SANPAOLO IMI	100,00
FATA GROUP	NHS NUOVA HOLDING SUBALPINA	13,17
FEIC in liquidation	SANPAOLO IMI	17,24
FINDIRAMA in liquidation	APOKE' TWO in liquidation	62,86
FINDIRAMA in liquidation	UNO HOLDING in liquidation	3,96
	TOTAL	66,82
FINLOMBARDA LEASING	SANPAOLO IMI	14,00
FONTI DI GAVERINA	SANPAOLO IMI	51,04
GENIA SRL	SANPAOLO IMI	100,00
GIACINTO in liquidation	APOKE' TWO in liquidation	100,00
GUINNESS PEAT AVIATION A.T.R. LTD	SANPAOLO IMI BANK IRELAND PLC	12,50
IAM PIAGGIO	BANCA FIDEURAM	3,86
IAM PIAGGIO	SANPAOLO IMI	10,00
	TOTAL	13,86
IMMOBILIARE DELL'ISOLA CATTANEO	SANPAOLO IMI	48,57
IMMOBILIARE PEONIA ROSA	SANPAOLO IMI	57,00
IMPIANTI SRL	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 CPMPANY	TUSHINGHAM LIMITED	11,11
LEASARTE	SOFIR'S	100,00
LILLO	SANPAOLO IMI	50,00

Name	Shareholder	%
LO.SE.RI.	SANPAOLO IMI	18,40
NEWGRANGE FINANCIAL SERVICES COMPANY	BONEC LTD	14,79
NUOVA VALVOTECNIC	SANPAOLO IMI INTERNATIONAL S.A.	16,67
PANTECNA in fallimento	SANPAOLO IMI	15,50
RECEIVABLES SERVICING COMPANY	LACKENSTAR LTD	15,76
RIMOLDI NECCHI SRL	NHS NUOVA HOLDING SUBALPINA	16,92
S.A. IMM. DE CONSTR. DE MONTECLIN en liquidation	BANQUE SANPAOLO S.A.	11,30
S.C.I. BOISSY RER 5	SOCIETE' FONCIERE D'INVESTISSEMENT	90,00
S.C.I. LA SOURCE DE SAINT HILARIE	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	98,00
S.C.I. ROGNAC - NORD	SOCIETE' FONCIERE D'INVESTISSEMENT	50,00
S.C.I. BOISSY GRISELLE 7	SOCIETE' FONCIERE D'INVESTISSEMENT	99,00
S.C.I. BOISSY GRISELLE 7	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	1,00
	TOTAL	100,00
S.C.I. BOISSY SAINT LEGER 94	SOCIETE' FONCIERE D'INVESTISSEMENT	99,00
S.C.I. BOISSY SAINT LEGER 94	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	1,00
	TOTAL	100,00
S.G.R. SOCIETA' GESTIONE PER IL REALIZZO	BANCA FIDEURAM	0,63
S.G.R. SOCIETA' GESTIONE PER IL REALIZZO	SANPAOLO IMI	9,48
	TOTAL	10,11
SAGO	SANPAOLO IMI	26,67
SCI BALCONS SAINTE MARIE	BANQUE SANPAOLO S.A.	18,00
SCI LE CHEVALIER	SOCIETE' FONCIERE D'INVESTISSEMENT	1,00
SCI LE CHEVALIER	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	99,00
	TOTAL	100,00
SCI LE CLOS DE NOYER en liquidation	BANQUE SANPAOLO S.A.	15,00
SCI LES BALCONS DU DRAC	BANQUE SANPAOLO S.A.	15,41
SCI LES JARDIN DE FARNESE en liquidation	UNI INVEST	11,11
SCI PLEIN CIEL	BANQUE SANPAOLO S.A.	12,00
SCI PRALY II	BANQUE SANPAOLO S.A.	11,00
SCI PRALY III	BANQUE SANPAOLO S.A.	12,00
SERDI ET COMPAGNIE	SOCIETE' FONCIERE D'INVESTISSEMENT	1,00
SERDI ET COMPAGNIE	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	99,00
	TOTAL	100,00
SOC. D'AMENAGEMENTS DE ZONES IND. ET COMM. - SAZIC	SOCIETE' FONCIERE D'INVESTISSEMENT	99,00
SOC. D'AMENAGEMENTS DE ZONES IND. ET COMM. - SAZIC	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	1,00
	TOTAL	100,00
SOCIETA' ITALIANA DI MONITORAGGIO	SANPAOLO IMI	16,67
SOCIETA' NAZIONALE FINANZIARIA	SOFIR'S	15,25
SOFIR'S	UNO HOLDING in liquidation	100,00
SOGEPI ET CIE LE FOURNAS SNC	BANQUE SANPAOLO S.A.	12,50
STARE	APOKE' TWO in liquidation	92,77
TECNO IDRO METEO (2)	SANPAOLO IMI	36,00

Name	Shareholder	%
TECNOALIMENTI (2)	SANPAOLO IMI	30,00
TECNOBIOMEDICA (2)	SANPAOLO IMI	26,32
TECNOCITTA' srl	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 liq.	SANPAOLO IMI INTERNATIONAL S.A.	15,79
UNIONVITA	FIDEURAM CAPITAL SIM	15,00
UNO BROKER in liquidation	SOFIR'S	100,00
UNO HOLDING in liquidation	APOKE' TWO in liquidation	77,69
UNO HOLDING in liquidation	FINDIRAMA in liquidation	3,50
	TOTAL	81,19
UNO IMMOBILIARE in liquidation	APOKE' TWO in liquidation	21,59
UNO IMMOBILIARE in liquidation	UNO HOLDING in liquidation	56,95
	TOTAL	78,54
WOBCO HOLDING	GED. I. T. - GEDEAM INVESTISSEMENTS	100,00
ZWHALEN & MAYR S.A.	SANPAOLO IMI INTERNATIONAL S.A.	12,96

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

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

The Bank's first half report

PARENT BANK RECLASSIFIED STATEMENT OF INCOME

PARENT BANK RECLASSIFIED BALANCE SHEET

PARENT BANK RECLASSIFIED STATEMENT OF INCOME

	1 st half 2000 (€/mn)	1 st half 1999 (€/mn)	1999 (€/mn)	Change 1 st half '00 - 1 st half '99 (%)	1 st half 2000 (L/bln)
NET INTEREST INCOME	897	878	1,729	2.2	1,736
Net commissions and other dealing revenues	797	645	1,348	23.6	1,544
Profits (losses) on financial transactions and investment income	25	88	78	-71.6	48
Dividends on equity investments	441	274	531	60.9	854
NET INTEREST AND OTHER BANKING INCOME	2,160	1,885	3,686	14.6	4,182
Administrative costs	-968	-969	-1,950	-0.1	-1,874
<i>Including:</i>					
- payroll costs	-624	-630	-1,260	-1.0	-1,208
- other administrative costs	-274	-269	-550	1.9	-530
- indirect duties and taxes	-70	-70	-140	0.0	-136
Other operating income, net	84	84	168	0.0	162
Adjustments to intangible and tangible fixed assets	-73	-84	-182	-13.1	-142
OPERATING INCOME	1,203	916	1,722	31.3	2,328
Provisions for risks and charges	-123	-25	-57	392.0	-238
Adjustments to loans and provisions for guarantees and commitments	-54	-163	-278	-66.9	-104
Writedowns of financial fixed assets, net	-6	-27	-84	-77.8	-11
INCOME BEFORE EXTRAORDINARY ITEMS	1,020	701	1,303	45.5	1,975
Net extraordinary income	338	354	354	-4.5	655
INCOME BEFORE TAXES	1,358	1,055	1,657	28.7	2,630
Income taxes for the period	-550	-422	-639	30.3	-1,066
NET INCOME FOR THE PERIOD	808	633	1,018	27.6	1,564

PARENT BANK RECLASSIFIED BALANCE SHEET

	6/30/2000 (€/mn)	6/30/1999 (€/mn)	12/31/99 (€/mn)	Change 1 st half '00 - 1 st half '99 (%)	6/30/99 (L/bln)
ASSETS					
Cash and deposits with central banks and post offices	338	339	421	-0.3	655
Loans	90,536	77,931	82,072	16.2	175,301
- due from banks	20,666	12,241	14,810	68.8	40,014
- loans to customers	69,870	65,690	67,262	6.4	135,287
Dealing securities	5,757	9,623	6,635	-40.2	11,146
Fixed assets	6,973	6,098	6,360	14.3	13,504
- investment securities	722	867	738	-16.7	1,400
- equity investments	5,210	3,753	4,544	38.8	10,089
- intangible fixed assets	155	175	167	-11.4	299
- tangible fixed assets	886	1,303	911	-32.0	1,716
Other assets	9,424	12,283	12,813	-23.3	18,246
Total assets	113,028	106,274	108,301	6.4	218,852
LIABILITIES AND SHAREHOLDERS' EQUITY					
Payables	90,704	81,369	85,562	11.5	175,626
- due to banks	31,230	21,197	24,203	47.3	60,470
- due to customers and securities issued	59,474	60,172	61,359	-1.2	115,155
Provisions	1,695	1,342	1,564	26.3	3,285
- for taxation	830	629	821	32.0	1,608
- for termination indemnities	409	399	401	2.5	793
- for risks and charges	412	267	296	54.3	798
- for pensions and similar obligations	44	47	46	-6.4	86
Other liabilities	11,385	14,721	12,972	-22.7	22,043
Subordinated liabilities	1,989	1,355	1,339	46.8	3,852
Shareholders' equity	7,255	7,487	6,864	-3.1	14,048
of which:					
- Capital (*)	3,930	4,345	3,926	-9.6	7,609
- reserves (**)	2,517	2,509	1,920	0.3	4,874
- net income	808	633	1,018	27.6	1,564
Total liabilities and shareholders' equity	113,028	106,274	108,301	6.4	218,852
GUARANTEES AND COMMITMENTS					
Guarantees given	16,838	15,987	16,506	5.3	32,603
Commitments	14,214	13,057	13,311	8.9	27,523

(*) the change in capital (- € 415 million) is due to the effects of the property spin-off (- € 413 million), the conversion of share capital into Euros (- € 6 million) and exercise of stock options (+ € 4 million).

(**) the amount is stated net of own shares in portfolio as of June 30, 2000 corresponding to 3,709,000 shares for € 47 million.

Other changes are due to the property spin-off (- € 260 million), the allocation of 1999 net income to reserves (+ € 297 million), the conversion of share capital into Euros (+ € 6 million) and the exercise of stock options (+ € 12 million).

The Bank's Financial Statements

PARENT BANK BALANCE SHEET

PARENT BANK STATEMENT OF INCOME

EXPLANATORY NOTES

PARENT BANK BALANCE SHEET

(in Euro)

ASSETS	6/30/2000	12/31/1999	6/30/1999
10. Cash and deposits with central banks and post offices	338,390,229	421,444,374	338,892,038
20. Treasury bills and similar bills eligible for refinancing with central banks	1,251,520,164	1,404,125,988	2,910,245,998
30. Due from banks	20,665,620,991	14,809,788,319	12,241,167,766
a) repayable on demand	8,767,409,751	1,765,058,484	2,359,158,850
b) other deposits	11,898,211,240	13,044,729,835	9,882,008,916
40. Loans to customers	69,870,145,078	67,262,285,646	65,689,842,290
including:			
- loans using public funds	42,201,956	47,451,295	56,481,322
50. Bonds and other debt securities	5,226,423,052	5,948,110,330	6,834,163,312
a) public entities	2,501,198,715	2,547,067,911	4,364,347,416
b) banks	1,903,307,163	2,622,644,261	1,655,789,954
including:			
- own bonds	434,556,709	850,606,925	646,779,399
c) financial institutions	161,248,136	172,064,462	55,605,027
including:			
- own bonds	-	-	-
d) other issuers	660,669,039	606,333,696	758,420,915
60. Shares, quotas and other equities	1,106,520	20,694,036	745,342,343
70. Equity investments	2,187,880,154	2,013,668,438	1,376,950,162
80. Investments in Group companies	3,022,536,820	2,530,426,361	2,377,499,496
90. Intangible fixed assets	154,612,446	167,274,269	174,415,304
including:			
- start-up costs	-	-	-
- goodwill	-	-	-
100. Tangible fixed assets	886,311,775	910,955,249	1,302,796,011
120. Own shares	46,906,108	335,630,924	-
130. Other assets	6,736,454,178	8,685,243,475	9,144,779,396
140. Accrued income and prepaid expenses	2,686,726,967	4,127,937,338	3,138,115,953
a) accrued income	2,522,441,392	3,957,988,424	2,864,977,698
b) prepaid expenses	164,285,575	169,948,914	273,138,255
including:			
- discounts on bond issues	3,731,651	2,629,919	3,897,674
Total assets	113,074,634,482	108,637,584,747	106,274,210,069

(in Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	6/30/2000	12/31/1999	6/30/1999
10. Due to banks	31,230,403,131	24,203,135,654	21,196,462,919
a) repayable on demand	6,965,352,719	519,392,584	2,602,885,416
b) time deposits or with notice period	24,265,050,412	23,683,743,070	18,593,577,503
20. Due to customers	35,697,041,598	34,192,170,111	32,512,282,191
a) repayable on demand	27,349,851,944	25,458,289,736	25,336,220,675
b) time deposits or with notice period	8,347,189,654	8,733,880,375	7,176,061,516
30. Securities issued	23,732,121,224	27,117,109,672	27,600,205,031
a) bonds	18,013,958,310	19,372,461,223	20,113,167,557
b) certificates of deposit	5,342,201,987	7,358,472,456	7,050,601,817
c) other	375,960,927	386,175,993	436,435,657
40. Public funds administered	43,628,474	50,457,312	59,444,203
50. Other liabilities	8,418,944,897	8,321,644,432	10,915,821,480
60. Accrued expenses and deferred income	2,965,258,365	4,649,246,270	3,805,404,584
a) accrued expenses	2,780,861,089	4,462,210,556	3,631,422,717
b) deferred income	184,397,276	187,035,714	173,981,866
70. Provision for termination indemnities	409,395,465	400,961,920	399,082,809
80. Provisions for risks and charges	1,286,677,574	1,163,481,860	943,371,647
a) pensions and similar commitments	44,374,680	45,926,205	47,671,852
b) taxation	830,343,395	821,717,557	628,846,696
c) other	411,959,499	295,838,098	266,853,099
100. Reserve for general banking risks	335,696,984	335,696,984	335,696,984
110. Subordinated liabilities	1,989,310,229	1,338,925,566	1,354,917,464
120. Capital	3,929,629,754	3,926,117,854	4,345,008,541
130. Additional paid-in capital	12,035,783	-	-
140. Reserves	2,216,584,171	1,920,943,709	2,173,393,583
a) legal reserve	792,561,421	792,561,421	869,001,708
b) reserve for own shares	46,906,108	335,630,924	-
c) statutory reserves	-	-	-
d) other reserves	1,377,116,642	792,751,364	1,304,391,875
160. Retained earnings	-	142,346	-
170. Distributable net income	-	1,017,551,057	-
180. Net income for the period	807,906,832	-	633,062,211
Total liabilities and shareholders' equity	113,074,634,482	108,637,584,747	106,274,210,069
GUARANTEES AND COMMITMENTS	6/30/2000	12/31/1999	6/30/1999
10. Guarantees given	16,838,058,524	16,505,842,479	15,986,788,375
<i>including:</i>			
- acceptances	135,807,929	131,381,542	142,327,218
- other guarantees	16,702,250,595	16,374,460,937	15,844,461,157
20. Commitments	14,214,462,643	13,310,528,849	13,056,532,956
<i>including:</i>			
- repurchase agreements	-	-	-

PARENT BANK STATEMENT OF INCOME

(in Euro)

	1 st half 2000	1999	1 st half 1999
10. Interest income and similar revenues	2,648,942,892	4,975,656,141	2,610,352,595
<i>including from:</i>			
– loans to customers	2,106,922,261	3,953,468,679	2,043,816,542
– debt securities	182,093,370	546,266,646	337,594,935
20. Interest expense and similar charges	-1,755,909,297	-3,262,027,241	-1,732,029,361
<i>including on:</i>			
– deposits from customers	-368,295,810	-599,120,532	-318,569,949
– securities issued	-768,558,584	-1,523,441,708	-793,474,582
30. Dividends and other revenues	450,477,337	574,426,198	292,130,317
a) from shares, quotas and other equities	324,582	28,340,995	17,945,311
b) from equity investments	101,118,633	94,826,532	17,192,783
c) from investments in Group companies	349,034,122	451,258,671	256,992,222
40. Commission income	838,530,039	1,432,634,008	692,473,831
50. Commission expense	-41,185,686	-87,975,414	-51,227,672
60. Profits (losses) on financial transactions	24,279,463	49,696,253	70,132,906
70. Other operating income	85,908,420	180,582,909	92,541,378
80. Administrative costs	-967,570,095	-1,950,322,718	-969,101,555
a) payroll	-623,869,341	-1,260,343,803	-629,971,956
<i>including:</i>			
– wages and salaries	-446,338,968	-901,705,912	-449,892,434
– social security charges	-144,915,878	-296,677,780	-148,111,335
– termination indemnities	-32,614,495	-61,908,465	-31,968,166
– pensions and similar commitments	-	-51,646	-22
b) other administrative costs	-343,700,754	-689,978,915	-339,129,598
90. Adjustments to intangible and tangible fixed assets	-73,375,942	-182,178,245	-84,018,941
100. Provisions for risks and charges	-122,881,485	-57,333,507	-25,306,388
110. Other operating expenses	-2,313,965	-8,047,851	-4,975,195
120. Adjustments to loans and provisions for guarantees and commitments	-285,925,683	-590,357,594	-380,795,171
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	232,409,191	312,157,861	218,076,187
140. Provisions to the reserve for possible loan losses	-	-	-
150. Adjustments to financial fixed assets	-5,987,271	-85,160,945	-27,826,168
160. Writebacks of adjustments to financial fixed assets	394,542	841,056	818,089
170. Income from operating activities	1,025,792,461	1,302,590,911	701,244,852
180. Extraordinary income	345,132,592	406,124,961	375,748,049
190. Extraordinary expenses	-12,537,100	-51,790,731	-21,984,963
200. Extraordinary income, net	332,595,492	354,334,230	353,763,086
220. Income taxes for the period	-550,481,121	-639,374,084	-421,945,728
230. Net income for the period	807,906,832		633,062,211
250. Distributable net income		1,017,551,057	

Explanatory notes

Introduction – Background information on the half-year report

- Form and content of the half-year report
- Audit of the half-year report

Part A – Accounting policies

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

Part B – Balance sheet

- Section 1 – Loans
- Section 2 – Securities
- Section 3 – Equity investments
- Section 4 – Tangible and intangible fixed assets
- Section 5 – Other assets
- Section 6 – Payables
- Section 7 – Provisions
- Section 8 – Capital, equity reserves and subordinated liabilities
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- Section 12 – Administration and dealing on behalf of third parties

Part C – Statement of income

- Section 1 – Interest
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- Section 3 – Profits (losses) on financial transactions
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- Section 5 – Adjustments, writebacks and provisions
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Part D – Other information

- Section 1 – Average number of employees
- Section 2 – Number of branches

Explanatory notes

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Introduction - Background information on the half-year report

Form and content of the half-year report

The report for the first half of 2000 has been prepared in accordance with the principles contained in CONSOB Resolution 12475 of April 6, 2000, the provisions of Decree 87 of January 27, 1992 and the Bank of Italy regulation dated July 30, 1992 and subsequent amendments thereto. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The Bank's half-year report is structured much like the annual financial statements, with the exception of the report on operations which has been drawn up exclusively at the "consolidated" level, taking into consideration the modifications contained in CONSOB Resolution 12475 of April 6, 2000 and the importance of the Group information for reporting purposes. The Bank's half-year report therefore includes the balance sheet, the statement of income and the explanatory notes. This ensures, as far as possible, the required continuity between the annual and half-year reports.

As in the year-end financial statements, the notes to the half-year financial statements provide details and analyses regarding balance sheet and statement of income information.

In addition to the information required by the Bank of Italy and CONSOB, the notes and the report on operations provide all the supplementary information considered necessary, even where not specifically required by law, in order to present a true and fair view of the Bank's financial and operating position.

Pursuant to Art. 16.3 of Decree 213/98, as from December 31, 1999 the Bank has opted to use the Euro as the currency in which to report all compulsory accounting documents for external consumption.

The half-year report as of June 30, 2000 has therefore been prepared in Euro. More specifically, in line with the regulations issued by CONSOB, the financial statements are presented in Euro, whereas the explanatory notes are expressed in millions of Euro.

For comparison purposes, the 1999 half-year figures have been converted into millions of Euro at the fixed parity of 1,936.27 lire to one Euro.

The statement of changes in shareholders' equity and the statement of changes of cash flows are provided as attachments.

The half-year report, along with the independent auditors' report, will be made available to the public by the legal deadline at the Bank's head office and at the management company for the stock exchange, in accordance with Art. 81 of CONSOB Resolution 11971 of May 14, 1999.

Review of the half-year report

Sanpaolo IMI's half-year report has been subject to a review by Arthur Andersen S.p.A., in accordance with CONSOB Recommendations 97001574 of February 20, 1997 and 10867 of July 31, 1997, and the shareholders' resolution of April 30, 1998.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The half-year report as of June 30, 2000 has been prepared using the accounting policies adopted in relation to the financial statements as of December 31, 1999. The half-year accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial year. Accordingly, the half-year statement of income reflects both the ordinary and extraordinary components of income pertaining to the period, in accordance with the accrual principle.

Loans, guarantees and commitments

Loans

Loans, comprising principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking account of the solvency of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the countries in which borrowers are resident. The assessment performed also takes into consideration any guarantees received, market prices (where applicable) and general difficulties experienced by the different categories of borrower. Estimated realizable value is determined following a detailed review of loans outstanding at period-end, considering the degree of risk associated with the various forms of lending and the risk of default inherent in loans that are currently performing normally. The estimated realizable value of doubtful loans (non-performing, problem and restructured loans, loans being restructured and loans to companies under observation, assessed on a case-by-case basis) takes into consideration not only the likelihood of eventual recovery, but also the financial cost of delayed repayments and any total or partial failure to generate income.

In particular:

- non-performing loans, being loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans, being loans to borrowers in temporary difficulties, are valued on a case-by-case basis;
- restructured loans, being loans for which a syndicate of banks (or a single bank) reschedules the repayment of principal or re-negotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured, being loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk", being loans to borrowers resident in countries with debt-servicing difficulties, are normally adjusted on a general basis by applying writedown percentages that not lower than those specified by the banking association. In addition, specific positions are assessed on a case-by-case basis, using objective criteria, with reference to the category of risk concerned;
- performing loans, being loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. General adjustments to performing loans are calculated based on historic statistical data as follows:
 1. the amount of performing loans expected to be reclassified as doubtful loans during the next year is estimated at the end of the period, based on the movements reported in the last five years;
 2. potential losses expected in respect of paragraph 1) above are then calculated assuming that the percentage of loss

will be the same as the average reported on performing loans transferred to doubtful loans during the last five years.

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; if no such input is available, estimates and general statistics deriving from historical data and studies of the business sectors concerned have been used.

With regard to the discounting rate as of June 30, 2000, the Bank has used a reference rate of 6.5% since this reflects the best approximation of the primary average yield on the doubtful loan portfolio – considering the contractual rates currently applied by the Bank on medium-long term loans (fixed and variable rates) and on short term loans (variable rate).

For the purpose of classifying loans as non-performing, problem, restructured or exposed to “country-risk”, the Bank has made reference to current Bank of Italy regulations on the subject. These have been supplemented by specific and detailed internal instructions regarding, in particular, aspects of implementation and the introduction of rules for the automatic transfer of loans between the various risk categories.

Doubtful loans are classified to the various risk categories (non-performing, problem, restructured and being restructured) by the Branches and Area Management, working together with the central functions responsible for the supervision of lending.

Following a review by the central functions responsible for the control and recovery of loans, the resulting estimated realizable values are formally approved by the committees and other levels within the organization empowered to take such decisions.

Default interest accrued during the period is eliminated from the statement of income since, for the sake of prudence, collection is considered unlikely.

Writedowns, both specific and general, are made by an adjustment to reduce the value of the asset recorded in the balance sheet on the basis discussed above. The original values may be reinstated by means of writebacks, should the reasons for any writedowns cease to apply.

The discounting process automatically means that there will be writebacks to discounted loans: in fact, the mere passage of time, with the consequent approach of the expected collection deadlines, implies an automatic reduction in the implicit financial charges previously deducted from the value of the loans.

The loans for which the Bank has purchased buyer protection with regard to credit derivatives continue to be recorded in the financial statements and shown among the loans assisted by unsecured guarantees.

Loans deriving from financing and deposit contracts

These are recorded at the amount disbursed. The difference between the amount of the loan granted to a customer and the amount actually disbursed is credited to the statement of income in accordance with the loan repayment plan. Loans backed by discounted notes, acquired within the scope of lending activities, are recorded in the financial statements at their nominal value, while the portion pertaining to future years is recorded among deferred income.

Reverse repurchase agreements on securities

Reverse repurchase agreements that require the holder to resell securities when the agreement matures are treated as lending transactions. The amounts disbursed in this way are therefore recorded as loans. Income from lending, comprising interest coupons on securities and the differential between the spot and forward prices for such securities, are recorded on an accruals basis as interest in the statement of income.

Loan of securities

Transactions involving the loan of securities guaranteed by funds freely available to the lender, are treated in the same way as repurchase agreements on securities. Securities loaned, not guaranteed by sums of money, are reported in the financial statements as a combination of two functionally-linked transactions: a loan to and a deposit from a third party (or vice versa). These transactions are essentially the same as repurchase agreements, which means that the securities loaned remain in the portfolio of the lender.

Guarantees and commitments

Guarantees and commitments giving rise to lending risk are recorded at the total value of the exposure, while the related risk is assessed on the basis described in relation to loans. Expected losses in relation to guarantees and commitments are covered by the related provision.

Commitments include exposures to the debtors underlying credit derivatives in which the Bank has taken on the credit risk ("seller protection").

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

Investment securities

Investment securities, due to be held long term by the Bank as stable investments, are valued at cost, calculated using the "average daily cost" method, as adjusted by accrued issue discounts and accrued dealing discounts (being the difference between the purchase cost of the securities and the related redemption price, net of issue discounts yet to mature).

Such securities are written down to reflect any lasting deterioration in the solvency of the issuers and the ability of the related nations to repay debt, except where suitable guarantees are available. The original value of investment securities is reinstated when the reasons for any writedowns cease to apply.

Dealing securities

Securities held for dealing and treasury purposes are stated at their average daily cost (as adjusted to reflect accrued issue discounts). Cost is determined as follows:

- securities quoted in organized markets: the official price quoted on the last trading day of the period;
- securities not quoted in organized markets: at the lower of cost or market value, determined with reference to quoted securities with similar characteristics. The original value of such securities is reinstated when the reasons for any writedowns cease to apply. Unquoted securities which are economically linked to derivative contracts are valued at market price, consistent with the accounting treatment of the contracts concerned.

Any transfers between the investment and dealing portfolios are made on the basis of the book value of the securities transferred at the time of the transaction; book value is determined using the method applicable to the originating portfolio. Securities transferred and still held at period-end are valued using the method applicable to the destination portfolio.

Commitments to buy or sell for securities transactions to be settled

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

Equity investments

Equity investments are stated at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual 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.

Differences between the carrying value of "significant investments" and the corresponding proportion of their shareholders' equity as shown in the latest set of financial statements, if lower, represent goodwill and the higher market value of the assets owned by the companies concerned.

Dividends and the related tax credits are recorded in the period in which they are collected.

Own shares

Own shares purchased by the Bank are valued at cost, determined according to the "average daily cost" method.

Foreign currency assets and liabilities (including off-balance sheet transactions other than derivatives)

With the introduction of the Euro, the term foreign currency refers to all currencies outside the EMU.

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currencies, or in lire indexed to foreign exchange movements, as well as financial fixed assets funded in foreign currencies, or in lire indexed to foreign exchange movements, are valued using the spot exchange rates applying at period-end. Equity investments funded in lire and denominated in foreign currencies subject to local exchange-control restrictions (non-convertible currencies) are stated at the historical rates of exchange applying at the time of acquisition.

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

Unsettled spot and forward currency transactions

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

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

- at period-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, net of the portion allocated to more closely reflect the value of the related assets, are amortized on a straight-line basis. Amortization is charged over a period of ten years, reflecting the duration of the goodwill accumulated by the merged banks, as assessed by expert appraisals prepared for the respective mergers.

Payables

Payables are stated at their nominal value. The difference between the face value of loans received, or securities placed, and the amount actually received, is recorded in the financial statements among deferrals and released to the statement of income on an accruals basis, in accordance with the repayment plan implicit in the funding transaction. Zero-coupon securities issued are stated at their issue price plus accrued interest. Consistent with the policies described in this section, funding repurchase agreements that require the holder to resell the securities acquired when the agreement matures are recorded among payables, as are related securities borrowing transactions.

Provision for employee termination indemnities

The provision for employee termination indemnities represents the liability to each employee at period-end, accrued in accordance with current legislation and payroll agreements.

Provisions for risks and charges

Provisions for risks and charges cover known or likely liabilities whose timing and extent cannot be determined at period-end or at the time the financial statements are prepared.

Pensions and similar commitments

The accumulated provisions under this heading, which can be classified as “ internal” pensions provisions, relate to supplementary pensions for the retired employees of former IMI S.p.A.. The contingency arising in this connection is assessed on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions.

Taxation

The provision for taxation covers income taxes (IRPEG) and the regional tax on business activities (IRAP), taking account of taxes applicable in the countries in which branches operate, deferred taxation, and outstanding or potential fiscal disputes.

Income taxes for the period are prudently determined on the basis of current fiscal legislation with reference to the expected taxable income for the full year.

Deferred taxation, determined using 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, e.g. general loan writedowns in excess of the fiscally deductible amount).

Deferred tax liabilities are calculated by applying the average tax rate to taxable timing differences likely to generate a tax burden. Deferred tax assets are calculated on deductible timing differences if these are likely to be recovered. Deferred tax assets and liabilities relating to the same kind of tax and 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 130 – Other assets – and deducted from income taxes payable.

In years when taxable timing differences are higher than deductible timing differences, the resulting deferred tax liability is booked to the balance sheet under 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 the Bank's guarantees and commitments.

Other provisions for risks and charges cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Bank's commitment to support the Interbank Deposit Guarantee Fund, and with the possible renegotiation of loans to the construction sector benefiting from Law 133/99 and Decree 110 of the

Treasury Ministry of March 24, 2000 as well as with other potential liabilities.

The provision for other personnel charges mainly comprises:

- provisions made on the basis of an independent actuarial report to an independent supplementary pension fund to cover unfunded pension liabilities, as well as provisions for contributions that may be due in relation to the personnel of a merged company;
- provisions made on an 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 shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

Accruals and deferrals are recognised in accordance with the matching principle.

Other aspects

Derivatives on currency, securities, interest rates, stockmarket indices and other assets

Derivative contracts are valued individually using the methods applicable to the portfolio concerned (hedging contracts and non-hedging contracts).

The values determined are recorded separately in the balance sheet without off-setting 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 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; and
- b) high degree of correlation between the technical and financial characteristics of the assets and liabilities hedged and those inherent in the hedging contract.

If 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 liabilities is classified among "Prepaid expenses" or "Deferred income". The market value of contracts hedging the risk of price fluctuations, and the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among "Other assets" or "Other liabilities". Contracts hedging investment securities, or total loans and deposits, are valued at cost.

Statement of income: where derivative contracts are intended to hedge the interest arising from interest-earning / bearing assets and liabilities, the related economic effect will form part of net interest income 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 analysed in a specific table within the explanatory notes with regard to the portfolios in which the transactions took place (securities, currency, other financial instruments) and to the nature of the income / costs arising (from valuations or elsewhere).

Internal deals

The Bank has adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is 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 authorised to deal in the market, by means of internal deals in derivatives at market prices. The non-specialized desks initiate these internal deals mainly for hedging purposes.

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

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

Settlement date

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

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

No adjustments have been recorded solely for fiscal purposes.

Provisions recorded solely for fiscal purposes

No provisions have been recorded solely for fiscal purposes.

Part B - Balance Sheet

SECTION 1 - LOANS

Due from banks (caption 30)

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Due from central banks			
- compulsory reserve	183	597	-69.3
- other	1	35	-97.1
Due from other banks			
- repurchase agreements and securities loaned	2,897	2,389	21.3
- current accounts	331	374	-11.5
- deposits	15,070	9,936	51.7
- loans	2,094	1,392	50.4
- subordinated loans	64	69	-7.2
- other	26	18	44.4
Total	20,666	14,810	39.5

Loans to customers (caption 40)

Loans to customers are analyzed below by technical form:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Mortgage loans	36,969	36,874	0.3
Other forms of finance not flowing through current accounts – Italian branches	9,355	7,462	25.4
Current accounts	8,865	9,239	-4.0
Other forms of finance not flowing through current accounts – foreign branches	6,613	5,040	31.2
Advances with recourse	2,221	2,178	2.0
Import-export loans	1,497	1,292	15.9
Repurchase agreements and securities loaned	1,268	924	37.2
Risk on portfolio	769	853	-9.8
Non-performing loans	702	1,536	-54.3
Personal loans	614	588	4.4
Factoring loans	464	721	-35.6
Other loans to customers	533	555	-4.0
Total	69,870	67,262	3.9

“Secured loans to customers”, excluding those granted directly to governments or other public entities, € 11,020 million (€ 9,630 million as of December 31, 1999), are analyzed as follows:

Secured loans to customers

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Mortgages	15,558	16,245	-4.2
(b) Pledged assets:			
1. cash deposits	154	108	42.6
2. securities (*)	2,447	1,996	22.6
3. other instruments	829	152	445.4
(c) Guarantees given by:			
1. Governments	3,387	3,677	-7.9
2. other public entities	280	32	775.0
3. banks	607	866	-29.9
4. others	5,688	5,618	1.2
Total	28,950	28,694	0.9

(*) Including repurchase agreements and similar operations guaranteed by securities amounting to € 1,268 million as of 6/30/00 and € 924 million as of 12/31/99.

Loans to customers secured by banks and other operators include € 175 million in respect of positions for which the Bank has purchased buyer protection against the risk of default through the use of credit derivatives.

Secured loans to customers and those granted directly to Governments or other public entities represent 57.2% of total loans to customers (57% as of December 31, 1999).

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 made by directly reducing the balance sheet value of the loans concerned.

The estimated realizable value of problem loans takes into account not only the likelihood of recovery, but also their total or partial failure to generate income and the rescheduling of payments. Adjustments to discount loans to their present value as of June 30, 2000 total € 183 million.

Analysis of loans to customers

	<i>in millions of Euro</i>					
	6/30/00			12/31/99		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	3,842	2,121	1,721	5,382	2,682	2,700
A.1 Non-performing loans	2,356	1,654	702	3,673	2,137	1,536
A.2 Problem loans	1,258	412	846	1,531	493	1,038
A.3 Loans currently being restructured	23	6	17	25	6	19
A.4 Restructured loans	104	27	77	85	23	62
A.5 Unsecured loans exposed to country risk	101	22	79	68	23	45
B. Performing loans	68,419	270	68,149	64,780	218	64,562
Total loans to customers	72,261	2,391	69,870	70,162	2,900	67,262

Non-performing and problem loans include unsecured loans exposed to country risk amounting to € 7 million and € 3 million. Adjustments to these loans amount to € 4 million for the non-performing loans and € 2 million for the problem ones.

The coverage of non-performing loans, gross of write-offs, has risen to 80.3% from 71.3% of the end of 1999, while the equivalent figure for problem loans reached 44.1% compared with 42.2% at the end of 1999.

As regards the various types of loan, the highest level of coverage is for ordinary loans, while it is lower on construction loans, given the existence of mortgage guarantees on these positions.

Analysis of loans to banks

	<i>in millions of Euro</i>					
	6/30/00			12/31/99		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	265	170	95	251	166	85
A.1 Non-performing loans	11	10	1	10	10	-
A.2 Problem loans	-	-	-	-	-	-
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	254	160	94	241	156	85
B. Performing loans	20,571	-	20,571	14,725	-	14,725
Total loans to banks	20,836	170	20,666	14,976	166	14,810

Non-performing loans refer exclusively to unsecured loans to residents of nations exposed to country risk.

Movements in gross doubtful loans to customers

	<i>in millions of Euro</i>				
	Non-performing loans	Problem loans	Loans being restructured	Restructured Loans	Unsecured loans being restructured
A. Gross value as of January 1, 2000	3,673	1,531	25	85	68
<i>A.1 including: for default interest</i>	804	46	3	-	-
B. Increases	253	263	1	28	36
B.1 transfers from performing loans	21	148	-	1	-
B.2 default interest	77	6	-	1	-
B.3 transfers from other categories of problem loan	110	13	1	25	-
B.4 other increases	45	96	-	1	36
C. Decreases	1,570	536	3	9	3
C.1 transfers to performing loans	12	43	-	2	-
C.2 write-offs	605	66	-	-	-
C.3 collections	180	293	1	4	3
C.4 disposals	762	1	-	-	-
C.5 transfers to other categories of problem loan	11	133	2	3	-
C.6 other decreases	-	-	-	-	-
D. Gross value as of June 30, 2000	2,356	1,258	23	104	101
<i>D.1 including: for default interest</i>	589	41	3	1	-

The decreases in the non-performing loans category mainly refer to the finalization during the half year of two operations to dispose of without recourse 16,282 construction loans and 19,982 short-term loan positions. These loans, whose book value was € 1,307 million gross and € 662 million net, were sold for € 762 million.

Movements in gross doubtful amounts due from banks

	<i>in millions of Euro</i>				
	Non-performing loans	Problem loans	Loans being restructured	Restructured Loans	Unsecured loans being restructured
A. Gross value as of January 1, 2000	10	-	-	-	241
<i>A.1 including: for default interest</i>	-	-	-	-	-
B. Increases	2	-	-	-	27
B.1 transfers from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfers from other categories of problem loan	-	-	-	-	-
B.4 other increases	2	-	-	-	27
C. Decreases	1	-	-	-	14
C.1 transfers to performing loans	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 collections	1	-	-	-	14
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of problem loan	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross value as of June 30, 2000	11	-	-	-	254
<i>D.1 including: for default interest</i>	-	-	-	-	-

Movements in adjustments made to loans granted to customers

	<i>in millions of Euro</i>					
	Non-performing loans	Problem loans	Loans being restructured	Restructured Loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of January 1, 2000	2,137	493	6	23	23	218
<i>A.1 including: for default interest</i>	804	46	3	-	-	5
B. Increases	278	64	1	8	5	58
B.1 Adjustments	248	55	-	2	5	57
<i>B.1.1 including: for default interest</i>	77	6	-	1	-	2
B.2 Use of reserves for possible loan losses	-	-	-	-	-	-
B.3 Transfers from other categories of problem loan	30	6	-	6	-	-
B.4 Other increases	-	3	1	-	-	1
C. Decreases	761	145	1	4	6	6
C.1 Writebacks from valuations	21	27	-	4	6	-
<i>C1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 Writebacks following collections	129	17	-	-	-	3
<i>C2.1 including: for default interest</i>	22	8	-	-	-	1
C.3 Write-offs	605	66	-	-	-	2
C.4 Transfers to other categories of problem loan	5	35	1	-	-	1
C.5 Other decreases	1	-	-	-	-	-
D. Total adjustments as of June 30, 2000	1,654	412	6	27	22	270
<i>D.1 including: for default interest</i>	589	41	3	1	-	6

As already discussed, total adjustments include € 183 million relating to the adoption of the policy of discounting doubtful loans. Writedowns for discounting purposes total € 118 million on non-performing loans, € 58 million on problem loans and € 7 million on restructured loans and loans being restructured.

Performing loans include € 90 million in positions specifically under observation, covered by writedowns amounting to € 13 million. The inherent risk associated with other performing loans is covered by a general writedown of € 257 million.

Movements in adjustments made to amounts due from banks

	<i>in millions of Euro</i>					
	Non-performing loans	Problem loans	Loans being restructured	Restructured Loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of January 1, 2000	10	-	-	-	156	-
<i>A.1 including: for default interest</i>	-	-	-	-	-	-
B. Increases	-	-	-	-	8	-
B.1 Adjustments	-	-	-	-	-	-
<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 loan	-	-	-	-	-	-
B.4 Other increases	-	-	-	-	8	-
C. Decreases	-	-	-	-	4	-
C.1 Writebacks from valuation	-	-	-	-	4	-
<i>C.1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 Writebacks following collection:	-	-	-	-	-	-
<i>C.2.1 including: for default interest</i>	-	-	-	-	-	-
C.3 Write-offs	-	-	-	-	-	-
C.4 Transfers to other categories of problem loan	-	-	-	-	-	-
C.5 Other decreases	-	-	-	-	-	-
D. Total adjustments as of June 30, 2000	10	-	-	-	160	-
<i>D.1 including: for default interest</i>	-	-	-	-	-	-

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

Country	<i>in millions of Euro</i>						
	Total exposure as of 06/30/2000	of which: unsecured			Net exposure as of 06/30/2000	Net unsecured exposure as of 12/31/1999	Change %
		Gross exposure as of 06/30/2000	Gross weight- ed exposure as of 06/30/2000	Total adjustments as of 06/30/2000			
Russia	632	199	199	162	37	27	37.0
Brazil	115	69	12	3	66	48	37.5
Argentina	44	21	21	2	19	2	n.s.
Qatar	46	15	15	3	12	14	-14.3
Venezuela	21	12	12	3	9	6	50.0
Philippines	14	9	9	1	8	4	100.0
Tunisia	8	7	7	1	6	8	-25.0
Morocco	22	5	5	1	4	4	0.0
Iran	38	4	4	1	3	3	0.0
Indonesia	5	3	3	1	2	1	100.0
Cameroon	3	2	2	2	-	1	-100.0
Algeria	73	2	2	1	1	1	0.0
Yugoslavia	2	2	2	1	1	1	0.0
Colombia	2	2	2	-	2	1	100.0
Other countries	186	3	3	-	3	4	-25.0
Total	1,211	355	298	182	173	125	38.4

Adjustments to unsecured loans exposed to country risk have been generally made by applying the writedown percentages agreed industry-wide by the Italian bankers' association, with the exception of unsecured loans to customers resident in Russia, to which an 81% writedown has been applied rather than the 60% agreed by the Italian bankers' association.

Of the secured loans amounting to € 856 million, € 541 million are guaranteed by SACE insurance coverage or sureties from banks operating in the OECD, while € 314 million are secured by other forms of guarantee deemed adequate to cover the lending risk. The latter mainly comprise loans granted to a prime customer resident in Russia and are guaranteed by receivables deriving from supply contracts with leading West European companies. In compliance with Bank of Italy regulations in the calculation of country risk, expectations of losses on such loans are deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

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

SECTION 2 - SECURITIES

Securities owned by the Bank are analyzed as follows:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	1,252	1,404	-10.8
Bonds and other debt securities (caption 50)	5,226	5,948	-12.1
Shares, quotas and other equities (caption 60)	1	21	-95.2
Total	6,479	7,373	-12.1

“Treasury bills and similar bills eligible for refinancing with central banks” represent securities that may be used for refinancing purposes but which, at the balance sheet date, had not been used for this purpose.

Investment securities

Investment securities, € 722 million, are held for the long term as a stable investment and, as such, are generally kept until maturity. The investment portfolio is allocated on the basis of criteria defined in a specific framework resolution approved by the Board of Directors and particularly respect the following principles:

- the existence of related forms of funding;
- the existence of specific regulatory restrictions;
- the limited marketability of the securities.

	<i>(in millions of Euro)</i>			
	6/30/00 Book value	6/30/00 Market value (a)	12/31/99 Book value	12/31/99 Market value (a)
1. Debt securities				
1.1 Government securities				
- quoted	415	431	416	438
- unquoted	-	-	-	-
1.2 other securities				
- quoted	126	118	132	112
- unquoted	181	176	190	184
2. Equities				
- quoted	-	-	-	-
- unquoted	-	-	-	-
Total	722	725	738	734

A comparison between the market value and book value of “Government securities” reveals a net unrealized, unrecorded gain of € 8 million on securities not hedged by derivative contracts and € 8 million on securities hedged by interest rate swaps. The valuation of these derivatives reveals an unrealized loss of € 7 million.

The difference between the market value (€ 13 million) and the book value of "other securities" relates to South American and Eastern European securities covered by a U.S. Treasury guarantee, the value of which on maturity covers 100% of the face value of the securities concerned.

The negative differences between the redemption value and book value (issue and dealing discounts) of portfolio securities are € 13 million and will be recognized in the statement of income on an accruals basis.

No transfers were made from the investment portfolio to the dealing portfolio or viceversa during the first half of 2000.

In accordance with the resolutions adopted by the Bank's Board of Directors, the limit on the investment securities portfolio is presently the lower of:

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

Dealing securities

These securities, held for treasury and dealing purposes, amount to € 5,757 million and comprise:

- € 891 million linked to derivative contracts;
- € 4,866 million not linked to derivative contracts.

<i>Dealing securities</i>	<i>(in millions of Euro)</i>			
		6/30/00	12/31/99	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
- quoted	2,755	2,755	2,930	2,930
- unquoted	235	235	220	220
1.2 other securities				
- quoted	700	700	867	867
- unquoted	2,066	2,067	2,597	2,601
2. Equities				
- quoted	-	-	20	20
- unquoted	1	1	1	1
Total	5,757	5,758	6,635	6,639

The valuation, at the lower of cost or market, of unquoted dealing securities not linked to derivative contracts has given rise to writedowns amounting to € 9 million.

Other information relating to securities

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

SECTION 3 - EQUITY INVESTMENTS

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Equity investments (caption 70)	2,187	2,014	8.6
Investments in Group companies (caption 80)	3,023	2,530	19.5
Total	5,210	4,544	14.7

Significant investments

Significant investments held by the Bank, being those in subsidiary companies and in companies subject to significant influence, as defined in articles 4 and 19 of Decree 87/92, are listed in the tables below:

<i>Significant investments</i>							<i>millions of Euro</i>
Name of company	Registered offices	Activity	Shareholders' equity (a)	Net income (loss)	Percentage ownership	Book value	
A. Subsidiary companies							
Banca d'Intermediazione Mobiliare Imi S.p.A.	Milan	lending	405	53	100.00	304	
Banca Fideuram S.p.A.	Milan	lending	539	131	74.06	65	
Banca Opi S.p.A. (ex Imi Lease S.p.A.) (c)	Rome	leasing	228	4	100.00	193	
Banque Sanpaolo S.A.	Paris	lending	432	21	100.00	386	
Consorzio Studi e Ricerche Fiscali	Rome	tax consultancy	-	-	50.00	-	
Egida S.p.A. (b)	Turin	insurance	9	-	50.00	4	
Finconsumo S.p.A.	Turin	finance	39	4	50.00	17	
Gedit S.A.	Luxembourg	holding company	-	-	90.00	-	
Nhs - Nuova Holding Subalpina S.p.A.	Turin	finance	782	46	51.00	374	
Prospettive 2001 S.p.A.	Turin	non finance	13	-	100.00	13	
Sanpaolo Bank S.A.	Luxembourg	lending	95	20	100.00	76	
Sanpaolo Fiduciaria S.p.A.	Turin	trust management	2	-	100.00	1	
Sanpaolo Gestion Internationale S.A.	Luxembourg	finance	28	26	99.98	3	
Sanpaolo Imi Asset Management Sgr S.p.A.	Milan	asset management	48	15	100.00	58	
Sanpaolo Imi Bank (International) S.A.	Madeira	lending	197	3	69.01	95	
Sanpaolo Imi Bank Ireland P.I.c.	Dublin	lending	458	12	100.00	440	
Sanpaolo Imi International S.A.	Luxembourg	finance	1,024	28	100.00	687	
Sanpaolo Imi Us Financial Co.	Wilmington	finance	-	-	100.00	-	
Sanpaolo Immobiliare S.p.A.	Turin	finance	6	1	100.00	3	
Sanpaolo Invest Banca S.p.A.	Rome	lending	86	8	100.00	61	
Sanpaolo Leasint S.p.A.	Milan	leasing	54	3	100.00	54	
Sanpaolo Riscossioni Genova S.p.A.	Genoa	tax collection	4	-	100.00	4	
Sanpaolo Riscossioni Prato S.p.A.	Prato	tax collection	1	-	100.00	3	
Sanpaolo Services Luxembourg S.A.	Luxembourg	operating	1	-	99.60	-	
Sanpaolo Vita S.p.A.	Milan	insurance	104	7	100.00	198	
Sep - Servizi e Progetti S.p.A.	Turin	services	2	-	100.00	2	
Spb 1650 Van Ness Corp.	Los Angeles	operating	-	-	100.00	-	
Spb Delta Towers L.I.c.	New York	operating	-	-	100.00	-	
Apoké Two S.r.l. - in liquidation	Milan	non finance	-6	1	100.00	-	
Fidimi Consulting S.p.A. - in liquidation	Rome	non finance	-	-	100.00	-	
Imifin S.p.A. - in liquidation	Rome	finance	-	-	100.00	-	
Sanpaolo Us Holding Co. - in liquidation	Wilmington	finance	4	0	100.00	3	
Total						3,044	

(a) Including net income for the first half of 2000.

(b) Financial statements as of 12/31/99.

(c) The subsidiary changed his name during the first half 2000. It started its new banking activities from July 1, 2000, the date on which the spin-off came into effect of the business unit relating to public works and infrastructure by the parent bank, Sanpaolo Imi Spa.

<i>Significant investments</i>						<i>millions of Euro</i>	
Name of company	Registered offices	Activity	Shareholders' equity (a)	Net income (loss)	Percentage ownership	Book value	
B. Companies subject to significant influence							
Banca Italo-Romena S.p.A.	Rome	lending	10	-	20.00	1	
Bnc Assicurazioni S.p.A. (b)	Rome	insurance	147	-2	30.00	40	
Cassa di Risparmio di Firenze S.p.A. (b)	Florence	lending	779	59	14.98	380	
Cbe Service Sprl (b)	Brussels	non finance	-	-	20.00	-	
Esatri S.p.A.	Milan	tax collection	45	5	31.50	4	
Finnat Investments S.p.A. (b)	Rome	finance	1	1	20.00	-	
Inter-Europa Bank Rt	Budapest	lending	38	4	32.51	8	
Consorzio Bancario Sir S.p.A. - in liquidation (b)	Rome	finance	2	-	32.49	1	
Eurofondo S.C.p.A. - in liquidation (b)	Rome	finance	-	-	25.00	-	
Finexpance S.p.A. - in liquidation (b)	Chiavari	non finance	-8	-	30.00	-	
Galileo Holding S.p.A. - in liquidation	Venice	holding company	-19	-	31.52	-	
Total						434	

(a) Including net income for the first half of 2000.

(b) Financial statements as of 12/31/99.

As described in part A, section 1 of these notes, the difference between the book value of significant investments and the value of the Bank's share of their latest reported shareholders' equity, if lower, can generally be justified as goodwill and the higher market value of their tangible fixed assets. In particular:

In particular:

- the difference of € 263 million concerning the Cassa di Risparmio di Firenze is due to goodwill. The company was listed on the Milan Stock Exchange on July 17, 2000; on the basis of the share price at August 31, the difference between book and market value was € 175 million.
- the differences relating to Sanpaolo Imi Asset Management Sgr, Sanpaolo Riscossioni Prato, Sanpaolo Vita and Cassa di Risparmio di Firenze reflect purchased goodwill representing the income-earning potential of the individual companies
- the book value of Apokè Two, formed as part of the debt restructuring of the Uno Holding group, was written off in 1995. The negative shareholders' equity resulting from the financial situation prepared as of June 30, 2000, should be reabsorbed by gains arising from the completion of the liquidation process. The restructured loans not yet repaid to the Bank are covered by specific writedowns;
- with regard to the investment in Galileo Holding, acquired as part of the restructuring of that group, the company's equity deficit should be reabsorbed by gains arising from the completion of the liquidation process, partly through the Bank waiving of its receivables, which have in any case been fully written down.

Other equity investments

Other equity investments are listed below:

Name and location of registered offices	Activity	Percentage ownership	Millions of Euro
			Book value
Ina S.p.A. – Rome	insurance	9.20	825
Banco Santander Central Hispano S.A. - Santander	lending	1.28	458
Banca Agricola Mantovana S.p.A. – Mantua	lending	9.57	206
Beni Stabili S.p.A. - Rome	non finance	14.05	80
Tecnost S.p.A.	non finance	0.40	60
Banca d'Italia – Rome	lending	2.00	55
Others			48
Total			1,732

Composition of investment portfolio

Analysis of caption 80 - Investments in Group companies

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Investment in banks			
1. quoted	65	57	14.0
2. unquoted	1,362	1,247	9.2
(b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	1,383	1,013	36.5
(c) Other investments			
1. quoted	-	-	-
2. unquoted	213	213	-
Total	3,023	2,530	19.5

Analysis of caption 70 - Equity investments

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Investment in banks			
1. quoted	680	680	-
2. unquoted	460	261	76.2
(b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	34	29	17.2
(c) Other investments			
1. quoted	966	989	-2.3
2. unquoted	47	55	-14.5
Total	2,187	2,014	8.6

The principal transactions during the period, which resulted in a net increase in the portfolio of € 666 million, were:

- subscription of € 400 million to a share capital increase by Imi International S.A. for the purposes of supporting its equity investments;
- subscription of € 35 million to a share capital increase by Sanpaolo Bank S.A. as part of measures aimed at expanding the bank;
- subscription of € 31 million to the third and fourth tranches of the share capital increase by Sanpaolo Invest Banca S.p.A. in order to ensure an adequate level of support for its plans to expand and float on the stock market;
- acquisition for € 388 million of a 15% interest in Cassa di Risparmio di Firenze S.p.A. in order to create an industrial and strategic partnership, with a view to establishing a core group of shareholders in the Florentine bank consisting of Ente Cassa di Risparmio di Firenze, the Sanpaolo Imi Group and Paribas. As a result, the Florentine Bank was included in the caption "Companies subject to significant influence".
- Market sale of shares in Beni Stabili S.p.A. for € 38 million, generating a gain of € 16 million;
- Disposal to Dexia Crédit Local de France of the residual 40% interest in Crediop S.p.A. for € 418 million, generating a gain of € 238 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 Group as of June, 30 2000, as defined by article 4 of Decree 87/92, and the amounts due to and from companies subject to significant influence:

Group companies	<i>Millions of Euro</i>				
	Assets(a)	Liabilities	Guarantees and commitments	Revenues (b)	Expenses
@Imiweb Sim S.p.A.	-	3	7	-	-
Apokè Two S.r.l. - in liquidation	24	-	2	-	-
Banca d'Intermediazione Mobiliare Imi S.p.A.	5,232	3,888	349	13	12
Banca Fideuram S.p.A.	1,033	1,033	-	1	1
Banca Opi S.p.A. (ex Imi Lease S.p.A.)	32	5	1	1	-
Banque Sanpaolo SA	286	-	10	7	-
Consorzio Studi e Ricerche Fiscali	-	-	-	-	1
Fideuram Bank S.A.	-	41	-	-	1
Imi Bank S.A.	35	91	-	1	2
Imi Capital Markets Corp.	105	-	-	2	-
Ldv Holding Bv	-	15	-	-	-
Leasint Servizi Integrati S.p.A.	-	1	-	-	-
Nhs - Nuova Holding Subalpina S.p.A.	10	240	-	1	4
Sanpaolo Bank S.A.	35	633	5	1	13
Sanpaolo Fiduciaria S.p.A.	-	1	-	-	-
Sanpaolo Gestion International S.A.	-	-	-	65	-
Sanpaolo Imi Asset Mng Sgr S.p.A.	-	110	-	387	2
Sanpaolo Imi Bank (International) S.A.	1	4,320	4,343	-	128
Sanpaolo Imi Bank Ireland P.l.c.	259	59	-	5	2
Sanpaolo Imi Private Equity S.p.A.	-	2	-	-	-
Sanpaolo Imi Us Financial Co.	-	1,425	1,425	-	33
Sanpaolo Immobiliare S.p.A.	68	16	-	-	-
Sanpaolo Invest Sim S.p.A.	-	55	-	5	1
Sanpaolo Leasint S.p.A.	1,148	4	214	18	2
Sanpaolo Riscossioni Genova S.p.A.	-	12	-	1	-
Sanpaolo Riscossioni Prato S.p.A.	2	-	8	-	-
Sanpaolo Vita S.p.A.	30	-	-	20	-
Sep S.p.A.	-	1	-	-	3
Total Group companies	8,300	11,955	6,364	528	205
Joint ventures					
Egida S.p.A.	-	1	-	-	-
Finconsumo S.p.A.	98	10	34	2	-
Fc Factor S.p.A.	1	-	-	-	-
Total	8,399	11,966	6,398	530	205

(a) Excluding the book value of the investment, if any.

(b) Excluding dividends received.

Other companies subject to significant influence	Millions of Euro				
	Assets(a)	Liabilities	Guarantees and commitments	Revenues (b)	Expenses
Banca Italo Romena S.p.A.	5	-	-	-	-
Cassa di Risparmio di Firenze S.p.A.	10	-	-	1	-
Inter-Europa Bank Rt	40	11	15	1	-
Bnc Assicurazioni S.p.A.	-	-	1	-	-
Esatri S.p.A.	61	-	168	2	-
Galileo Holding S.p.A. - in liquidation	2	-	-	-	-
Total	118	11	184	4	-

(a) Excluding the book value of the investment, if any.

(b) Excluding dividends received

Amounts due to and from Group companies

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Assets			
1. due from banks	6,762	1,170	477.9
<i>of which:</i>			
– subordinated	35	35	-
2. due from financial institutions	1,365	1,367	-0.1
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	55	76	-27.6
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	118	150	-21.3
<i>of which:</i>			
– subordinated	117	148	-20.09
Total assets	8,300	2,763	200.4
(b) Liabilities			
1. due to banks	10,120	5,066	99.8
2. due to financial institutions	1,833	1,956	-6.3
3. due to other customers	2	25	-92.0
4. securities issued	-	-	-
5. subordinated liabilities	-	2	-100.0
Total liabilities	11,955	7,049	69.6
(c) Guarantees and commitments			
1. guarantees given	6,350	6,140	3.4
2. commitments	14	80	-82.5
Total guarantees and commitments	6,364	6,220	2.3

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Assets			
1. due from banks (*)	364	1,059	-65.6
<i>of which:</i>			
- <i>subordinated</i>	20	20	-
2. due from financial institutions	328	522	-37.2
<i>of which:</i>			
- <i>subordinated</i>	-	-	-
3. due from other customers	127	111	14.4
<i>of which</i>			
- <i>subordinated</i>	-	-	-
4. bonds and other debt securities	245	275	-10.9
<i>of which</i>			
- <i>subordinated</i>	-	-	-
Total assets	1,064	1,967	-39.4
(b) Liabilities			
1. due to banks	1,367	1,899	-28.0
2. due to financial institutions	111	85	30.6
3. due to other customers	9	28	-67.9
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
Total liabilities	1,487	2,012	-26.1
(c) Guarantees and commitments			
1. guarantees given	325	260	25.0
2. commitments	-	-	-
Total guarantees and commitments	325	260	25.0

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

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets (caption 100)

These comprise the following:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Property			
- operating	799	817	-2.2
- non-operating	34	35	-2.9
Furniture and installations			
- office furniture and equipment	10	11	-9.1
- electronic equipment	30	34	-11.8
- general and specific installations	13	14	-7.1
Total	886	911	-2.7

The property is depreciated on the basis of the residual useful life.
The depreciation charge for the period was € 19 million.

Intangible fixed assets (caption 90)

These comprise the following:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Merger differences (goodwill of merged companies)	68	81	-16.0
Software in use	18	19	-5.3
Software not yet in use	58	57	1.8
Other deferred charges	11	10	10.0
Total	155	167	-7.2

Merger differences result from the absorption, at the end of 1993, of Banca Provinciale Lombarda and Banco Lariano and represent the goodwill relating to the merged companies. The amount recorded to increase the value of the merged companies' other assets has been booked separately.

Software in use relates to the acquisition of new programs to update the procedures used by the branch network.

Software not yet in use relates to changes and procedural work carried out in order to implement applications being developed by third parties.

Other deferred charges include leasehold improvements.

No advance payments have been made for the purchase of intangible fixed assets.

No costs were incurred during the period in relation to the introduction of the Euro.

SECTION 5 - OTHER ASSETS

Asset captions 130 and 140 comprise the following:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Other assets (caption 130)	6,736	8,685	-22.4
Accrued income and prepaid expenses (caption 140)	2,687	4,128	-34.9
Total	9,423	12,813	-26.5

Other assets (caption 130)

Analysis of caption 130 "Other assets"

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Items relating to derivative contracts and to currency transactions:	2,352	4,265	-44.9
- Valuation of derivative contracts on interest rates and stockmarket indices	1,644	3,486	-52.8
- Effect of currency hedges, forex swap and cross-currency swap transactions	699	767	-8.9
- Premiums paid on purchased options	9	12	-25.0
Unprocessed transactions and transactions by foreign branches:	2,338	1,829	27.8
- Unprocessed transactions by Italian branches	1,820	1,222	48.9
- Amounts in transit between branches (a)	448	474	-5.5
- transactions by foreign branches (a)	70	133	-47.4
Due from tax authorities	640	1,061	-39.7
- advance direct taxes	42	630	-93.3
- taxes withheld during the period	168	143	17.5
- tax withholdings overpaid during the period on bank interest income	50	122	-59.0
- tax credits relating to prior years	334	120	178.3
- taxes paid in advance on termination indemnities (Law 662/96)	46	46	-
Deferred tax assets	489	466	4.9
Other	331	444	-25.5
Items to be settled with other banks (a)	317	413	-23.2
Advances on equity investment acquisitions	-	93	-100.0
Net effect of translating funds from international agencies using current rates, with the exchange risk borne by third parties	84	89	-5.6
Cheques and other instruments held	12	19	-36.8
Items relating to securities transactions	16	6	166.7
Value date adjustments	157	-	n.s.
Total	6,736	8,685	-22.4

(a) Largely allocated at the beginning of the following accounting period.

No adjustments are required to the value of these assets.

SECTION 6 - PAYABLES

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Due to central banks			
- repurchase agreements and securities borrowed	1,192	1,848	-35.5
- other deposits from the Italian Exchange Office	81	35	131.4
- other deposits from central banks	807	555	45.4
- advances	-	-	-
Due to banks			
- deposits	19,840	12,186	62.8
- repurchase agreements and securities borrowed	214	48	345.8
- long-term loans from international bodies	3,916	4,278	-8.5
- current accounts	354	362	-2.2
- other	24	20	20.0
- other loans	4,802	4,871	-1.4
Total	31,230	24,203	29.0

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

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

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Due to customers			
- current accounts	28,951	27,842	4.0
- repurchase agreements and securities borrowed	3,185	2,478	28.5
- savings deposits	2,898	3,189	-9.1
- short-term payables relating to special management services carried out for the government	461	475	-2.9
- other	202	208	-2.9
Securities issued			
- bonds	18,014	19,372	-7.0
- certificates of deposit	5,342	7,359	-27.4
- bankers' drafts	371	373	-0.5
- other securities	5	13	-61.5
Total	59,429	61,309	-3.1

Securities issued comprise those due or ready for repayment amounting to 32 million Euro.

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

Public funds administered (caption 40)

Public funds administered are provided by the Government and other public entities mainly to act as a source of assisted loans to customers, with the lending risk borne by the Bank. These funds are analyzed below:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Funds provided by the Government	9	10	-10.0
Funds provided by regional public agencies	20	20	0.0
Other funds	15	20	-25.0
Total	44	50	-12.0
<i>of which:</i>			
<i>Funds with risk borne by the Government under Law 19 of February 2, 1987</i>	15	16	-6.3

Other information relating to payables

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

SECTION 7 - PROVISIONS

Provisions are detailed below:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Provision for termination indemnities (caption 70)	410	401	2.2
Provisions for risks and charges (caption 80)			
- pensions and similar commitments (caption 80.a)	44	46	-4.3
- taxation (caption 80b)	830	821	1.1
- other provisions (caption 80c)			
- provisions for guarantees and commitments	33	28	17.9
- provisions for other risks and charges	253	147	72.1
- provisions for other personnel charges	126	121	4.1
Total	1,696	1,564	8.4

Provisions for risks and charges

Pensions and similar commitments (caption 80.a)

This provision covers charges relating to the supplementary pensions of former IMI S.p.A. personnel already retired.

<i>Changes in "Pensions provisions" during the period</i>	<i>millions of Euro</i>
Opening balance	46
Increases	
- provisions in the period	-
Decreases	
- payments in the period	2
Total	44

This provision covers an internal pension fund. The potential liability is evaluated on an annual basis by an independent actuarial appraisal. The technical reserves as of December 31, 1999 are more than adequate to cover the potential liabilities.

Taxation (caption 80b)

<i>Changes in "Taxation" during the period</i>					<i>in millions of Euro</i>
	Income taxes	Deferred taxes on the Reserve for General Banking Risks	Deferred taxes on the Reserve per Law 169/83	Deferred taxes on the Reserve per Decree 213/98	Total
Opening balance	672	120	4	25	821
Increases					
- income taxes - provision for the first half of 2000	576	-	-	-	576
Decreases					
- payment of income taxes	565	2	-	-	567
Total	683	118	4	25	830

Current taxes cover income taxes due, including local taxes payable by foreign branches, as well as outstanding and potential fiscal disputes.

With reference to the results for the first half of 2000, a new estimate of deferred taxes has been made. This estimate takes into account the new timing differences arising between the book and fiscal value of assets and liabilities during the first six months of the year, as well as the reversal of timing differences that arose in prior years. In particular, € 45 million Euro of deferred tax assets booked in previous periods were reversed, while deferred tax assets arising during the period amounted to € 68 million. Due to these movements, total deferred tax assets amount to about € 489 million as of June 30, 2000. They are classified among other assets.

Other provisions (caption 80c)

<i>Analysis of caption 80c) "Provisions for risks and charges: other"</i>				<i>in millions of Euro</i>
	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance	28	147	121	296
Increases				
- provisions	5	116	6	127
Decreases				
- used to cover the settlement of disputes	-	10	-	10
- used to cover the payment of pensions and similar commitments	-	-	1	1
Total	33	253	126	412

Provisions for guarantees and commitments, € 33 million, cover expected losses in respect of guarantees given and, more generally, the contingencies associated with the Bank's guarantees and commitments.

Provisions for other risks and charges, € 253 million, include:

- € 103 million covering charges in connection with the possible re-negotiation of loans relating to building projects benefiting from government assistance under Law 133/99 and Decree 110 of the Treasury Ministry of March 24, 2000;
- € 150 million covering expected losses deriving from legal action including, in particular, the repayments claimed by receivers of bankrupt customers, as well as charges which might arise in connection with guarantees given on the disposal of equity investments, from the Bank's commitment to the Interbank Deposit Guarantee Fund, and from other contingencies.

The provision for other personnel charges, € 126 million, includes:

- € 103 million provided, on the basis of independent actuarial appraisals, to cover the unfunded liabilities of the independent supplementary pension fund;
- € 11 million provided to cover long-service bonuses earned by the Bank's employees;
- € 8 million relating to provisions for personnel leaving incentives;
- € 3 million in relation to the provision made to cover potential contributions for employees taken on following the merger of a subsidiary;
- € 1 million provided to cover contingencies relating to the renovation of the Frankfurt and New York branches.

SECTION 8 - CAPITAL, EQUITY RESERVES AND SUBORDINATED LIABILITIES

Shareholders' equity is detailed below:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Shareholders' equity			
- capital (caption 120)	3,930	3,926	0.1
- additional paid-in capital (caption 130)	12	-	n.s.
- reserve for general banking risks (caption 100)	336	336	-
- reserves (caption 140)	-	-	-
a) legal reserve	792	792	-
b) reserve for own shares	47	336	-86.0
c) other reserves:	1,377	792	73.9
- extraordinary reserve	35	-	n.s.
- reserve Law 153/99	260	-	n.s.
- reserve (art. 7.3, Law 218/90)	80	80	-
- reserve (art. 13.6, Decree 124/93)	2	1	100.0
- unrestricted reserve for the purchase of own shares	933	439	112.5
- reserve Law 169/83	11	11	-
- reserve Law 213/98	42	42	-
- merger surplus	14	219	-93.6
- retained earnings (caption 160)	-	-	-
- distributable net income (caption 170)	-	1,018	-
- net income for the period	808	-	-
Total shareholders' equity	7,302	7,200	1.4
Own shares in portfolio (*)	47	336	-86.0
Subordinated liabilities (caption 110)	1,989	1,339	48.5

(*) In the reclassified balance sheet, own shares are shown as a deduction from shareholders' equity.

Share capital and additional paid-in capital

In keeping with the stock option plan authorized by the extraordinary meeting of shareholders on April 30, 1998, 1,254,250 own shares were purchased during the period, with a resulting increase of € 4 million in capital and € 12 million in additional paid-in capital.

Other reserves

The main changes in other reserves include:

- the increase of € 35 million in the Extraordinary Reserve, of which € 33 million by way of allocation of 1999 net income and € 2 million relating to undistributed dividends on own shares in portfolio;
- the establishment of Reserve (Law 153/99), set up under the so-called "Ciampi Law", for € 260 million;
- the increase of the Reserve for the purchase of own shares, from € 775 million to € 980 million, as authorized by the shareholders' meeting held on April 28, 2000, through the transfer of € 205 million from merger surplus. As of June 30, 2000 the restricted portion of the Reserve for own shares in portfolio amounted to € 47 million, while the unrestricted part came to € 933 million.

Operations in own shares

In the first half of 2000, SANPAOLO IMI purchased 14,923,000 own shares (par value € 42 million) for a total of € 183 million and sold 38,645,500 own shares (par value € 108 million) for a total of € 554 million, generating a gain of € 82 million.

The most significant transaction in own shares during the period is related to the sale of 28,050,000 Sanpaolo IMI shares to Ente Cassa di Risparmio di Firenze as part of the agreement for the Bank to acquire a 15% interest in Cassa di Risparmio di Firenze.

At the end of the first half 2000 the Bank holds 3,709,000 own shares (par value € 10 million), recorded at their cost of € 47 million.

Other information

In line with Bank of Italy guidelines on disclosure of information, we provide below the breakdown of the regulatory capital as well as a description of the minimum requirements for supervisory purposes.

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	6,738	5,973	12.8
A.2 Tier 2 capital	1,680	1,065	57.7
A.3 Items to be deducted	433	290	49.3
A.4 Regulatory capital	7,985	6,748	18.3
B. Minimum regulatory requirements			
B.1 Lending risk	5,003	4,588	9.0
B.2 Market risk	91	120	-24.2
<i>of which:</i>			
- risks on trading portfolio	76	103	-26.2
- exchange risks	15	17	-11.8
B.3 Other minimum requirements	-	-	
B.4 Total minimum requirements	5,094	4,708	8.2
C. Risk assets and capital-adequacy ratios			
C.1 Risk-weighted assets (*)	72,771	67,259	8.2
C.2 Tier 1 capital/risk-weighted assets	9.3%	8.9%	
C.3 Regulatory capital/risk-weighted assets	11.0%	10.0%	

(*) Total of regulatory requirements multiplied by minimum obligatory ratio for credit risks.

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

Subordinated liabilities (caption 110)

Loan	Book value as of 6/30/00 (€/mn)	Original currency	Interest rate	Issue date	Maturity date	Book value as of 12/31/99 (€/mn)
Notes in Luxembourg francs	-	1,000	7.75%	05/26/93	05/26/00	25
Notes in Luxembourg francs	25	1,000	7.63%	07/09/93	07/09/01	25
Notes in Luxembourg francs	-	1,000	9%	02/10/92	02/10/00	25
Notes in US dollars	173	165	floating	07/12/93	07/30/03	165
Notes in US dollars	93	89	floating	09/24/93	09/24/03	89
Notes in US dollars	99	94	floating	11/30/93	11/30/05	94
Notes in US dollars	33	32	floating	08/25/95	08/25/00	32
Notes in Canadian dollars	107	151	floating	11/10/93	11/10/03	104
Notes in Italian lire	361	700,000	floating	06/30/94	06/30/04	361
Notes in Eurolire	102	198,000	floating	07/06/95	07/06/00	102
Notes in Eurolire	27	52,000	floating	12/30/96	01/20/02	27
Subordinated loan in Italian lire	39	100,000	5.10%	06/01/98	06/01/03	51
Subordinated loan in Italian lire	93	240,000	5.30%	01/01/98	01/01/03	124
Subordinated loan in Italian lire	87	224,000	floating	02/01/98	02/01/03	115
Subordinated loan in Euro	400	400	6.38%	04/06/00	04/06/10	-
Subordinated loan in Euro	350	350	floating	04/06/00	04/06/10	-
Total	1,989					1,339

Subordinated liabilities not included in the calculation of capital for Bank of Italy monitoring purposes amount to € 195 million.

Contractually, subordinated loans may not be redeemed early, nor converted into capital or any other type of liability. In particular, such contracts lay down that:

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

Other information relating to subordinated liabilities

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

SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Other liabilities (caption 50)	8,419	8,322	1.2
Accrued expenses and deferred income (caption 60)	2,965	4,649	-36.2
Total	11,384	12,971	-12.2

Other liabilities (caption 50)

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
Valuation of derivatives on interest rates and stock market indices	1,862	3,660	-49.1
Unprocessed transactions (a)	2,718	1,298	109.4
Amounts available for third parties	1,297	1,094	18.6
Amounts in transit with branches (a)	869	481	80.7
Transactions involving foreign branches	52	324	-84.0
Non-liquid balances from portfolio transactions	365	331	10.3
Due to the tax authorities	238	116	105.2
Amounts due to employees	160	243	-34.2
Items relating to securities transactions	41	22	86.4
of which "short position"	37	17	117.6
Value date adjustments	-	127	-100.0
Deposits guaranteeing agricultural and construction loans	35	35	-
Premiums collected on options sold	10	14	-28.6
Other	772	577	33.8
Total	8,419	8,322	1.2

(a) Largely allocated at the beginning of the new period.

SECTION 10 - GUARANTEES AND COMMITMENTS

Guarantees given (caption 10)

Analysis of caption 10 "Guarantees given"

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Commercial guarantees	9,725	9,042	7.6
(b) Financial guarantees	7,085	7,423	-4.6
(c) Assets lodged in guarantee	28	41	-31.7
Total	16,838	16,506	2.0

Commitments (caption 20)

Analysis of caption 20 "Commitments"

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Commitments to grant finance (certain to be called on)	3,109	1,819	70.9
(b) Commitments to grant finance (not certain to be called on)	11,105	11,492	-3.4
Total	14,214	13,311	6.8

Unused lines of credit

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Central banks	41	41	0.0
(b) Other banks	1,048	641	63.5
Total	1,089	682	59.7

Forward transactions

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

	<i>in millions of Euro</i>			
	Hedging	Dealing	Other	Total
1. Purchase/sale of				
1.1 securities				
- purchases	-	292	-	292
- sales	-	628	-	628
1.2 currency				
- currency against currency	2,112	600	-	2,712
- purchases against Euro	5,941	1,631	-	7,572
- sales against Euro	3,105	1,575	-	4,680
2. Deposits and loans				
- to be disbursed	-	-	466	466
- to be received	-	-	1,951	1,951
3. Derivative contracts				
3.1 with exchange of capital				
(a) securities				
- purchases	-	1	-	1
- sales	421	24	-	445
(b) currency				
- currency against currency	533	284	-	817
- purchases against Euro	1,536	815	-	2,351
- sales against Euro	252	821	-	1,073
(c) other instruments				
- purchases	-	-	-	-
- sales	-	-	-	-
3.2 without exchange of capital				
(a) currency				
- currency against currency	-	-	-	-
- purchases against Euro	374	-	-	374
- sales against Euro	10	-	-	10
(b) other instruments				
- purchases	15,501	44,926	150	60,577
- sales	21,379	44,401	2,732	68,512
Total	51,164	95,998	5,299	152,461

At period end, the unrealized net loss on hedging contracts was € 260 million. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of these derivative contracts is to hedge interest and exchange rate risks with regard to funding activities (in particular, the issue of bonds with a structured yield) and/or lending activities. The above contracts are recorded on a basis consistent with that adopted for the hedged transactions, with the identification of period-end accruals in relation to interest rate and/or exchange rate differentials. Had the

hedged assets and liabilities been valued in the same way, the resulting gain would have offset the above loss.

Derivatives hedging dealing securities and shown among dealing transactions amount to € 915 million.

Derivatives included in complex financial instruments amount to € 2,882 million at par value.

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 transactions

<i>Notional amounts</i>	<i>in millions of Euro</i>			
	Interest rates	Currency	Stock market indices	Other
OTC trading contracts				
- Forward (a)	326	3,806	-	-
- Swaps (b)	76,362	1,161	-	-
- Options purchased	5,732	380	571	-
- Options sold	5,730	380	564	-
Exchange traded contracts				
- Futures purchased	32	-	-	-
- Futures sold	4	-	5	-
- Options purchased	1	-	-	-
- Options sold	24	-	-	-
Total trading contracts	88,211	5,727	1,140	-
Total non-trading contracts	34,833	13,865	5,141	207
Total contracts	123,044	19,592	6,281	207

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

b) Mainly comprising IRS, CIRS and basis swaps.

<i>Notional amounts of OTC transactions, related market values and add on</i>	<i>in millions of Euro</i>			
	Interest rate related	Exchange rate related	Stockmarket index related	Other
Notional amounts	122,985	19,592	6,276	207
Market value of OTC trading contracts				
- positive	2,453	150	168	-
- negative	2,420	197	164	-
Add on	541	77	80	-
Market value of OTC non-trading contracts				
- positive	627	505	239	-
- negative	760	256	144	-
Add on	224	208	314	25

The market values of hedging and dealing derivative contracts arranged with third parties have been calculated using criteria established by the Bank of Italy for determining the solvency ratio. The market values identified in the table above derive from applying such criteria. In particular, they include period-end accruals and the effect of restating at spot rates the notional amounts to be exchanged on the maturity of cross-currency interest rate swaps.

Residual maturity of notional amounts underlying OTC derivative contracts *in millions of Euro*

	Up to 12 months	Between 1 and 5 years	Beyond 5 years
Interest rate related	30,744	61,146	31,095
Exchange rate related	16,168	2,819	605
Stock market index related	594	4,786	896
Other contracts	-	207	-

Credit quality of OTC derivative contracts, by counterparty *in millions of Euro*

	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks	11	-	11
Banks	3,691	1,156	4,847
Other operators	440	313	753
Total	4,142	1,469	5,611

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements reduces the equivalent credit risk by € 2,827 million for banks and € 359 million for other operators.

The above transactions are not backed by either secured or unsecured guarantees. No losses were incurred during the period on loans linked to derivatives and there are no outstanding derivative contracts which have matured, but not been settled.

Other information relating to guarantees

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

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

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

	6/30/00	12/31/99
(a) Amount (in millions of Euro)	8,494	11,645
(b) Number	5	7

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

Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
a) Governments	4,690	4,246	10.5
b) Other public entities	6,330	5,384	17.6
c) Non-financial businesses	36,953	36,961	-
d) Financial institutions	8,588	7,045	21.9
e) Family businesses	2,312	2,497	-7.4
f) Other operators	10,997	11,129	-1.2
Total	69,870	67,262	3.9

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:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
a) Sales and distribution services	5,196	5,193	0.1
b) Commerce, salvage and repairs	5,099	5,117	-0.4
c) Construction and public works	3,034	3,533	-14.1
d) Transport	2,537	2,818	-10.0
e) Energy	1,923	2,769	-30.6
f) Other sectors	15,470	14,754	4.9
Total	33,259	34,184	-2.7

Distribution of guarantees given, by category of counterparty

Guarantees given by the Bank are classified as follows:

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Governments	-	-	-
(b) Other public entities	23	13	76.9
(c) Banks	5,123	4,934	3.8
(d) Non-financial businesses	8,294	8,421	-1.5
(e) Financial institutions	3,048	2,798	8.9
(f) Family businesses	97	95	2.1
(g) Other operators	253	245	3.3
Total	16,838	16,506	2.0

Geographical distribution of assets and liabilities

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

	6/30/00				12/31/99			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
<i>in millions of Euro</i>								
1. Assets								
1.1 due from banks	13,952	4,914	1,800	20,666	6,836	5,395	2,579	14,810
1.2 loans to customers	60,823	4,238	4,809	69,870	59,808	3,446	4,008	67,262
1.3 securities	4,723	403	1,353	6,479	5,373	558	1,442	7,373
Total	79,498	9,555	7,962	97,015	72,017	9,399	8,029	89,445
2. Liabilities								
2.1 due to banks	8,679	11,105	11,446	31,230	3,770	9,666	10,767	24,203
2.2 due to customers	29,700	2,467	3,530	35,697	27,997	2,231	3,964	34,192
2.3 securities issued	21,207	674	1,851	23,732	23,767	781	2,569	27,117
2.4 other accounts	1,012	-	1,021	2,033	342	1,047	-	1,389
Total	60,598	14,246	17,848	92,692	55,876	13,725	17,300	86,901
3. Guarantees and commitments	11,360	6,634	13,058	31,052	11,543	8,438	9,836	29,817

Maturities of assets and liabilities

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

	<i>in millions of Euro</i>								Total
	On demand	Up to 3 months	Specified maturity				Beyond 5 years	Unspecified maturity	
			Between 3 and 12 months	Between 1 and 5 years		Fixed rate			
				Fixed rate	Floating rate	Fixed rate	Floating rate		
1. Assets									
1.1 Treasury bonds eligible for refinancing	2	130	221	79	780	29	10	-	1,251
1.2 due from banks	11,638	6,320	1,945	212	198	147	7	199	20,666
1.3 loans to customers	12,498	14,552	7,961	8,592	11,155	6,557	7,397	1,158	69,870
1.4 bonds and other debt securities	132	721	1,108	513	1,344	407	1,001	-	5,226
1.5 off-balance sheet transactions	2,693	39,387	34,028	27,627	3,335	14,371	1,030	-	122,471
Total assets	26,963	61,110	45,263	37,023	16,812	21,511	9,445	1,357	219,484
2. Liabilities									
2.1 due to banks	7,608	11,942	4,652	1,775	3,026	687	1,540	-	31,230
2.2 due to customers	27,424	6,533	1,516	162	32	30	-	-	35,697
2.3 securities issued:									
– bonds	252	149	3,175	5,252	4,395	2,911	1,880	-	18,014
– certificates of deposit	46	3,009	2,098	172	17	-	-	-	5,342
– other securities	376	-	-	-	-	-	-	-	376
2.4 subordinated liabilities	-	135	73	113	819	400	449	-	1,989
2.5 off-balance sheet transactions	1,862	41,479	32,122	25,085	3,365	18,282	299	-	122,494
Total liabilities	37,568	63,247	43,636	32,559	11,654	22,310	4,168	-	215,142

Assets and liabilities denominated in foreign currencies

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
(a) Assets			
1. due from banks	4,073	4,584	-11.1
2. loans to customers	8,767	6,986	25.5
3. securities	2,218	1,969	12.6
4. equity investments	416	397	4.8
5. other accounts	36	50	-28.0
Total assets	15,510	13,986	10.9
(b) Liabilities			
1. due to banks	12,201	10,889	12.0
2. due to customers	4,912	4,624	6.2
3. securities issued	2,093	2,962	-29.3
4. other accounts	549	483	13.7
Total liabilities	19,755	18,958	4.2

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Custody and administration of securities

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

	6/30/00 (€/mn)	12/31/99 (€/mn)	Change %
a) Third-party securities held on deposit (excluding asset management)			
1. securities issued by the Bank	13,525	14,881	-9.1
2. other securities	112,776	120,080	-6.1
b) Third-party securities deposited with third parties	86,814	94,569	-8.2
c) Portfolio securities deposited with third parties	7,449	7,835	-4.9

Other transactions

Fund for applied research

In the area of incentives for research and development, as from January 2000 the Ministry for Universities and Scientific and Technological Research has taken over direct management of the Fund for Applied Research. The Ministry has appointed ten banks, including Sanpaolo Imi, to cooperate in assessing and controlling projects. It also assigned Sanpaolo IMI the supervision of all outstanding projects.

In the first half of 2000, 234 applications were received for investments amounting to € 562 million, 272 preliminary inquiries were carried out, and € 557 million was allocated.

In the same period 227 contracts were drawn up for a total amount of € 321 million, and € 176 million in loans were disbursed using public funds and € 37 million using the Bank's funds. These loans benefit from interest rate relief under Law 346/1988.

Guarantee Fund for small and medium-sized enterprises in Southern Italy (Law 341/95)

Under the Convention between the Italian Treasury and the Bank, dated December 21, 1995, as approved and implemented by Decree of the Director-General of the Treasury dated January 5, 1996, the Bank has been granted the concession to administer this Fund established under Law 341/95.

The purpose of Law 341/95 is to help rationalise the financial situation of those small and medium-sized enterprises in Southern Italy that qualify under EU parameters. This involves various types of measures, from interest-relief grants on financing designed to convert short-term bank borrowing into long-term loans, to the granting of supplementary guarantees for participating loans, for the purchase of equity investments and for improving their debt structure as described above.

As of June 30, 2000, 4,122 applications with a total value of € 1,989 million had been received, broken down as follows:

- € 1,477 million for the consolidation of short-term debt, of which € 1,428 million is in the process of being paid out and € 49 million awaiting final approval.
- € 512 million for participating loans;

Third-party portion of syndicated loans

The third-party portion of syndicated loans arranged by the Bank, without representation, amounted to € 854 million at the end of June 2000 (€ 857 million as of December 31, 1999).

Asset management services rendered by third parties

As of June 30, 2000, the value of asset management services rendered to customers by third parties amounts to € 4,254 million.

Part C - Statement of Income

SECTION 1 - INTEREST

Interest income and similar revenues (caption 10)

Analysis of caption 10 "Interest income and similar revenues"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) On amounts due from banks	283	472	227
<i>including:</i>			
- deposits with central banks	14	20	10
(b) On loans to customers	2,107	3,954	2,044
<i>including:</i>			
- loans using public funds	-	-	-
(c) On debt securities	182	546	338
(d) Other interest income	1	4	2
(e) Net differential on hedging transactions	76	-	-
Total	2,649	4,976	2,611

Detail of caption 10 "Interest income and similar revenues"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
a) On assets denominated in foreign currency	280	526	243

Default interest for the period, amounting to € 86 million, has been eliminated from the statement of income since, for the sake of prudence, collection is considered unlikely.

Interest income includes € 77 million relating to swaps and repurchase agreements.

Interest expense and similar charges (caption 20)*Analysis of caption 20 "Interest expense and similar charges"*

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) On amounts due to banks	600	963	500
(b) On amounts due to customers	359	582	309
(c) On securities issued	754	1,510	787
<i>including:</i>			
– certificates of deposit	176	413	210
(d) On public funds administered	-	-	-
(e) On subordinated liabilities	43	81	47
(f) Net differential on hedging transactions	-	126	90
Total	1,756	3,262	1,733

Detail of caption 20 "Interest expense and similar charges"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
a) On liabilities denominated in foreign currency	236	590	243

Interest expense includes a charge of € 0.1 million relating to the share of issue discounts on bonds and certificates of deposit relating to the period. This caption also includes charges of € 65 million relating to swaps and repurchase agreements.

SECTION 2 - COMMISSIONS

Commission income (caption 40)

Analysis of caption 40 "Commission income"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) Guarantees given	21	41	20
(b) Collection and payment services	75	147	68
(c) Management, dealing and consultancy services			
1. dealing in securities	7	11	5
2. dealing in currency	12	25	14
3. asset management	28	31	13
4. custody and administration of securities	11	20	10
5. placement of securities (a)	420	703	317
6. acceptance of instructions	68	70	36
(d) Tax collection services	-	-	-
(e) Other services	197	385	210
Total	839	1,433	693

a) Commission received from the placement of securities includes that relating to the placement of mutual funds and insurance products amounting, respectively, to € 389 million and € 24 million (€ 291 million and € 19 million as of June 30, 1999)

Subcaption (e) "Other services" comprises:

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Loans granted	65	139	78
Deposits and current account overdrafts	61	102	67
Current accounts	31	60	22
Banking functions in relation to mutual funds deposited	27	53	26
Loan-arrangement activities	1	2	1
Other services – Italy	11	24	12
Other services - foreign branches	1	5	4
Total	197	385	210

Commission expense (caption 50)*Analysis of caption 50 "Commission expense"*

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) Collection and payment services	23	45	20
(b) Management and dealing services			
1. dealing in securities	2	5	1
2. custody and administration of securities	9	8	4
(c) Other services	7	30	26
Total	41	88	51

Subcaption (c) "Other services" comprises:

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Intermediation on financing transactions	-	3	2
Loans obtained	-	12	15
Guarantees received	2	1	1
Loan-arrangement activities	1	2	2
Other services – Italy	4	10	5
Other services - foreign branches	-	2	1
Total	7	30	26

SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

Profits (losses) on financial transactions (caption 60)

Analysis of caption 60 "Profits (losses) on financial transactions"

in millions of Euro

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	11 (a)		1,779 (e)	1,790
A2. Writedowns	-35 (b)		-1,766	-1,801
B. Other profits and losses	16 (c)	21 (d)	-2	35
Total	-8	21	11	24
<i>including:</i>				
1. on government securities	-6			
2. on other debt securities	-8			
3. on equities	-4			
4. on security derivatives	10			

a) This includes € 2 million on securities and € 9 million on derivative contracts.

b) This amount is entirely related to writedowns on the securities portfolio.

c) This includes € 15 million on securities and € 1 million on derivative contracts on securities

d) This includes € 19 million in foreign exchange gains and € 2 million in profits on transactions in currency derivative contracts.

e) Among revaluations are included € 14 million related to asset swap derivative contracts. These revaluations are against writedowns of a substantially equal amount.

SECTION 4 - ADMINISTRATIVE COSTS

Personnel costs (caption 80a)

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Wages and salaries	446	902	450
Social security charges	145	297	148
Termination indemnities			
– provision for termination indemnities	16	34	20
– indemnities accrued and paid during the period	-	1	11
– provisions for supplementary pensions	17	26	1
Total	624	1,260	630

Other administrative costs (caption 80b)

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Rental of premises	39	67	32
Consultancy services	27	57	24
Expenses for personnel training, travel and assignments	21	35	19
Software maintenance and upgrades	20	43	19
Maintenance of operating assets	16	34	17
External data processing	14	25	12
Postage and telegraph charges	13	27	14
Power charges	12	23	13
Security services	11	23	11
Legal and judiciary expenses	11	21	11
Telephone	10	22	11
Cleaning of premises	9	18	8
Data transmission charges	8	20	11
Maintenance of properties owned by the Bank	8	17	7
Office supplies	7	12	8
Advertising and entertainment	6	18	6
Searches/commercial information costs	6	9	5
Databank access charges	5	10	6
Transport and counting of valuables	5	10	5
Insurance premiums - banks and customers	5	8	5
Equipment leasing charges	3	13	8
Courier and transport services	3	8	4
Contributions and membership fees to trade unions and business associations	2	5	2
Maintenance of leasehold premises	2	4	2
Other expenses	11	21	9
Total	274	550	269
Indirect duties and taxes			
- stamp duties	53	106	53
- tax charge (Pres. Decree 601/73)	9	13	5
- local property taxes	3	9	5
- taxes on stock exchange contracts	2	-	3
- other	3	12	4
Total	70	140	70
Total other administrative costs	344	690	339

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments to intangible and tangible fixed assets (caption 90)

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Adjustments to intangible fixed assets			
- amortization of merger differences representing the goodwill of merged banks	14	37	19
- amortization of software in use	8	21	8
- amortization of software not yet in use	10	20	8
- amortization of other deferred charges	2	4	2
Adjustments to tangible fixed assets			
- depreciation of property	19	51	27
- depreciation of furniture and installations	20	49	20
Total	73	182	84

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, € 122 million, recorded during the period, include the following:

- € 13 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.
- € 103 million to cover charges in connection with the possible re-negotiation of loans in the building sector benefiting from government assistance under Law 133/99
- € 6 million designed to increase the coverage of the reserve for pensions and similar commitments, including € 3 million to cover long-service bonuses to the Bank's employees and € 3 million to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund.

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

Analysis of caption 120 "Adjustments to loans and provisions for guarantees and commitments"

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
(a) Adjustments to loans	281	590	381
<i>including:</i>			
- general adjustments for country risk	5	55	61
- other general adjustments	55	5	1
(b) Provisions for guarantees and commitments	5	-	-
<i>including:</i>			
- general provisions for country risk	-	-	-
- other general provisions	5	-	-
Total	286	590	381

In addition to the above adjustments, default interest of € 86 million earned during the period has been reversed from interest income.

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

	1 st half 2000 (€/mn)	1999 (€/mn)	1 st half 1999 (€/mn)
Revaluation of loans previously written down	62	122	127
Revaluation of loans previously written off	-	3	3
Revaluation of provisions for guarantees and commitments	-	1	1
Collection of default interest previously written down	31	40	29
Collection of loans previously written off	21	58	18
Collection of loan principal previously written down	118	88	40
Total	232	312	218

Adjustments to financial fixed assets (caption 150)

Adjustments to financial fixed assets, € 6 million, mainly refer to the writedown of the investment in Bnc Assicurazioni S.p.A. (€ 5.8 million) following the losses reported by this company.

Attachments to the financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<i>in millions of Euro</i>														
	capital	Legal reserve	Additional paid-in capital	Extra-ordinary reserve	Unrestricted reserve for purchase of own shares	Restricted reserve for purchase of own shares	Reserve (art. 13.6, Law 124/93)	Reserve (art. 7.3, Law 218/90)	Merger surplus	Reserve Law 169/83	Reserve Law 213/98	Reserve Law 153/99	Reserve for general banking risks	Net income for the period	Total
Shareholders' equity as of January 1, 2000	3,926	792	-	-	439	336	1	80	219	11	42	-	336	1,018	7,200
Allocation of 1999 net income															
- Reserve (Law 153/99)												260		-260	
- Extraordinary reserve				33										-33	
- Reserve (art. 13.6 Law 124/93)							1							-1	
- Dividends paid														-724	-724
Increase in unrestricted reserve for the purchase of own shares					494	-289			-205						
Stock option plan for 1,254,250 shares	4		12												16
Unallocated dividends on own shares in portfolio				2											2
Net income for the period														808	808
Shareholders' equity as of June 30, 2000	3,930	792	12	35	933	47	2	80	14	11	42	260	336	808	7,302
Own shares in portfolio						-47									-47
Shareholders' equity as per re-classified financial statements	3,930	792	12	35	933	-	2	80	14	11	42	260	336	808	7,255

STATEMENT OF CASH FLOWS

*in millions of Euro***APPLICATION OF FUNDS**

Use of funds generated by operations		739
Dividends paid	722	
Use of reserves for termination indemnities and pensions	7	
Use of provisions for risks and charges	10	
Increase in funds applied		9,231
Due from banks	5,860	
Loans to customers	2,663	
Equity investments	672	
Intangible fixed assets	21	
Tangible fixed assets	15	
Decrease in funds taken		3,458
Due to customers and securities issued	1,886	
Other liabilities	1,572	
Total		13,428

*in millions of Euro***SOURCES OF FUNDS**

Funds generated by operations		1,080
Net income for the period	808	
Provision for termination indemnities	16	
Net adjustments to loans and provisions for guarantees and commitments	54	
Provisions for risks and charges	123	
Adjustments to tangible fixed assets	39	
Adjustments to intangible fixed assets	34	
Net adjustments to financial fixed assets	6	
Increase in funds taken		7,982
Due to banks	7,027	
Subordinated liabilities	650	
Shareholders' equity	305	
Decrease in funds applied		4,366
Cash and deposits with central banks	83	
Investment securities	16	
Dealing securities	878	
Other assets	3,389	
Total		13,428

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