

S A N P A O L O I M I



A N N U A L R E P O R T 2 0 0 0



2000 Annual Report

SANPAOLO IMI
SOCIETÀ PER AZIONI

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY REGISTERED OFFICE: VIALE DELL'ARTE 25, ROME, ITALY

COMPANY REGISTER OF TURIN 06210280019

EQUITY CAPITAL EURO 3,931,250,954.4 FULLY PAID

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 Scavi (*)	<i>Director</i>
Alessandro Vercelli	<i>Director</i>
Remi François Vermeiren	<i>Director</i>
<i>(*) Member of the Executive Committee</i>	

Board of Statutory Auditors

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

General Management

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

Independent Auditors

Arthur Andersen S.p.A.

Contents

7	AGENDA OF THE SHAREHOLDERS' MEETING
9	LETTER TO THE SHAREHOLDERS
12	KEY FIGURES
13	GROUP STRUCTURE
15	CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS
16	Reclassified consolidated statement of income
17	Analysis of quarterly consolidated statement of income
18	Reclassified consolidated balance sheet
19	Analysis of quarterly consolidated balance sheet
21	Report on Operations
23	Economic background
25	Action points and initiatives in 2000
28	Overview of Group results
34	Embedded value of the life portfolio
36	Operating volumes and organization
47	Equity Capital
49	Risk management
56	Supplementary information
56	• <i>Performance of the SANPAOLO IMI share price</i>
56	• <i>Shareholders of SANPAOLO IMI</i>
57	• <i>Ratings</i>
58	• <i>Intercompany transactions and transactions with related parties</i>
59	• <i>Stock option plans</i>
60	• <i>The Euro</i>
60	• <i>Code of Self Regulation of Quoted Companies</i>
61	Business Areas
72	Significant events after the year end
75	Independent auditors' report
77	Consolidated financial statements
78	Consolidated balance sheet
80	Consolidated statement of income
81	Explanatory Notes to the consolidated financial statements
83	Introduction – <i>Background information</i>
89	Part A – <i>Accounting policies</i>
100	Part B – <i>Consolidated balance sheet</i>
167	Part C – <i>Consolidated statement of income</i>
180	Part D – <i>Other information</i>
181	Attachments
183	Statement of changes in consolidated shareholders' equity
184	Statement of consolidated cash flows
186	Reconciliation of the Bank's financial statements and the consolidated financial statements
187	List of shareholdings of more than 10% in unquoted and limited liability companies
190	Pro forma consolidated statement of income for 2000

193 THE BANK'S FINANCIAL STATEMENTS AND REPORTS

195 Parent Bank reclassified statement of income

197 Parent Bank reclassified balance sheet

199 Report on Operations

201 Financial results

204 Operating volumes and organization

209 Equity Capital

210 Supplementary information

211 Significant events after the year end

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

215 Report of the board of statutory auditors

219 Independent auditors' report

221 Financial statements

222 Balance sheet

224 Statement of income

225 Explanatory Notes to the financial statements

227 Introduction – *Background information*

229 Part A – *Accounting policies*

239 Part B – *Balance sheet*

296 Part C – *Statement of income*

311 Part D – *Other information*

315 Attachments

317 Statement of changes in shareholders' equity

318 Statement of cash flows

321 List of properties owned by the Bank

329 Pro forma statement of income for 2000

331 Other motions

333 Amendment to Article 19 of the Articles of Association (Board of Statutory Auditors)

337 Amendment to Article 12 of the Articles of Association (Shareholders' Meeting)

339 Authorization to buy and sell own shares

340 Appointment of the members (subject to establishment of their number)
and chairman of the Board of Directors; determination of their emoluments

341 Approval of shareholders' meeting regulations

342 Regulations for Shareholders' Meetings

345 Information for investors

Agenda of the Shareholders' Meeting

TURIN

- 1st calling for the ordinary and extraordinary meetings: 27 April 2001
- 2nd calling for the extraordinary meeting: 28 April 2001
- 2nd calling for the ordinary meeting and 3rd calling for the extraordinary meeting:
30 April 2001

Extraordinary part:

1. Amendment of Article 19 of the Articles of Association (Board of Statutory Auditors).
2. Amendment of Article 12 of the Articles of Association (Shareholders' Meeting).

Ordinary part:

1. Financial statements at 31 December 2000, reports of the Board of Directors and Board of Statutory Auditors, allocation of income for the year; consolidated financial statements at 31 December 2000.
2. Authorization for the purchase and sale of own shares.
3. Number and nomination of the members of the Board of Directors and the Chairman; determination of their remuneration.
4. Approval of the Regulation of the Shareholders' Meeting.

Letter to the Shareholders

Shareholders,

The SANPAOLO IMI Group closed 2000 with better results than last year. The profitability targets set in the 1998 business plan drawn up at the time of the merger between San Paolo and IMI have been met and exceeded: RoE in 2000, which had a target figure of 15%, came to more than 18%. Net income came to 1,292 million Euro, up 23% year-on-year. Earnings per share, 0.75 Euro in 1999, have grown to 0.93 Euro in 2000. It is proposed to distribute a dividend of approximately 0.57 Euro per share, for a total of 798 million Euro, 10% more than last year.

These results were achieved by pursuing a strategy that includes, on the one hand, expansion in the fields of Retail Banking, Wealth Management and Personal Financial Services, which are the areas with the most potential in terms of value creation and, on the other, setting targets for profitability and optimum capital consumption in Wholesale-type operations.

In Retail Banking and Personal Financial Services, the expansion strategy was primarily implemented internally by reinforcing the distribution structure, which entailed strengthening the Commercial Banking, Banca Fideuram and Banca Sanpaolo Invest networks. The creation of a multichannel structure, which now permits SANPAOLO IMI's customers to access the Bank's services either through a branch, or by means of direct banking, was also completed. Initiatives have been taken in the direction of network specialization and customer segmentation. IMIWeb, the Group's Internet bank, has been launched. At the same time, investments have been made in the production of asset management services: a new Business Area devoted to Wealth Management is being established which will handle all of the Bank's active savings management activities: mutual funds, portfolio management, private banking and life insurance.

The action taken to reinforce the Group by means of external growth has been no less significant. In Retail, the most important operation was the acquisition of Banco di Napoli, which gave the Group 731 additional branches located mainly in Southern Italy, a banking market that is expected to grow considerably over the coming years, especially in the field of asset management. The coverage of the territory was boosted in various ways, including by means of agreements with important local entities: this was the case with the alliance set up with Cassa di Risparmio di Firenze, which has more than 400 branches in Central Italy. In the area of Personal Financial Services, the acquisition of Banque Privée Wargny represented the first step in a project that involves exporting the distribution model successfully adopted by Banca Fideuram.

The objective in Wholesale is to enhance the value of the Group's specialist activities. This led to the creation of Banca OPI, which specializes in the financing of

public works and infrastructure. This same objective has led to an enlargement of the types of customers handled by the Corporate Area to include medium-sized companies. In 1999, the need to enhance the value of the Group's specialist skills led to the creation of NHS, a merchant bank, and to the concentration of all financial market trading activities within Banca IMI.

The initiatives geared to improve the Group's market position in sectors with a higher growth potential have required to make investments, which have mainly concerned the distribution networks and the new sales channels. The increase in costs connected to these new projects was accompanied by action to control other expenses.

In all the Group's Business Areas, constant attention was paid to asset quality, an aspect defined as strategic in the merger business plan. SANPAOLO IMI has taken strong action in this area, including the adoption of a strict Group credit policy, the refinement of risk control tools in line with international best practice, taking incisive steps to recover critical positions, and non-recourse sales of non-performing loans. The results have confirmed that this was the right approach, as it allowed the Group to lower its net non-performing loans/total loans ratio at the end of 2000 to less than 1%, one of the lowest figures of all competitors both in Italy and abroad.

The three-year plan for the period 2001-03, which was approved by the Board of Directors at the start of the year, reiterates and reinforces the policy guidelines that SANPAOLO IMI has followed up to now. Indeed, the plan provides for both internal growth and external expansion, when the right conditions arise.

Particular attention will continue to be paid to Retail Banking. Commercial Banking will have to improve its ability to service higher value-added counterparties, completing the integration of the distribution channels, further differentiating sales policies by customer segment, specializing and reinforcing the network. Banco Napoli will have to offer itself as a point of reference for households and small- and medium-sized enterprises in Southern Italy, bringing its levels of efficiency, productivity and credit control into line with those of the Group. The policy of alliances and distribution agreements with banking entities operating in areas where SANPAOLO IMI's presence is considered insufficient will also continue: the shareholding in Banca Cardine and the expected interest in Cassa dei Risparmi di Forlì are to be seen in this context.

In the field of Personal Financial Services, Banca Fideuram will continue to pursue its objective of expanding its private banking activity in the European market; Banca Sanpaolo Invest, which is expected to be quoted, will focus on affluent customers, reinforcing its offer of products that are both internal and external to the Group with its multichannel approach; IMIWeb will have to widen its customer base,

completing the process of transformation into a bank. The Wealth Management Area, in addition to providing products and services to the Group's distribution structures, will have to expand what it offers to external networks and institutional investors, developing above all its international private banking operations. The Wholesale side of the business will continue to concentrate on achieving its objectives of profitability, credit quality and optimum capital consumption.

There are also plans for targeted initiatives in foreign markets, notably in Eastern Europe and in the Mediterranean area, as well as joint projects with Banco Santander Central Hispano, with which there already are strong links in the form of cross-shareholdings; joint projects have already been defined with the Spanish group in the Corporate sector.

The three-year plan brings together all of the above initiatives in a target RoE for 2003 of 22%, four percentage points higher than the 18% in 2000.

The ongoing slowdown that is characterizing the main world economies, the deterioration in the climate of confidence and the consequent volatility in financial markets could put a brake on the SANPAOLO IMI Group's growth in profitability in the year 2001. However, expectations are such that no need to adjust our medium-term earnings objective is envisaged. When the current phase of instability is over, the business model adopted and the actions planned, both to increase revenues and contain costs, will enable to further reinforce the process of value creation successfully implemented in recent years.

Achievement of the Group's profitability and growth targets has been possible thus far and into the future – thanks to the professionalism and commitment of both our staff and our networks of financial planners.

Turin, 27 March 2001

Key figures

	2000 (1)	2000 restated (2)	1999	Change 2000 restated / 1999 (%)
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	2,572	2,168	2,022	+7.2
Net commissions and other dealing revenues	2,641	2,469	2,066	+19.5
Administrative costs	-3,076	-2,652	-2,466	+7.5
Operating income	2,460	2,349	2,069	+13.5
Provisions and net adjustments to loans and financial fixed assets	-581	-454	-481	-5.6
Income before extraordinary items	1,789	1,806	1,504	+20.1
Net extraordinary income	396	369	294	+25.5
Group net income	1,292	1,292	1,050	+23.0
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	172,101	139,280	139,887	-0.4
Loans to customers	98,706	80,025	73,174	+9.4
Securities	25,000	18,366	18,401	-0.2
Equity investments	3,573	4,674	3,347	+39.6
Customer deposits and securities issued	104,144	79,562	78,957	+0.8
Subordinated liabilities	5,158	4,834	1,524	n.s.
Group shareholders' equity	7,353	7,353	8,036	-8.5
FINANCIAL ASSETS OF CUSTOMERS (€/mil)				
Total financial assets	304,141	265,468	260,026	+2.1
- Direct deposits	104,144	79,562	78,957	+0.8
- Indirect deposits	199,997	185,906	181,069	+2.7
- Asset administration	71,084	63,549	69,316	-8.3
- Asset management	128,913	122,357	111,753	+9.5
- Group products	124,907	118,917	108,505	+9.6
- Other products	4,006	3,440	3,248	+5.9
PROFITABILITY RATIOS (%)				
RoE (3)	18.1	18.1	14.0	
Cost / Income ratio (4)	56.2	53.5	54.7	
Net commissions / Administrative costs	85.9	93.1	83.8	
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net customer loans	1.0	0.9	2.3	
Net problem and loans in restructuring / Net customer loans	1.0	0.9	1.6	
CAPITAL ADEQUACY RATIOS (%) (5)				
Tier 1 capital / Weighted assets	7.1	n.s.	9.6	
Total capital / Weighted assets	9.2	n.s.	10.3	
SANPAOLO IMI SHARES				
Number of shares (millions)	1,404	1,404	1,402	+0.1
- number of shares in circulation	1,365	1,365	1,375	-0.8
- number of own shares held by the Parent Bank	39	39	27	+45.7
Quoted price per share (€)				
- average	16.617	16.617	13.191	+26.0
- low	11.658	11.658	11.102	+5.0
- high	20.870	20.870	16.035	+30.2
Earnings per average number of shares in circulation (€)	0.93	0.93	0.75	+24.0
Dividend per share (€)	0.57	0.57	0.52	+10.0
Dividend / average annual price (%)	3.42	3.42	3.92	-12.7
Shareholders' equity per share in circulation (€)	5.39	5.39	5.84	-7.7
OPERATING STRUCTURE				
Employees	35,729	25,088	24,133	+4.0
Domestic branches	2,137	1,406	1,355	+3.8
Foreign branches and representative offices	91	86	76	+13.2
Financial planners	5,495	5,270	4,865	+8.3

(1) The Financial Statements for 2000 reflect the line by line consolidation of the Banco di Napoli group from the second half of the year, according to the criteria reported in the Explanatory Notes.

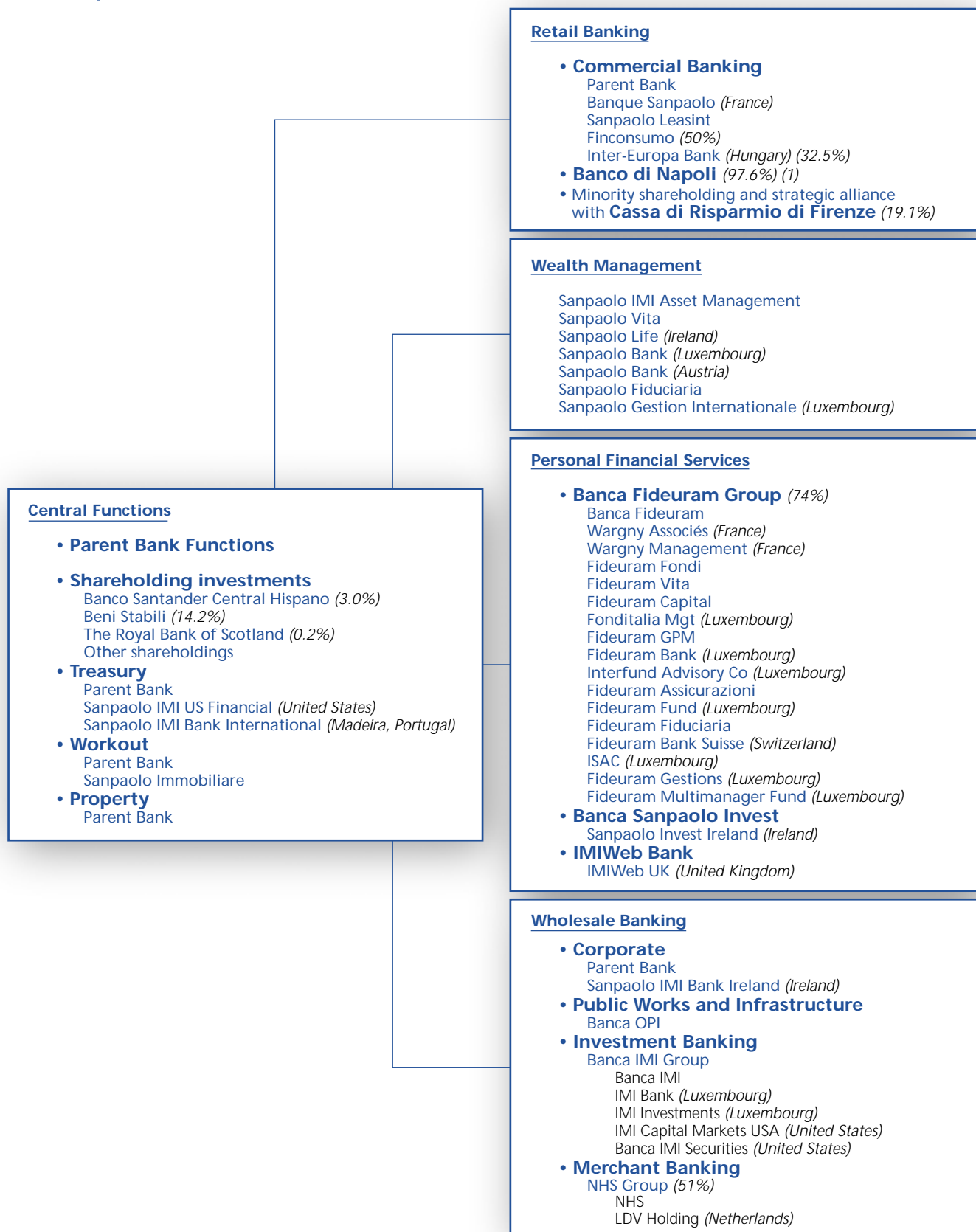
(2) The "restated" Financial Statements for 2000 have been prepared so as to allow the most consistent comparison with 1999. They reflect the consolidation of the Banco di Napoli group at net equity, according to the criteria explained in detail in the Explanatory Notes. The "restated" Financial Statements for 2000 are not audited.

(3) Net income / Average net shareholders' equity excluding income for the year.

(4) Administrative costs (net of recoveries) and amortization (excluding value adjustments on goodwill, merger differences and consolidation) / Net interest and other banking income.

(5) It should be noted that, taking account of the effects of the use of own shares for the acquisition of a shareholding of 10.9% in the Cardine Group, concluded in January 2001, the total capital adequacy ratio would be more than 9%, while the Tier 1 ratio ought to increase to 7.7%.

Group structure



(1) Shareholding in ordinary capital.

Consolidated Financial Statements and Reports

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

ANALYSIS OF QUARTERLY CONSOLIDATED STATEMENT OF INCOME

RECLASSIFIED CONSOLIDATED BALANCE SHEET

ANALYSIS OF QUARTERLY CONSOLIDATED BALANCE SHEET

REPORT ON OPERATIONS

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

ATTACHMENTS

Reclassified consolidated statement of income

	2000 (1) (€/mil)	2000 restated (2) (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
NET INTEREST INCOME	2,572	2,168	2,022	+7.2
Net commissions and other dealing revenues	2,641	2,469	2,066	+19.5
Profits and losses from financial transactions and dividends on shares	263	255	276	-7.6
Profits from companies carried at equity and dividends from shareholdings	146	159	205	-22.4
NET INTEREST AND OTHER BANKING INCOME	5,622	5,051	4,569	+10.5
Administrative costs	-3,076	-2,652	-2,466	+7.5
- <i>personnel</i>	-1,929	-1,620	-1,534	+5.6
- <i>other administrative costs</i>	-958	-859	-763	+12.6
- <i>indirect duties and taxes</i>	-189	-173	-169	+2.4
Other operating income, net	213	187	175	+6.9
Adjustments to tangible and intangible fixed assets	-299	-237	-209	+13.4
OPERATING INCOME	2,460	2,349	2,069	+13.5
Value adjustments on goodwill, merger differences and consolidation	-90	-89	-84	+6.0
Provisions and net adjustments to loans and financial fixed assets	-581	-454	-481	-5.6
INCOME BEFORE EXTRAORDINARY ITEMS	1,789	1,806	1,504	+20.1
Net extraordinary income	396	369	294	+25.5
INCOME BEFORE TAXES	2,185	2,175	1,798	+21.0
Income taxes for the year	-785	-795	-685	+16.1
Change in reserves for general banking risks	2	2	-1	n.s.
Income attributable to minority interests	-94	-90	-62	+45.2
Reversal of second half income Banco di Napoli group (3)	-16	-	-	n.s.
NET INCOME	1,292	1,292	1,050	+23.0

(1) The Group statement of income for 2000 reflects the line by line consolidation of the Banco di Napoli group from the second half of the year, according to the criteria reported in the Explanatory Notes.

(2) The "restated" statement of income for 2000 has been prepared so as to allow the most consistent comparison with 1999. It reflects the consolidation of the Banco di Napoli group at net equity, according to the criteria reported in the Explanatory Notes. The "restated" statement of income for 2000 is not audited.

(3) According to the criteria reported in the Explanatory Notes.

Analysis of quarterly consolidated statement of income

	2000 (1)				1999 (2)			
	4th quarter restated (€/mil)	3rd quarter restated (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter pro forma (€/mil)
NET INTEREST INCOME	564	542	541	521	513	489	503	517
Net commissions and other dealing revenues	628	593	601	647	579	522	491	474
Profits and losses from financial transactions and dividends on shares	73	49	41	92	83	37	70	86
Profits from companies carried at equity and dividends from shareholdings	50	35	39	35	84	52	36	33
NET INTEREST AND OTHER BANKING INCOME	1,315	1,219	1,222	1,295	1,259	1,100	1,100	1,110
Administrative costs	-723	-650	-660	-619	-645	-610	-617	-594
- <i>personnel</i>	-443	-399	-392	-386	-387	-382	-386	-379
- <i>other administrative costs</i>	-233	-210	-226	-190	-217	-183	-189	-174
- <i>indirect duties and taxes</i>	-47	-41	-42	-43	-41	-45	-42	-41
Other operating income, net	51	48	48	40	50	40	43	42
Adjustments to tangible and intangible fixed assets	-83	-58	-50	-46	-67	-50	-43	-49
OPERATING INCOME	560	559	560	670	597	480	483	509
Value adjustments on goodwill, merger differences and consolidation	-30	-19	-21	-19	-21	-21	-21	-21
Provisions and net adjustments to loans and financial fixed assets	-159	-81	-123	-91	-155	-99	-123	-104
INCOME BEFORE EXTRAORDINARY ITEMS	371	459	416	560	421	360	339	384
Net extraordinary income	24	41	195	109	-5	-2	297	4
INCOME BEFORE TAXES	395	500	611	669	416	358	636	388
Income taxes for the year	-136	-171	-220	-268	-159	-128	-248	-150
Change in reserves for general banking risks	-1	-	3	-	-1	-	-	-
Income attributable to minority interests	-19	-22	-27	-22	-18	-23	-11	-10
NET INCOME	239	307	367	379	238	207	377	228

(1) The analysis of the 2000 quarterly consolidated statement of income has been made using the "restated" statements of income for the third and fourth quarters, according to the criteria reported in the Explanatory Notes. The quarterly statements of income for 2000 are not audited.

(2) The statement of income for the first quarter of 1999 has been restated consistently with those of following quarters. The quarterly statements of income for 1999 are not audited.

Reclassified consolidated balance sheet

	31/12/2000 (1) (€/mil)	31/12/2000 restated (2) (€/mil)	31/12/1999 (€/mil)	Change 31/12/00 restated - 31/12/99 (%)
ASSETS				
Cash and deposits with central banks and post offices	708	525	528	-0.6
Loans	117,825	96,627	95,318	+1.4
- due from banks	19,119	16,602	22,144	-25.0
- loans to customers	98,706	80,025	73,174	+9.4
Dealing securities	18,329	16,897	16,645	+1.5
Fixed assets	12,396	7,560	6,490	+16.5
- investment securities	6,671	1,469	1,756	-16.3
- equity investments	3,573	4,674	3,347	+39.6
- intangible fixed assets	359	291	267	+9.0
- tangible fixed assets	1,793	1,126	1,120	+0.5
Differences arising on consolidation and on application of the equity method	989	989	58	n.s.
Other assets	21,854	16,682	20,848	-20.0
Total assets	172,101	139,280	139,887	-0.4
LIABILITIES				
Payables	133,740	106,660	106,969	-0.3
- due to banks	29,596	27,098	28,012	-3.3
- due to customers and securities issued	104,144	79,562	78,957	+0.8
Provisions	4,601	2,299	1,950	+17.9
- for taxation	1,230	1,169	1,029	+13.6
- for termination indemnities	743	450	438	+2.7
- for risks and charges	1,500	637	437	+45.8
- for pensions and similar	1,128	43	46	-6.5
Other liabilities	20,534	17,552	20,869	-15.9
Subordinated liabilities	5,158	4,834	1,524	n.s.
Minority interests	715	582	539	+8.0
Shareholders' equity (3)	7,353	7,353	8,036	-8.5
- capital	3,931	3,931	3,926	+0.1
- reserves (4)	2,130	2,130	3,060	-30.4
- net income	1,292	1,292	1,050	+23.0
Total liabilities	172,101	139,280	139,887	-0.4
GUARANTEES AND COMMITMENTS				
Guarantees given	15,670	14,242	11,045	+28.9
Commitments	26,518	22,079	18,028	+22.5

(1) The Group balance sheet at 31/12/2000 reflects the line by line consolidation of the Banco di Napoli group, according to the criteria reported in the Explanatory Notes.

(2) The "restated" Group balance sheet at 31/12/2000 has been prepared so as to allow the most consistent comparison with 31/12/1999. It reflects the consolidation of the Banco di Napoli group at net equity, according to the criteria reported in the Explanatory Notes. The "restated" balance sheet is not audited.

(3) Changes in net equity in 2000 are detailed in the Report on Operations.

(4) Reserves are net of own shares held by the Parent Bank, 27,431,500 at a book value of 336 million Euro at 31 December 1999, and 39,345,982 at a book value of 697 million Euro at 31 December 2000.

Analysis of quarterly consolidated balance sheet

	2000 (1)				1999 (2)			
	31/12 restated (€/mil)	30/9 restated (€/mil)	30/6 (€/mil)	31/3 (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 pro forma (€/mil)
ASSETS								
Cash and deposits with central banks and post offices	525	511	449	359	528	761	431	574
Loans	96,627	96,532	97,715	94,981	95,318	88,955	91,968	87,598
- due from banks	16,602	19,477	21,732	19,956	22,144	18,752	20,005	18,009
- loans to customers	80,025	77,055	75,983	75,025	73,174	70,203	71,963	69,589
Dealing securities	16,897	16,873	18,909	16,383	16,645	18,125	23,665	23,369
Fixed assets	7,560	7,181	6,624	6,928	6,490	6,503	5,780	5,901
- investment securities	1,469	1,637	1,694	1,711	1,756	1,479	1,687	1,901
- equity investments	4,674	4,184	3,564	3,871	3,347	3,320	2,351	2,132
- intangible fixed assets	291	261	258	257	267	254	267	280
- tangible fixed assets	1,126	1,099	1,108	1,089	1,120	1,450	1,475	1,588
Differences arising on consolidation and on application of the equity method	989	81	93	47	58	43	45	51
Other assets	16,682	16,583	16,916	18,622	20,848	14,982	16,842	19,799
Total assets	139,280	137,761	140,706	137,320	139,887	129,369	138,731	137,292
LIABILITIES								
Payables	106,660	107,474	108,996	105,291	106,969	101,362	107,200	104,350
- due to banks	27,098	27,978	30,777	25,457	28,012	22,034	25,679	23,417
- due to customers and securities issued	79,562	79,496	78,219	79,834	78,957	79,328	81,521	80,933
Provisions	2,299	2,193	2,012	2,213	1,950	1,769	1,601	2,225
- for taxation	1,169	1,125	976	1,293	1,029	876	727	1,330
- for termination indemnities	450	448	447	448	438	440	434	442
- for risks and charges	637	576	545	427	437	406	392	405
- for pensions and similar	43	44	44	45	46	47	48	48
Other liabilities	17,552	16,327	18,738	19,303	20,869	15,736	19,788	20,305
Subordinated liabilities	4,834	3,239	2,207	1,494	1,524	1,301	1,346	1,362
Minority interests	582	610	588	560	539	550	170	153
Shareholders' equity (3)	7,353	7,918	8,165	8,459	8,036	8,651	8,626	8,897
- capital	3,931	3,930	3,930	3,926	3,926	4,345	4,345	4,345
- reserves (4)	2,130	2,935	3,489	4,154	3,060	3,494	3,676	4,324
- net income	1,292	1,053	746	379	1,050	812	605	228
Total liabilities	139,280	137,761	140,706	137,320	139,887	129,369	138,731	137,292

(1) The analysis of quarterly consolidated balance sheet for 2000 has been made using the "restated" balance sheets for 31/12 and 30/9, according to the criteria reported in the Explanatory Notes. The balance sheets at 31/3 and 30/9 are not audited.

(2) The pro forma balance sheet at 31/3 has been restated consistently with those of following quarters. The balance sheets at 31/3 and 30/9 are not audited.

(3) Changes in net equity in 2000 are detailed in the Report on Operations. In 1999, net equity was affected by the property spin-off concluded on 31/10/1999 which led to a reduction of 701 million Euro in total of which 413 million Euro was attributable to equity capital.

(4) Reserves are net of own shares held by the Parent Bank.

Report on Operations

ECONOMIC BACKGROUND

ACTION POINTS AND INITIATIVES IN 2000

OVERVIEW OF GROUP RESULTS

EMBEDDED VALUE OF THE LIFE PORTFOLIO

OPERATING VOLUMES AND ORGANIZATION

EQUITY CAPITAL

RISK MANAGEMENT

SUPPLEMENTARY INFORMATION

BUSINESS AREAS

SIGNIFICANT EVENTS AFTER THE YEAR END

Economic background

The international economy

After the first six months of 2000, when the international economy gained considerable momentum, it then began to slow down.

In the United States, the growth in GDP and falling unemployment led to fears that the economy might overheat. The Federal Reserve therefore continued to tighten its monetary policy as it had started to do in 1999 with a view to slowing down domestic demand and bringing expansion of the economy into line with the potential supply.

In the second half of the year, the macroeconomic indicators began to suggest a slowing. In the fourth quarter, in particular, the main leading indicators heralding a change in the cycle signaled a decline in manufacturing activity and a substantial deterioration in the climate of confidence on the part of households and businesses. Stock prices dropped heavily, especially in the high-tech sector.

In Japan, after a modest recovery in the initial part of the year, the real economy began to turn down again. In addition to persistent weakness in consumer spending, insensitive to the government's attempts at fiscal stimulus, there was a slowdown in public sector and household investment, as well as a deceleration in export growth. The effects on the Tokyo Stock Exchange were particularly dire, while the banking system's problems deteriorated.

Emerging nations' economies also showed differing trends in the two halves of the year. The first part continued to see them recover from the financial crises of 1997-98. Then, in the second part, growth showed signs of slowing down, especially in Latin America and South-East Asia.

Finally, towards the end of the year, fears among market operators about the ability of certain emerging nations, Argentina and Turkey in particular, to meet their commitments and complete their processes of reform as announced, gave rise to substantial increases in spreads on the eurobond markets. Agreements with the IMF then allowed prices to recover rapidly, limiting the risk of contagion.

The Euro-zone and the Italian economy

In the Euro-zone, the first half of the year saw a strengthening in the recovery that was already underway at the end of 1999 thanks to the recovery in internal demand. Headline growth in GDP at that stage was 3.6%.

During the second half of the year, the real economy decelerated slightly, lowering the annual rate of growth to 3.4%. This slowdown was mainly due to less rapid growth in internal demand, weakened by the upward trend in oil prices. Exports, which increased by 11.7% during the year, continued to benefit from the long period of depreciation on the part of the Euro, still managing to grow healthily at the end of 2000.

The increase in oil prices and the weakness of the Euro began to push up the rate of inflation. During 2000, the producer price index showed increases of 5.4%, compared with a decline of 0.4% in 1999, while consumer prices went up by 2.4%. Given this situation, and to bring inflation back down to the target rate, the ECB made various increases in its policy rates, raising the minimum refinancing rate from 3.25% at the beginning of 2000 to 4.75% in October.

A reduction in divergence between the two cycles and in the differentials on short and long interest rates between the United States and Europe was of benefit to the Euro, which started to appreciate against the dollar again in the latter part of the year.

Within the Euro-zone, the most dynamic of the larger economies proved to be France, helped by a stronger contribution from domestic demand; the least dynamic were Italy and Germany, which were more affected by the fall in world demand.

In Italy, GDP went up in 2000 by 2.9%, driven by strong growth in gross capital investments (+6.1%), the recovery in consumer spending (+2.9%) and net exports (exports of goods and services went up during the year by 10.2%, imports by 8.3%). Inflation was 2.5%, substantially in line with the European figure. The process of consolidating the public accounts continued, helped by the recovery of the economy: the deficit came to 1.5%, while the ratio between the public debt and GDP fell to 110.3%.

The banking industry

Bank lending in Italy was able to benefit from the positive trend in capital investments and from many companies'

extraordinary financing operations. Total loans for the year went up by more than 14%.

There was a move in lending maturities towards short-term loans (+18.6%), reflecting higher working capital requirements on the part of companies, as well as financing needs that arose from mergers and acquisitions. There was still strong demand for long-term loans however (approximately +10%), bolstered by a recovery in gross fixed investment. Households also had significant recourse to bank borrowing in the form of mortgages and consumer credit, helped by historically low real interest rates.

There was a net improvement in credit quality. At the end of 2000, the amount of non-performing loans in the banking system, net of writedowns, decreased by around 20% on 1999, thanks in part to the use of securitization.

Bank funding statistics showed modest growth in deposits at the end of 2000, up 2.7% on 1999. The bond component went up by 7.3%, while certificates of deposit and time deposits remained stable (+0.3%). Having accelerated during the first few months of 2000, current account deposits then gradually slowed down, turning in a rate of growth of 5.4% by the end of the year.

Securities brokerage

After reaching a record high at the beginning of March 2000, the stockmarket indices subsequently showed a great deal of volatility. Since the end of November, following a sharp drop in the NASDAQ and fears of declining corporate profits, share prices began a downward trend. This change of climate on the stock exchange

then affected underwriting activities, which had been particularly dynamic during the early part of the year.

In total, since the beginning of 2000, the MIBTEL and MIB30 have risen by 4.6% and 1.7% respectively. At the end of the year, total capitalization of companies listed on the Italian Stock Exchange came to 818.4 billion Euro, around 70% of GDP, an increase of 12.6% on the previous year, thanks to the admission to quotation of 43 new companies, a record high for the Italian Bourse.

Investor participation in IPOs during 2000 was remarkable. Oversubscriptions was more than 12 times for retail offerings and around 7 times for institutional offerings. A total of 3.8 billion Euro in 31 transactions was raised during the year through increases in capital and 13 billion Euro through 48 public sale and subscription offerings. There were also 30 public offers for a total of 12.2 billion Euro.

Asset management

After a first half that featured continuing growth in mutual funds, and equity funds in particular, during the latter part of the year the increase in the volatility of financial markets and growing uncertainty about the future trend in share prices began to have a negative effect on subscriptions.

Total assets at the end of the year belonging to Italian and foreign mutual funds managed by Italian intermediaries came to 548 billion Euro, up 2% on December 1999. The average monthly inflow of net subscriptions came to around 2.5 billion Euro.

Of the other forms of asset management, 2000 saw good growth in insurance policies, with an increase of more than 20% in life insurance technical reserves.

Action points and initiatives in 2000

During 2000, the SANPAOLO IMI Group continued to operate according to its business strategy, which entails:

- expansion in the fields of Retail Banking, Wealth Management and Personal Financial Services, which are the areas with the most potential in terms of value creation;
- priority to profitability and optimum consumption of capital in Wholesale business.

The acquisition of Banco di Napoli

The structures devoted to servicing households and small- and medium-sized enterprises were reinforced primarily by external growth through the acquisition of Banco di Napoli. This added 731 branches to the Group, most of them located in the regions of Southern Italy and therefore highly complementary with respect to the SANPAOLO IMI branch network.

The acquisition of Banco di Napoli was carried out in three successive stages:

- in July, SANPAOLO IMI bought for 874 million Euro the 49% stake held by Banca Nazionale del Lavoro in Banco Napoli Holding, the controlling company of Banco di Napoli with a 56.1% interest in the ordinary share capital;
- in the middle of October, the non-proportional spin-off of INA was completed, which entailed SANPAOLO IMI's acquisition of the other 51% of Banco Napoli Holding, thereby acquiring control of Banco di Napoli. The shares involved in the transaction, valued at 945 million Euro, were taken against the cancellation of the 9.14% residual shareholding held by SANPAOLO IMI in INA, valued at 903 million Euro, and the assignment of 3.6 million own shares of SANPAOLO IMI to the shareholders of INA other than Generali, the majority shareholder, valued at 57 million Euro. SANPAOLO IMI also obtained from Generali a cash consideration of 15 million Euro;
- in November, the public offer for the other 43.9% of the ordinary shares in Banco di Napoli held by minority interests was carried out as required by Consob. The offer was accepted by investors representing 41.5% of Banco di Napoli's share capital, at a price of 1.533 Euro

per share for a total outlay of 1,187 million Euro. As a result of the public offer, SANPAOLO IMI raised its stake in the Neapolitan bank to 97.6%.

The total amount invested to acquire Banco di Napoli came to 3 billion Euro. At present, SANPAOLO IMI is completing the formalities for a residual public offer to achieve 100% control of the ordinary shares.

At the end of 2000, Banco di Napoli had total assets of 34.6 billion Euro, customer financial assets of 38.8 billion Euro and loans to customers, excluding a 2.7 billion Euro exposure to SGA, the company established to recover doubtful loans, for 15.9 billion Euro. In profitability, operating income for the year came to 251 million Euro, up 26.4% on the previous year. Substantial provisions were needed to cover the restructuring costs required to relaunch the company and to bring its accounting principles into line with those of the SANPAOLO IMI Group, and these reduced net income for the year by 29.8% to 91.7 million Euro.

The alliance with Cassa di Risparmio di Firenze

Further projects to strengthen Group operations in the domestic market took the form of a strategic alliance with Cassa di Risparmio di Firenze. The alliance was formalized in early 2000 by SANPAOLO IMI's taking a 15% stake in Cassa di Risparmio di Firenze for 387 million Euro; this was in addition to the 4.1% interest already held, bringing the total holding in this Tuscan savings bank to 19.1%. At the same time, Ente Cassa di Risparmio di Firenze, the foundation that controls the savings bank, took a 2% interest in SANPAOLO IMI.

The agreements provide for a joint commitment to expand operations in the regions of Central Italy, where the Tuscan bank has a network of more than 400 branches, with SANPAOLO IMI to act as the main point of reference in the field of asset management and for any initiatives in the corporate segment. This was the reason behind the establishment in Luxembourg, in October 2000, of CR Firenze Gestion Internationale, a mutual fund management company held 20% by SANPAOLO IMI and 80% by Cassa di Risparmio di Firenze. This company will distribute CR Firenze trademarked products through Cassa di Risparmio di Firenze's branch network, while companies belonging to the SANPAOLO IMI Group will perform various support services, such as financial management consultancy services, administrative management and as depositary bank.

Cassa di Risparmio di Firenze had a positive trend in profitability in 2000, posting consolidated net income of 94.5 million Euro, up 45% on 1999. The volumes handled on behalf of customers were also up: loans came to more than 9 billion Euro at the end of the year, an increase of 18% on the end of 1999, while customer financial assets came to 25 billion Euro, up 7.5% on an annual basis.

Other steps taken to reinforce the Group's presence in the domestic market

SANPAOLO IMI stipulated a contract that was formalized in January 2001 for the acquisition from Fondazione Cassa di Risparmio di Venezia of a 10.9% stake in the share capital of Banca Cardine. The Cardine Group, which was created from the merger of Casse Venete and Cassa di Risparmio di Bologna, is an important banking entity in the regions of North-East Italy, where it has a network of around 800 branches. SANPAOLO IMI acquired this 10.9% stake in Cardine and sold for 27.5 million of its own shares, worth 516 million Euro, to Fondazione Carive. This allowed Fondazione Carive to take a 1.96% interest in SANPAOLO IMI. The agreement also provides for an earn-out mechanism, related both to the performance of Cardine's share price following its envisaged quotation and to any further acquisitions of shares in Cardine by SANPAOLO IMI.

Agreement was also reached with Fondazione Cassa dei Risparmi di Forlì for the purchase of an interest in the bank that it controls, which has around 60 branches in Emilia Romagna. This deal will initially concern 20% of the bank's share capital, which will be split between SANPAOLO IMI (15%) and Cassa di Risparmio di Firenze (5%), for a total outlay of 163 million Euro. SANPAOLO IMI and Cassa di Risparmio di Firenze also took a commitment to buy another 8% in the company by means of a public offer, for some 62 million Euro.

The acquisition of the Wargny Group

Abroad, the end of the year saw completion of Banca Fideuram's acquisition of Wargny Associés (France), the holding company of the Wargny Group, which has not only a pre-eminent position in the French market in traditional and on line securities brokerage, but also a niche presence in private banking. The total price of the acquisition was set at 103.2 million Euro. At the same time as the

shares were purchased, Banca Fideuram sold a 5% stake in Wargny Associés to Banca Finnat Euramerica at a price of 5.4 million Euro.

This operation forms part of Banca Fideuram's European expansion strategy, which includes strengthening international private banking services in Luxembourg and Switzerland, and developing domestic private banking services in selected countries within the EU. The priority given to the French market was dictated by the presence in that country of a sizeable segment of affluent customers, making it possible to export the business model that Fideuram developed successfully in Italy. In fact, alongside its traditional brokerage activities, the Wargny Group will have to develop asset management services for high profile customers, using a network of financial planners and a series of on line services.

The Wargny Group closed 2000 with gross revenues of 70.5 million Euro and consolidated net income of 10 million Euro.

The alliance with Banco Santander Central Hispano

Finally, of the various initiatives carried out in 2000, was the strengthening of the shareholding relationship with Banco Santander Central Hispano: SANPAOLO IMI raised its stake in the Spanish group to 3%, while BSCH raised its stake in SANPAOLO IMI to 7%. New joint development projects were also launched during the year, the most important ones being:

- the initiative launched together with other leading European banking groups to create an internet platform to offer treasury and capital market products on line to companies and institutional investors;
- the signing of an agreement for the distribution of products to respective customers in the European and Latin American markets.

Issues of preferred shares and subordinated debt

SANPAOLO IMI did not have recourse to a capital increase to finance these various initiatives in 2000. To maintain the capital adequacy ratios above the minimum levels required for supervisory purposes, new subordinated issues for a total of 2.5 million Euro, together with an issue of preferred shares towards the end of the year for a value of 1 billion Euro, were made.

Initiatives within the Group

At the same time as this external expansion, there were also various actions taken to reinforce the Group internally.

The most important of these affected the Retail Banking, Wealth Management and Personal Financial Services areas and included:

- the strengthening of the distribution system: the number of financial planners working for Banca Fideuram and Banca Sanpaolo Invest at the end of the year came to 5,270, 400 more than at the start of the year; the Commercial Banking network in Italy grew by 40 during the year to reach a total of 1,332 branches;
- the conclusion of the first phase of the project for the creation within the ambit of Commercial Banking of a new multichannel distribution model, using the Internet as a supplementary vehicle to offer services to private individuals and as a platform on which to develop commercial relations with companies;
- the definition of a project to set up an autonomous Business Area devoted to Wealth Management, which will provide products and services both to the distribution structures within the Group (Commercial Banking, Banco di Napoli and Banca Sanpaolo Invest) and to external networks and institutional clients;
- the start of a reorganization of the branches which will gradually involve the entire Italian Commercial Banking network, with a view to making each outlet specialize according to its type of customers, making a distinction above all between retail branches and business centers;
- the transformation of Sanpaolo Invest into a bank in July 2000 and the steps towards the company's quotation on the Stock Exchange;
- the obtaining of a banking license in January 2001 by @IMIWeb, which has now taken on the name IMIWeb

Bank, extending its range of activities from e-trading to e-banking;

- the preparation to transform Finconsumo into a bank in the middle of 2001; amongst other things, this company securitized without recourse 350 million Euro in performing consumer loans in 2000.

In the Wholesale sector, the objective of optimizing the value of SANPAOLO IMI's specialist skills led to the redefinition of the Corporate Area's customer base, from 2001 onwards, with responsibility for all Italian groups and businesses with turnover of more than 500 billion Lire, as opposed to the previous limit of 1,000 billion Lire. This was done with a view to responding more effectively to the need for more sophisticated products and services now being expressed by medium-sized companies.

The same need to emphasize the Group's specialist skills also led to the spin-off of the public works lending activity: at the beginning of July, SANPAOLO IMI, the Parent Bank, transferred the whole of this business to a dedicated corporate structure, the subsidiary IMI Lease, which acquired a banking license and took on the new name of Banca OPI. This operation followed the sale to the Dexia Group of SANPAOLO IMI's residual 40% stake in Crediop in April.

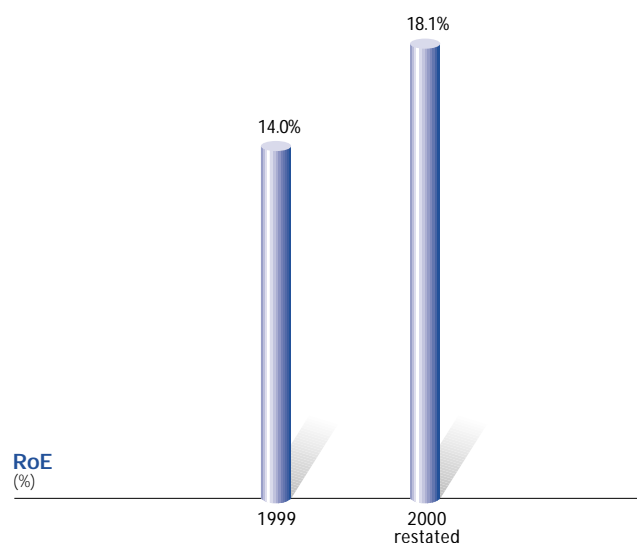
Finally, at Central Functions, SANPAOLO IMI carried out three important securitizations, selling off non-performing loans without recourse involving a total of 37,608 positions for a gross book value of 1,554 million Euro and a net book value of 756 million Euro, leading to writebacks to the income statement of 92 million Euro. These initiatives, together with intensive loan recovery, helped lower the ratio between net non-performing loans and total net loans to customers from 2.3% at the end of 1999 to 0.9% at the end of 2000, significantly reducing the amount of capital absorbed.

Overview of Group results

During 2000, the SANPAOLO IMI Group improved its profitability compared with the previous year. In particular:

- net income came to 1,292 million Euro, an increase of 23% on 1999;
- RoE rose from 14% to 18.1%;
- all operating margins improved, as discussed below using the “restated” statement of income, which includes Banco di Napoli at net equity so as to permit a consistent comparison with the 1999 results.

The profit targets underlying the business plan drawn up in 1998 at the time of the merger between San Paolo and IMI, namely an RoE of 15% in 2000, have been met and exceeded.

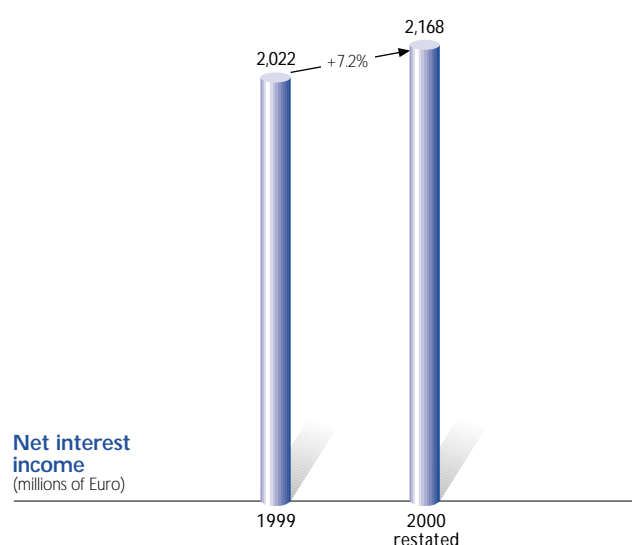


Net interest income

The growth in total revenues was made possible first of all by the positive trend in net interest income, which from early 2000 showed clear signs of recovery, reversing the downward trend which characterized the previous year. This positive note continued throughout the year, which closed with net interest income of 2,168 million Euro, up 7.2% on 1999.

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

In operating volumes, the Group recorded growth of 1.3% in interest-earning assets, calculated in terms of average



Net interest income

	2000	2000 restated	1999	Change 2000 restated / 1999 (%)
	(€/mil)	(€/mil)	(€/mil)	
Interest income and similar revenues	7,622	6,679	5,966	+12.0
Interest expense and similar charges	-5,119	-4,580	-3,919	+16.9
Reclassification (1)	69	69	-25	n.s.
Net interest income	2,572	2,168	2,022	+7.2

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

deposits, in the year; in particular, loans to customers, excluding non-performing loans and repurchase agreements, increased by 4.7%. The growth in average interest-

bearing liabilities was 2.3%; in particular, customer deposits, made up of due to customers and securities issued, net of repurchase agreements, rose by 1.2%. This increase was

Analysis of average amounts, interest and rates

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

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

brought about by a 9.4% increase in the short-term portion against a 7.5% contraction in certificates of deposits and bonds. The higher growth in loans with respect to customer deposits was financed by sales of securities in portfolio and by greater recourse to the interbank market.

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

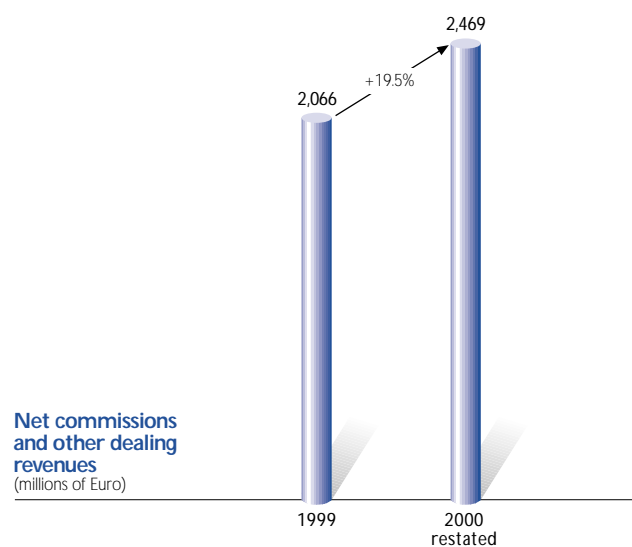
The average annual yield on the Group's interest-earning assets went up by half a percentage point in 2000 to 6%; in particular, loans to customers yielded more than 6.5%, compared with 6.1% in the previous year, while the yield on the securities portfolio rose from 5.1% in 1999 to 5.6% in 2000. The increase in the average cost of interest-bearing liabilities was lower than that on interest-earning assets, going from 3.7% in 1999 to 4.1% in 2000.

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

Net interest and other banking income

Group net interest and other banking income in 2000 came to 5,051 million Euro, a 10.5% increase on the previous year.

The main contribution to this growth came from a considerable increase in commissions on services and other dealing revenues, which rose by 19.5% compared to the previous year. Within this item, there was a further increase, from 73.7% to 77.6%, in the commissions earned by management, dealing and advisory, which grew by 25.8%. This was thanks to the positive trend in asset management vol-



Net interest and other banking income

	2000	2000 restated	1999	Change 2000 restated / 1999 (%)
	(€/mil)	(€/mil)	(€/mil)	
Net interest income	2,572	2,168	2,022	+7.2
Net commissions and other dealing revenues	2,641	2,469	2,066	+19.5
- management, dealing and advisory services	1,976	1,916	1,523	+25.8
- loans and guarantees	173	160	174	-8.0
- collection and payment services	187	151	127	+18.9
- deposit and current accounts	238	200	169	+18.3
- other services	67	42	73	-42.5
Profits and losses from financial transactions and dividends on shares	263	255	276	-7.6
Profits from companies carried at equity and dividends from shareholdings	146	159	205	-22.4
Net interest and other banking income	5,622	5,051	4,569	+10.5

umes, as well as a higher propensity on the part of customers to subscribe to equity funds, balanced funds, and unit and index linked policies.

The positive trend in commissions from collection and payment services should also be noted, as well as those referring to deposit and current accounts, up by 18.9% and 18.3% respectively; other commissions and net dealing income, on the other hand, fell from 73 to 42 million Euro: the fall was due to the reduction in income from merchant banking operations, although this was more than offset by higher gains realized in that area on the disposal of equity investments.

In total, in 2000, Group commissions accounted for 93.1% of administrative costs, well up on the 1999 figure of 83.8%. In particular, they were more than sufficient to cover personnel costs, at 152% of such costs compared with 135% in 1999.

Profits on financial transactions were 255 million Euro, down 7.6% on the previous year. This trend was affected by the Group's policy of reducing its risk profile at a time when the market was featuring a rising level of volatility.

Profits of companies carried at equity and dividends on non-consolidated equity investments fell by 22.4%, because of the fact that the 1999 accounts included extraordinary dividends received from INA and the contribution to Group net income from the valuation at equity

of the 40% interest in Crediop, which was sold to the Dexia Group in April 2000.

Of the companies valued at equity, the contribution of 72 million Euro made by the Group's life insurance companies should be noted. In the "restated" statement of income, this item also includes the effect of valuing Banco di Napoli at equity, the Group's share of which amounted to 17 million Euro.

Dividends from shareholdings, gross of the tax credit, amounted to 59 million Euro; they include the dividends paid by BSCH (24 million Euro) and Beni Stabili (11 million Euro).

Operating income

In 2000 operating income went up by 13.5% on 1999, amounting to 2,349 million Euro.

This result was achieved despite the significant financial resources allocated to investments to improve the Group's market position, reinforcing the sales network and the new electronic channels. The increase in operating costs came to 8.1%.

The growth in expenses related to projects was accompanied by continuing efforts to contain functioning costs: those of the Parent Bank, where the bulk of the rationalization was concentrated, showed an increase of 2.6%,

Operating income

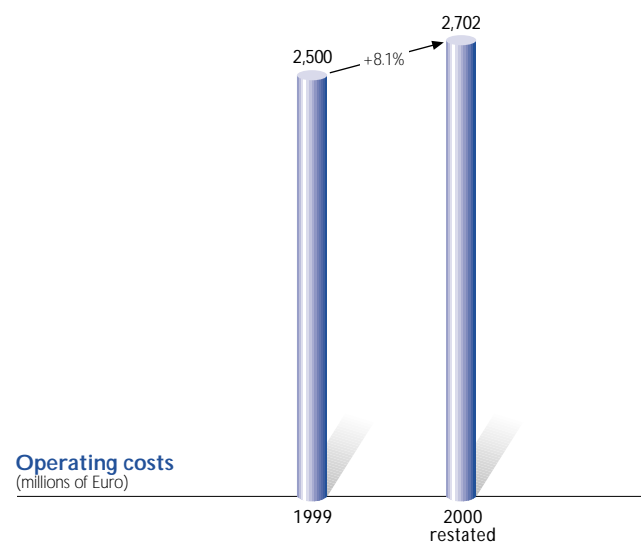
	2000	2000 restated	1999	Change 2000 restated / 1999 (%)
	(€/mil)	(€/mil)	(€/mil)	
Net interest and other banking income	5,622	5,051	4,569	+10.5
Operating costs	-3,162	-2,702	-2,500	+8.1
- administrative costs	-3,076	-2,652	-2,466	+7.5
- <i>personnel</i>	-1,929	-1,620	-1,534	+5.6
- <i>other administrative costs</i>	-958	-859	-763	+12.6
- <i>indirect duties and taxes</i>	-189	-173	-169	+2.4
- other operating income, net	213	187	175	+6.9
- adjustments to tangible fixed assets	-167	-134	-133	+0.8
- adjustments to intangible fixed assets	-132	-103	-76	+35.5
Operating income	2,460	2,349	2,069	+13.5

almost entirely attributable to the projects to strengthen the distribution channels.

Despite the investments, the process of reducing the cost to income ratio continued. In 2000 the ratio was 53.5%, compared with 54.7% in 1999.

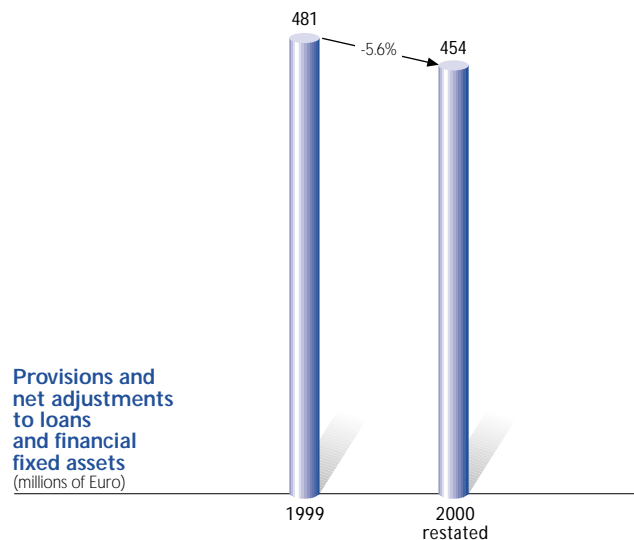
Income before extraordinary items

Group income before extraordinary items amounted to 1,806 million Euro, an increase during the year of 20.1%.



The positive trend in this item of the statement of income was affected by the considerable improvement in asset quality achieved by the Group. This made it possible to reduce further the provisions and net adjustments to loans and financial fixed assets, at 454 million Euro, 5.6% lower than in 1999.

This reduction is particularly important given the provisions and adjustments made during the year for 287 million Euro to raise the general writedowns made against performing loans, as well as to cover possible costs that may arise from renegotiating mortgage loans. It should also be noted that



Income before extraordinary items

	2000 (€/mil)	2000 restated (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
Operating income	2,460	2,349	2,069	+13.5
Value adjustments on goodwill, merger differences and consolidation	-90	-89	-84	+6.0
Provisions and net adjustments to loans and financial fixed assets	-581	-454	-481	-5.6
- provisions for risks and charges	-323	-249	-81	n.s.
- adjustments to loans and provisions for guarantees and commitments	-237	-185	-313	-40.9
- net writedowns and losses	-534	-468	-537	-12.8
- net provisions for guarantees and commitments	-11	-11	-	n.s.
- recoveries	308	294	224	+31.3
- net adjustments to financial fixed assets	-21	-20	-87	-77.0
- net writedowns of equity investments	-5	-4	-73	-94.5
- net writedowns of investment securities	-16	-16	-14	+14.3
Income before extraordinary items	1,789	1,806	1,504	+20.1

the Group booked net recoveries of principal and interest of 293 million Euro, of which 92 million Euro on the non-recourse sales of non-performing loans.

Net income

Net income for the year of 1,292 million Euro includes 369 million Euro of extraordinary income, of which:

- 134 million Euro connected to the sale of the residual 40% stake in Crediop to Dexia; the capital gain, initially quantified at 150 million Euro, was subsequently recalculated in accordance with the sale contract to take account of the legislative changes that had taken place in the meantime to the tax rules governing disposals of significant equity investments;
- 83 million Euro from the sale of own shares by the Parent Bank;
- 77 million Euro from the disposal of minority interests by NHS;
- 15 million Euro from the sale of a 4% interest in Beni Stabili;

- 12 million Euro from reducing the stake in The Royal Bank of Scotland from 0.29% to 0.20%.

Income taxes have been calculated along the usual principles, as explained in the Explanatory Notes. As regards application of the Ciampi Law, it should be noted that in reply to the EU's opening of a formal investigation into the possibility of the law being considered as State aid, the Bank, in consultation with the Italian Government and other leading banks in the same situation, filed a statement of defense with the European Commission in February 2001. This was based on the conviction that the law concerned was issued in full compliance with EC regulations. In line with this approach, on allocation of the net income for 2000, it is proposed to transfer 381 million Euro to the special Ciampi Reserve, which is the amount of income benefiting from the terms of the law during the year based on the merger between San Paolo and IMI and the acquisition of Banco di Napoli. In terms of income taxes, this provision will permit a tax saving of 93 million Euro. However, given the uncertainty caused by the EU's intervention, it has been thought best to set aside this amount in the taxation reserve to cover any future liabilities that might arise in this connection.

Net income

	2000	2000 restated	1999	Change 2000 restated / 1999 (%)
	(€/mil)	(€/mil)	(€/mil)	
Income before extraordinary items	1,789	1,806	1,504	+20.1
Net extraordinary income	396	369	294	+25.5
- <i>net gains on disposal of equity investments</i>	257	257	323	-20.4
- <i>other net extraordinary items</i>	139	112	-29	n.s.
Income before taxes	2,185	2,175	1,798	+21.0
Income taxes for the year	-785	-795	-685	+16.1
Change in reserves for general banking risks	2	2	-1	n.s.
Income attributable to minority interests	-94	-90	-62	+45.2
Reversal of second half income Banco di Napoli group	-16	-	-	n.s.
Net income	1,292	1,292	1,050	+23.0

Embedded value of the life portfolio

The embedded value of the life Companies

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

- Sanpaolo Vita, together with its subsidiary Sanpaolo Life, with net income of 27 million Euro;
- Fideuram Vita, with net income of 45 million Euro.

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

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

The estimated increase in embedded value during 2000 for the Group's insurance Companies is 111 million Euro for Sanpaolo Vita and its subsidiary Sanpaolo Life and 51 million Euro for Fideuram Vita. The value added for the year, taking into account the dividends distributed by the insurance Companies to other members of the Group, comes to 134 million Euro for Sanpaolo Vita and Sanpaolo Life and 93 million Euro for Fideuram Vita. In detail:

Embedded value of the life Companies

	Sanpaolo Vita/ Sanpaolo Life (€/mil)	Fideuram Vita (€/mil)
Embedded value as of 31/12/99	410	725
Embedded value as of 31/12/00	521	776
Estimated increase in the embedded value during 2000	111	51
<i>of which: Increase in value attributable to 2000</i>	122	37
Dividends distributed	23	42
Value added during the year	134	93

It should be pointed out that the embedded value as of 31 December 2000 of Sanpaolo Vita, Sanpaolo Life and Fideuram Vita was calculated with the help of the actuarial divisions of leading auditing companies, according to the following criteria:

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

The assumptions used in defining the expected future operating scenarios were chosen with extreme prudence to reflect the underlying characteristics of the various Companies' portfolios. As regards the yield rates of the assets, for Sanpaolo Vita an average rate curve of 5.1% was assumed, for Sanpaolo Life a rate of 6.25% and for Fideuram Vita a rate of 5.5%. As for the discounting rates used, in the case of Sanpaolo Vita an annual rate 2.25% higher than the yield rate curve mentioned above was applied, while for Sanpaolo Life and Fideuram Vita, constant discounting rates of 7.85% and 8% respectively were used. Similar levels of prudence were used when choosing demographic and actuarial assumptions.

Embedded value of the insurance business at a Group level

In order to provide a complete picture of the results, the following is an estimate of the increase in the embedded value of the life insurance business at Group level that took place during 2000. This takes into account not only the embedded value of the insurance Companies as shown above, but also that part of the insurance busi-

ness's value allocated to other companies of the Group to which the insurance Companies pay sales, management or maintenance commissions. The results of this estimate are as follows:

Embedded value of the life business

	Life business Sanpaolo Vita/ Sanpaolo Life (€/mil)	Life business Fideuram Vita (€/mil)
Embedded value as of 31/12/99	506	744
Embedded value as of 31/12/00	646	861
Estimated increase in the embedded value during 2000	140	117
<i>of which: Increase in value attributable to 2000</i>	165	94
Dividends distributed	23	42
Value added during the year	163	159

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

Operating volumes and organization

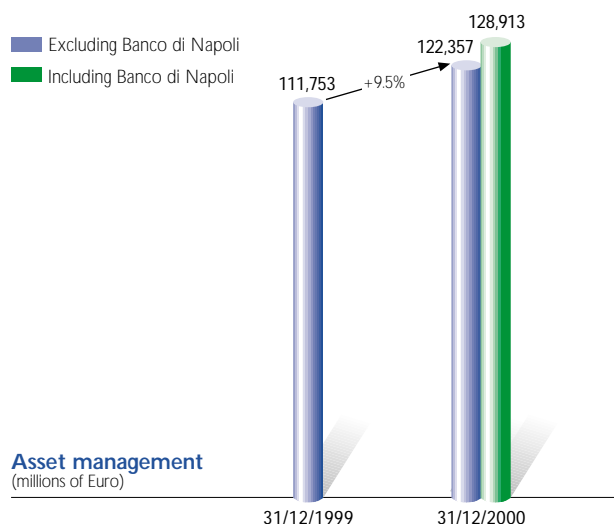
Assets managed on behalf of customers

The financial assets of customers of the SANPAOLO IMI Group at the end of 2000, prior to the consolidation of Banco di Napoli, came to 265.5 billion Euro, for a net inflow during the year of 5.4 billion Euro (+2.1%). The addition of Banco di Napoli raises this total to 304.1 billion Euro.

The importance given to asset management is reflected in the fact that it has risen further as a proportion of total customers' financial assets. Prior to the consolidation of Banco di Napoli, it had risen to 46.1% compared with 43% at the end of 1999. The difference is practically all in asset administration, which slipped from 26.6% to 23.9%, while the proportion of direct customer deposits remained more or less stable at around 30%.

Asset management and administration

The Group's asset management business grew even faster than the market average in 2000. Volumes expanded by



Total financial assets

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Asset management	128,913	42.4	122,357	46.1	111,753	43.0	+9.5
Asset administration	71,084	23.4	63,549	23.9	69,316	26.6	-8.3
Direct deposits	104,144	34.2	79,562	30.0	78,957	30.4	+0.8
Total financial assets	304,141	100.0	265,468	100.0	260,026	100.0	+2.1

Asset management

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Group products	124,907	96.9	118,917	97.2	108,505	97.1	+9.6
- Mutual funds and fund-based portfolio management	105,629	82.0	100,910	82.5	93,565	83.7	+7.9
- Portfolio management	6,860	5.3	5,589	4.6	5,009	4.5	+11.6
- Life insurance technical reserves	12,418	9.6	12,418	10.1	9,931	8.9	+25.0
Other products	4,006	3.1	3,440	2.8	3,248	2.9	+5.9
Asset management	128,913	100.0	122,357	100.0	111,753	100.0	+9.5

Net asset management flows

	2000	2000 restated	1999
	(€/mil)	(€/mil)	(€/mil)
Group products	14,846	15,896	16,205
Other products	267	190	642
Net asset management flows	15,113	16,086	16,847

9.5% over the year, reaching more than 122 billion Euro by the end of 2000, a figure that rises to 128.9 billion Euro after consolidating Banco di Napoli. The flow for the year was 10.6 billion Euro, which was generated by net inflow of 16 billion Euro, partially offset by a negative performance effect of 5.4 billion Euro caused by the downward trend in share prices. In 1999, net inflow had been 16.8 billion Euro with a positive performance effect of 10.2 billion Euro. Market share based on the stock under management came to around 13.4% at the end of 2000, compared with 12.9% at the end of 1999, and should come to 14.2% with the consolidation of Banco di Napoli.

The increase in the Group's asset management business affected all types of customer investments. Mutual funds and fund-based portfolio management came to 100.9 billion Euro, up 7.9% on the December 1999 figure of 93.6 billion Euro; net inflows for the year amounted to 12.6 billion Euro, which accounted for more than a third of the inflow for the entire Italian market. This allowed SANPAOLO IMI to raise its market share from 17.5% at the end of 1999 to 18.1% at the end of 2000, rising even further to 18.9% after the inclusion of Banco di Napoli. This increase affected the equity and balanced funds, to the detriment of the bond funds. At a Group level, equity funds at the end of 2000 represented 39.4% of the total, compared

with 36% at the end of 1999; balanced funds rose during the year from 14.7% to 19.1%.

The results achieved in the insurance sector were also positive: the technical reserves of the Group's insurance Companies show an annual increase of 25%, amounting to 12.4 billion Euro at the end of the year with a market share of around 7.1%; net inflows came to 2.7 billion Euro. There was particular growth in unit linked and index linked policies, which represented 72% of net premiums.

Assets under administration came to 63.5 billion Euro, down 8.3% since the start of the year; the reduction mainly concerned deposits administered on behalf of institutional customers. Including Banco di Napoli's volumes, the Group's asset administration at the end of the year amounted to 71 billion Euro.

The funds managed by the Group on behalf of insurance companies, banks, pension funds and other entities came close to 6.9 billion Euro at the end of the year, an increase of 4% on the start of the year. In the area of pension funds, the Group continued to operate with the open-ended funds distributed by the Parent Bank's branch network and by the financial planners of Banca Sanpaolo Invest and Banca Fideuram.

Market shares of asset management and direct customer deposits

	31/12/2000 (%)	31/12/2000 restated (%)	31/12/1999 (%)
Asset management	14.2	13.4	12.9
<i>of which:</i>			
- Mutual funds and fund-based portfolio management	18.9	18.1	17.5
- Portfolio management	9.6	9.1	7.9
- Life insurance	7.1	7.1	7.1
Direct customer deposits	8.6	6.0	6.6

Mutual funds by type

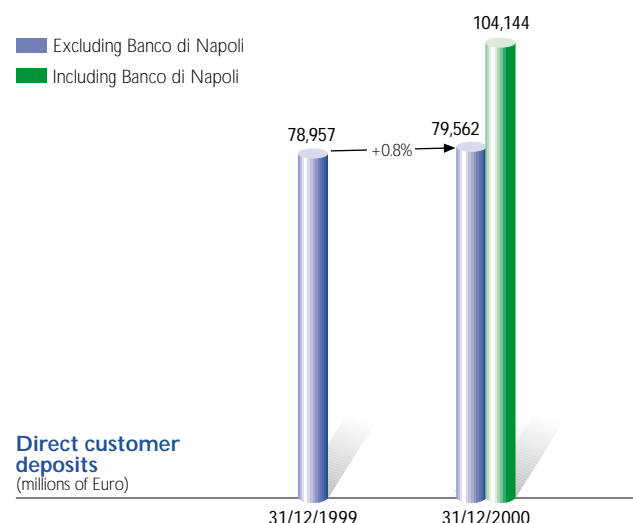
	31/12/2000 (%)	31/12/2000 restated (%)	31/12/1999 (%)
Equity	38.8	39.4	36.0
Balanced	19.0	19.1	14.7
Bond	42.2	41.5	49.3
Total Group mutual funds	100.0	100.0	100.0

Direct deposits

Direct customer deposits showed a slight increase at Group level during the year, at 79.6 billion Euro at the end of 2000. This figure rises to 104.1 billion Euro once Banco di Napoli is included, as it has a high proportion of direct deposits to total customers' financial assets (around 63%).

Considering the trends in the various types of deposits, it is clear that customers mainly preferred short-term deposits in 2000: current accounts and deposits went up over the year by 7.1%, rising as a proportion of the total from 45.7% in 1999 to 48.6%; while repurchase agreements were well up after the previous year's decline, increasing in 2000 by 1.8 billion Euro (+49.1%).

In medium- and long-term deposits, the process of transforming certificates of deposit into forms of asset management continued, and by the end of the year CDs were



Direct customer deposits

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Current accounts and deposits	53,396	51.3	38,642	48.6	36,096	45.7	+7.1
Certificates of deposit	8,888	8.5	6,173	7.8	9,090	11.5	-32.1
Bonds	26,589	25.5	22,136	27.8	23,643	29.9	-6.4
Commercial paper	3,107	3.0	3,106	3.9	2,584	3.3	+20.2
Repurchase agreements and securities lending	7,944	7.6	5,604	7.0	3,758	4.8	+49.1
Other deposits	4,220	4.1	3,901	4.9	3,786	4.8	+3.0
Direct customer deposits	104,144	100.0	79,562	100.0	78,957	100.0	+0.8

down 32.1%. Bonds also fell by 6.4% on the end of 1999. They were partly affected by the Group's funding policies, which in 2000 were more oriented towards hybrid instruments, subordinated debt and forms of medium/long-term funding from banks.

At the end of the year, the Group's share of the domestic market for customer deposits, based on those of the entire banking system as made available recently by the Bank of Italy, came to 6%, rising to 8.6% including Banco di Napoli.

Customer loans

Group net customer loans at the end of 2000, excluding non-performing loans and prior to the line-by-line consolidation of Banco di Napoli, amounted to 79.3 billion Euro; the increase for the year was 10.9%, a distinct recovery after the period in 1999 when the loan policy was being revised. The total rises to 97.7 billion Euro after the inclusion of Banco di Napoli's loans.

Within the loan book, the most dynamic element was the short-term portion, which grew during the year by 22.8%; this was helped both by rising demand from companies in relation to the recovery in the economy, and by loans made to large Italian groups to finance extraordinary operations.

In medium- and long-term loans, which rose by 3.8%, the performance of mortgage loans to households should be noted: during the course of 2000 new loans of this type made by the Parent Bank amounted to 1.6 billion Euro, with a total of 9.4 billion Euro at the end of the year, up 9.2% on the start of the year.

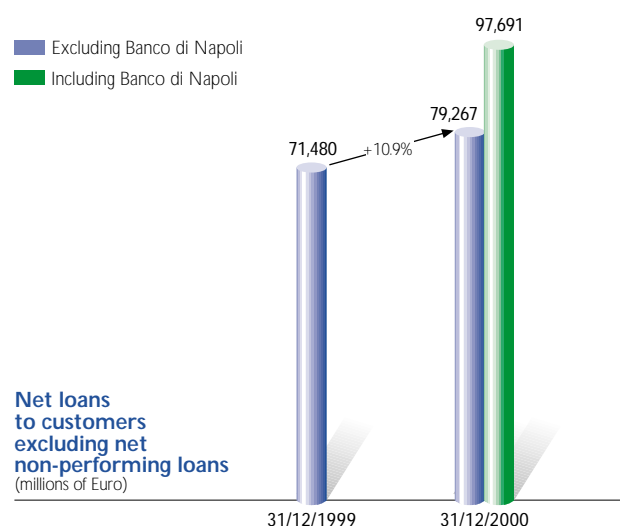
The part of Italy that showed the fastest growth for loans made by the Group, excluding Banco di Napoli, was the North-East, up 20.7%, followed by the North-West, up 10%. These figures are in line with those of the entire banking system, with North-East Italy featuring a combination of higher volumes and better credit quality.

From a geographical point of view, it should be noted that there was a significant increase in the amount of loans granted by the Group's international network, close to 40%, though to a certain extent this growth depended on devaluation of the Euro against the other main currencies.

Analyzing loans by customer sector, those to households grew by 3.2%, slower than in 1999, when they rose by more than 13%. This trend was also affected by the sale by the Parent Bank of non-performing loans without recourse involving mainly mortgage loans to private individuals, as well as the securitization exercised by Finconsumo, worth 350 million Euro, which led to a reduction in personal loans. The year saw an increase in the loans granted to financial companies, with the proportion of such loans on the total rising from 9.2% at the end of 1999 to 12.2% at the end of 2000; this growth appears to

be related mainly to the needs of large Italian groups to finance extraordinary operations. There was also a strong rise in lending to governments and public bodies, driven by the loans made by Banca OPI for a total of 3.1 billion Euro.

As regards the risks of concentration, the SANPAOLO IMI Group, including Banco di Napoli, as of 31 December 2000, had an exposure of 4.1 billion Euro to the telecom-



Loans to customers

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Short-term loans	41,438	42.0	32,790	41.0	26,701	36.5	+22.8
Medium/long-term loans	56,253	57.0	46,477	58.1	44,779	61.2	+3.8
Loans to customers excluding NPLs	97,691	99.0	79,267	99.1	71,480	97.7	+10.9
Non-performing loans	1,015	1.0	758	0.9	1,694	2.3	-55.3
Customer loan portfolio	98,706	100.0	80,025	100.0	73,174	100.0	+9.4

Loans to customers by counterparty

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	14,736	14.9	12,761	15.9	12,361	16.9	+3.2
Loans to family businesses and non-financial companies	53,616	54.3	44,522	55.7	43,260	59.1	+2.9
Loans to financial companies	14,871	15.1	9,743	12.2	6,751	9.2	+44.3
Loans to governments and public bodies	14,929	15.1	12,603	15.7	9,940	13.6	+26.8
Other	554	0.6	396	0.5	862	1.2	-54.1
Customer loan portfolio	98,706	100.0	80,025	100.0	73,174	100.0	+9.4

munications industry, i.e. fixed and mobile telephone companies, Internet providers and producers of telecommunication infrastructure, equipment and components. The quality of this portfolio is extremely high: a breakdown by class of rating shows that 94% of the overall exposure is investment grade (from AAA to BBB); of this, 37% is high investment grade (from AAA to A). The remaining 6%

which is non investment grade is to companies belonging to important groups.

The Group's market share of total loans to customers in Italy at the end of 2000, vis-à-vis the whole of the banking system, was 7.3%, a figure that rises to 9.2% after the consolidation of Banco di Napoli.

Loans to customers by type of lending

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	14,736	14.9	12,761	15.9	12,361	16.9	+3.2
- Domestic network	13,534	13.7	11,559	14.4	11,132	15.2	+3.8
- overdrafts	1,178	1.2	894	1.1	848	1.1	+5.4
- personal loans	900	0.9	884	1.1	966	1.3	-8.5
- mortgage loans	10,898	11.0	9,405	11.7	8,615	11.8	+9.2
- other	558	0.6	376	0.5	703	1.0	-46.5
- Foreign network	1,202	1.2	1,202	1.5	1,229	1.7	-2.2
Loans to family businesses, companies, governments, public bodies and others	83,970	85.1	67,264	84.1	60,813	83.1	+10.6
- Domestic network	70,434	71.4	54,959	68.7	52,333	71.5	+5.0
- overdrafts	9,981	10.1	7,723	9.6	7,996	10.9	-3.4
- repurchase agreements	2,193	2.2	1,673	2.1	1,245	1.7	+34.4
- import/export financing	2,234	2.3	1,897	2.4	1,290	1.7	+47.1
- leasing	1,753	1.8	1,753	2.2	1,580	2.2	+10.9
- mortgage loans	33,209	33.7	28,626	35.8	28,176	38.5	+1.6
- other	21,064	21.3	13,287	16.6	12,046	16.5	+10.3
- Foreign network	13,536	13.7	12,305	15.4	8,480	11.6	+45.1
Customer loan portfolio	98,706	100.0	80,025	100.0	73,174	100.0	+9.4

Market shares in customer loans

	31/12/2000 (%)	31/12/2000 restated (%)	31/12/1999 (%)
Short-term loans	7.0	5.4	5.5
Medium/long-term loans	11.4	9.2	10.1
Total loans	9.2	7.3	7.8

Doubtful loans

The Group made considerable progress in terms of credit quality in 2000. Various types of action were taken to this end: the use of rigorous loan granting criteria in accordance with the Group's new loan policy; dynamic loan recovery; and the sale of non-performing loans without recourse.

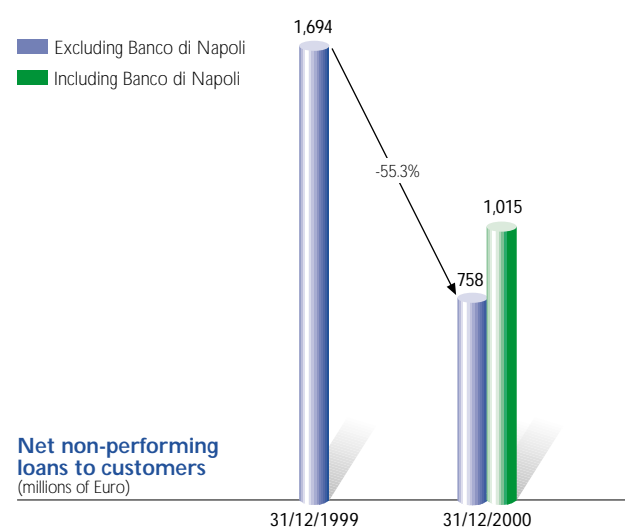
Three such sales were carried out during the year, involving 16,282 mortgage loans, 20,391 short-term loans and 935 industrial loans, with a gross book value of 1,554 million Euro and a net book value of 756 million Euro. These operations helped reduce the amount of capital absorbed and gave rise to recoveries of 92 million Euro which were booked to the statement of income.

These steps allowed the Group to reduce its net amount of non-performing loans by 936 million Euro during the year, bringing them to 758 million Euro at the end of 2000; as a proportion of total customer loans they therefore fell to 0.9%, compared with 2.3% at the end of 1999. After the consolidation of Banco di Napoli, net non-performing loans rise to 1,015 million Euro, 1% of total customer loans.

There has also been a considerable decline in other net doubtful loans, represented by problem and restructured loans and unsecured exposures to customers in countries at risk, which in total amounted to 829 million Euro at the end

of 2000, 31.5% less than at the end of the previous year. As a proportion of total net customer loans, they fell from 1.7% in December 1999 to 1%. After the inclusion of Banco di Napoli in the Group, other doubtful loans rose to 1,088 million Euro, 1.1% of total customer loans.

Coverage of non-performing loans, taking account of write-offs, reached 81.8%, while coverage of problem and restructured loans was 40%. Following the consolidation of Banco di Napoli, these figures come to 79.8% and 37.3% respectively.



Analysis of loan portfolio

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Non-performing loans	1,015	1.0	758	0.9	1,694	2.3	-55.3
Problem, restructured and loans in course of restructuring	982	1.0	733	0.9	1,162	1.6	-36.9
Loans to countries at risk - customers	106	0.1	96	0.1	48	0.1	+100.0
Performing loans	96,603	97.9	78,438	98.1	70,270	96.0	+11.6
Customer loan portfolio	98,706	100.0	80,025	100.0	73,174	100.0	+9.4
Non-performing and problem loans - banks	1		1		-		n.s.
Loans to countries at risk - banks	53		53		105		-49.5

Activities on financial markets

Brokerage

The Group's securities portfolio at the end of 2000, prior to the consolidation of Banco di Napoli, came to 18,366 million Euro, which is substantially in line with what it was at the end of 1999. Investment securities were down to 1,469 million Euro, 8% of the total, compared with 9.5% at the end of the previous year.

The dealing portfolio held by Banca IMI rose during the year to 9,704 million Euro (+28.2% on 1999); at the end of the year, this item was made up of government securities for around 50% and other types of bonds for around 30%. Brokerage activities were geared to strengthening the Group's operations on the main financial markets in Italy and abroad. Indeed, Banca IMI did manage to reinforce its role as primary dealer in the more important European government bond markets and consolidated its presence in the field of Eurobonds issued by primary issuers.

The Parent Bank's treasury securities portfolio at the end of the year amounted to 4,598 million Euro, with a decrease of 16% on the figure at December 1999. This portfolio was managed in such a way as to meet certain yield objectives and secondary liquidity requirements in connection with refinancing transactions with the

European Central Bank. The portfolio is made up for 60% of CCTs, while the remainder consists of securities with maturities of less than one year. The total volume of securities traded by the Parent Bank was 20.4 billion Euro. Transactions in repurchase agreements were essentially to meet the needs of retail and corporate customers, with total trades of 222 billion Euro, of which 112 billion Euro traded on the MTS/PCT platform.

Operations on the interbank market were carried out by the Parent Bank and by subsidiaries that specialize in raising funds on international markets. The Parent Bank, in particular, was a participant in the Euribor panel and took an active role in the initiatives carried out within the ambit of the Eurosystem, such as the launch of e-Mider, the new European electronic market for short-term derivatives. Total transactions on the interbank market by the Parent Bank amounted to 986 billion Euro, of which 399 billion Euro on the e-Mid circuit, with a market share of 3.6%.

As regards medium/long-term funding, the Group's activities featured important fund-raising operations which in terms of volumes and investor appreciation ranked SANPAOLO IMI as one of the leading issuers on the international market. In substitute capital instruments, as above mentioned, the Parent Bank made an issue of preferred shares (Tier 1) for 1 billion Euro and five issues of subordinated debt, three of which of secondary level (Lower Tier 2) for 1.9 billion Euro and two of

Securities, interbank position and derivatives

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Investment securities	6,671	26.7	1,469	8.0	1,756	9.5	-16.3
Dealing securities (1)	18,329	73.3	16,897	92.0	16,645	90.5	+1.5
Total portfolio	25,000	100.0	18,366	100.0	18,401	100.0	-0.2
Loans to banks	19,119		16,602		22,144		-25.0
Funding from institutional banking organizations	4,542		4,440		4,278		+3.8
Funding from other banks	25,054		22,658		23,734		-4.5
Derivatives and forward transactions in foreign currencies (at nominal value)	311,625		291,199		268,741		+8.4

(1) This item includes SANPAOLO IMI shares bought by subsidiaries as part of their securities dealing activities, for 42 million Euro as of 31/12/2000 and 21 million Euro as of 31/12/1999.

tertiary level (Tier 3) for 600 million Euro. In the categories of senior debt, 2,160 million Euro of bonds were placed on the domestic retail market. On the international market, two public issues to institutional customers were also made through Sanpaolo IMI Bank International of Madeira, for 750 and 500 million Euro respectively. There were also issues of Euro Medium Term Notes and non-securities funding operations amounting to a total of 650 million Euro.

Placement and advisory business

In 2000 Banca IMI consolidated its leadership position in the primary bond market, organizing and taking part in the placement of debt for corporate and banking issuers for a total value of 10.2 billion Euro: during the course of the year the company also acted as bookrunner for the placement of two issues of the Italian Republic for a total of 4.5 billion Euro, of which 3 billion Euro was offered through the IMI Direct Internet platform. Banca IMI was also active in the field of subordinated debt, acting as Lead Manager and Joint Lead Manager in the organization of operations amounting to a total of 2.7 billion Euro.

In equities, Banca IMI played a role in promoting the Nuovo Mercato, in which it operated as Global Coordinator and Sponsor in the BB Biotech, CDC, Mondo TV, Inferentia, TXT, Biosearch Italia, Novuspharma and Engineering placements; the company also acted in these roles in the placements of

AS Roma, AEM Torino, Aeroporto di Firenze and Cassa di Risparmio di Firenze. With foreign companies, Banca IMI participated as Lead Manager in the placement in Italy of the second tranche of Deutsche Telekom, as Co-Lead Manager in the Italian offering of shares in Banco Santander Central Hispano, as well as taking part in the placement syndicates for AT&T Wireless, Metlife, Eads and Goldman Sachs.

Equity investments

The Group's investments in companies not consolidated on a line by line basis amounted to 3,573 million Euro at year end, after the consolidation of Banco di Napoli, a net increase of 226 million Euro compared with the start of the year. The main operations, which have already been commented on, concerned:

- in Italy, the increase from 4.1% to 19.1% in the interest held in Cassa di Risparmio di Firenze, involving an outlay of 387 million Euro. Moreover, at the beginning of 2001, SANPAOLO IMI acquired a 10.9% holding in Banca Cardine, granting Fondazione Cassa di Risparmio di Venezia own shares worth 516 million Euro, and defined an agreement for the acquisition of a significant investment in Cassa dei Risparmi di Forlì;
- abroad, the increase from 2% to 3% in the stake held in Banco Santander Central Hispano with a total investment of 700 million Euro.

Non-consolidated equity investments

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Investments	3,573	100.0	4,674	100.0	3,347	100.0	+39.6
- carried at equity	811	22.7	2,073	44.4	843	25.2	+145.9
- carried at cost	2,762	77.3	2,601	55.6	2,504	74.8	+3.9
- in listed companies	2,234	62.5	2,233	47.8	2,258	67.5	-1.1
- in other companies	528	14.8	368	7.8	246	7.3	+49.6

SANPAOLO IMI's equity investment portfolio also rose as a result of NHS, the Group's merchant bank, acquiring a 2.2% interest in the ordinary share capital of FIAT from Compagnia di San Paolo for 220 million Euro at market price. This acquisition meant that NHS entered the FIAT shareholder syndicate agreement with IFI/IFIL, Generali and Deutsche Bank.

Disposals during the year amounted to 841 million Euro, which led to a total pre-tax gain of 270 million Euro. These included:

- sale of the residual 40% interest in Crediop to the Dexia Group, at a price of 400 million Euro, with a pre-tax gain of 134 million Euro;
- sale of a 4% interest in Beni Stabili, with a pre-tax gain of 15 million Euro;
- the reduction from 0.29% to 0.20% of the investment in The Royal Bank of Scotland, with a positive impact on the statement of income, gross, of 12 million Euro.

Operating structure

The distribution network

During the course of 2000, the Group allocated significant investments to strengthen the distribution system, based on the following guidelines:

- development of innovative channels;
- reinforcement of the networks of financial planners;
- growth in the branch network, with branches specializing by local market segment.

In innovative channels, following the launch of the on line trading service distributed through IMIWeb at the end of 1999, an important development project involving all of the Group's Business Areas was initiated.

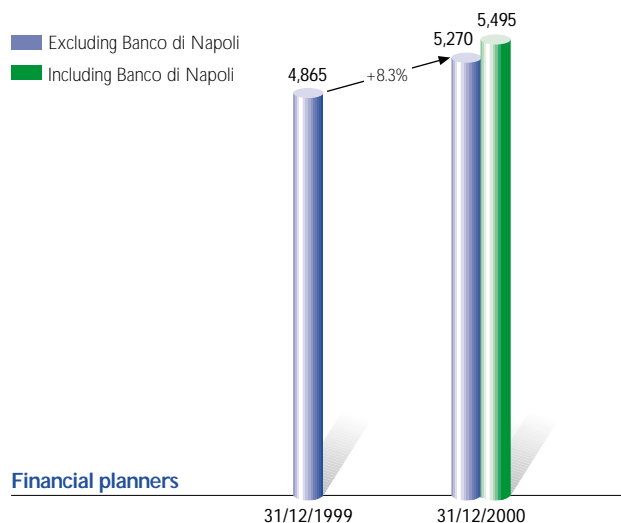
The initiatives carried out by Commercial Banking form part of this project. The purpose was to create a multi-channel distribution model using the Internet as a supplementary vehicle for the offer of services to private customers and as a development platform in commercial relations with companies; on completion of the first stage of the project, Internet and Mobile Banking tools and services were made available to customers in early 2001. The Phone Banking service was also upgraded with additional functions and a higher level of efficiency, bringing the number of contracts with customers to more than 100,000.

Group companies operating in Personal Financial Services also equipped themselves with electronic banking tools, allowing the financial planners to concentrate on higher value-added activities. At the same time, they reinforced the consultancy networks: at the end of the year Banca Fideuram and Banca Sanpaolo Invest had a total of 5,270 consultants, an increase of 405 since the end of December 1999.

In the branch network, the objective of reinforcing the Group's position in the domestic market was met above all thanks to the acquisition of Banco di Napoli, whose 731 outlets brought the total number of the Group's Italian branches to 2,137 at the end of 2000; of these, 46% are in the North-West, 37% in the South and Islands, 12% in the Centre and 5% in the North-East.

In the Parent Bank's network, a policy of selective growth has led to an increase of 40 outlets, raising the total number of branches in the domestic market to 1,332. At the same time, the entire network has been involved in a process of specialization by customer segment, differentiating between retail branches and business centers.

The most important initiatives abroad were carried out in the French market, where Banque Sanpaolo increased the number of its branches to 61, partly by acquiring seven branches from Banque Générale du Commerce; in total, including Banco di Napoli, the Group's international network at the end of 2000 was made up of 91 branches and representative offices.



Retail customers were also served through the Parent Bank's widespread network of ATMs and POS terminals, which was further reinforced during 2000. There are 1,836 Bancomat (ATM) terminals, up 50 on last year, while there were 22,500 active POS terminals at the end

of 2000, an increase of some 1,500. For corporate customers, the number of Remote Banking links rose by 18%, amounting to more than 30,000 at the end of the year. Banco di Napoli's automated structures include approximately 900 Bancomat and 10,000 POS terminals.

Distribution network

	31/12/2000	31/12/2000 restated	31/12/1999	Change 31/12/00 restated - 31/12/99 (%)
Banking branches and area offices	2,213	1,478	1,419	+4.2
- Italy	2,137	1,406	1,355	+3.8
- Parent Bank	1,332	1,332	1,292	+3.1
- Abroad	76	72	64	+12.5
- Banque Sanpaolo	61	61	52	+17.3
Representative offices	15	14	12	+16.7
Financial planners	5,495	5,270	4,865	+8.3
- Banca Fideuram	3,782	3,782	3,509	+7.8
- Banca Sanpaolo Invest	1,488	1,488	1,356	+9.7

Distribution network in Italy as of 31/12/00

	Parent Bank		Banco di Napoli		Banca Fideuram		TOTAL	
		%		%		%		%
North-West (Piedmont, Val d'Aosta, Lombardy, Liguria)	943	70.8	4	0.5	29	39.2	976	45.7
North-East (Veneto, Trentino Alto Adige, Friuli Venezia Giulia, Emilia Romagna)	98	7.4	1	0.1	19	25.7	118	5.5
Centre (Tuscany, Marches, Umbria, Lazio, Abruzzo, Molise)	124	9.3	107	14.7	17	23.0	248	11.6
South and Islands (Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia)	167	12.5	619	84.7	9	12.1	795	37.2
Banking branches and area offices in Italy	1,332	100.0	731	100.0	74	100.0	2,137	100.0

Personnel

Group personnel at the end of the year comprised 25,088 employees, 955 more than in the previous year. Of these, 214 came from the acquisition of the Wargny Group. Including personnel of the Banco di Napoli group, the total number of employees of the SANPAOLO IMI Group comes to 35,729.

This increase in personnel is attributable to the Parent Bank for 271 people, net of 957 new employees and 686 departures, excluding those transferred to Banca OPI with the public works business, while 470 are attributable to other companies in the Group. The growth is largely due to the commercial development plans launched during the

year in the sectors of higher potential in terms of value creation: Retail Banking, Wealth Management and Personal Financial Services.

This trend comes after two years of rationalization, during which the Parent Bank's personnel was reduced by around 1,300. This also entails a generation change, hiring younger people and specialist professional skills. Given this policy, the incentive plan to encourage voluntary severance continued, being accepted by a total of 243 people working at the Parent Bank.

As an incentive to achieve Group objectives, remuneration policies have been introduced with a greater use of variable, results-based components.

Personnel

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
		%		%		%	
Year-end headcount	35,729	100.0	25,088	100.0	24,133	100.0	+4.0
- Executives	542	1.5	370	1.5	345	1.4	+7.2
- Managers	5,691	15.9	4,574	18.2	4,416	18.3	+3.6
- Other employees	29,496	82.6	20,144	80.3	19,372	80.3	+4.0

Equity Capital

Net shareholders' equity

Group shareholders' equity at 31 December 2000 amounted to 7,353 million Euro, net of own shares held by the Parent Bank. Movements during the year were as follows:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
Net shareholders' equity at 1 January 2000	8,036
Decreases	-2,112
- Dividends	-724
- Compensation for consolidation differences	-1,027
- Increase in own shares of the Parent Bank	-361
Increases	1,429
- Capital	5
- Share premium reserve	18
- Exchange differences and other adjustments	102
- Fixed asset revaluation	12
- Net income for the year	1,292
Net shareholders' equity at 31 December 2000	7,353

The increase in capital and share premium reserve is the result of Group executives subscription of 1,833,250 shares at a price of 12.396 Euro each, as part of a stock option plan described in the next section.

The compensation for consolidation differences is explained in the Explanatory Notes.

Own shares

At 31 December 2000 41,783,382 SANPAOLO IMI shares were held by the Group. This is 3% of the share capital shown at a value of 739 million Euro.

Transactions in SANPAOLO IMI shares during the year were as follows:

- at the end of 1999 the Parent Bank held 27,431,500 of its own shares (with a total nominal value of 76.8 million Euro and a carrying value of 335.6 million Euro). During 2000 it bought 54,195,250 shares (total nominal value of 151.7 million Euro for an outlay of 891.4 million Euro) and sold 42,280,768 shares (total nominal value of 118.4 million Euro and proceeds of 612 million Euro). At the end of 2000 the Parent Bank held 39,345,982 shares (with a total nominal value of 110 million Euro and a carrying value of 697 million Euro);
- at the end of 1999 Banca IMI held 1,556,657 SANPAOLO IMI shares (total nominal value 4.4 million Euro and carrying value 20.9 million Euro). During the year, as part of its institutional brokerage activities, it bought 23,285,982 shares (total nominal value 65.2 million Euro for an outlay of 372.5 million Euro) and sold 22,405,239 shares (total nominal value 62.7 million Euro with proceeds of 356.9 million Euro). At the end of 2000 Banca IMI held 2,437,400 shares (total nominal value 6.8 million Euro and a carrying value of 42.1 million Euro).

The Parent Bank held and dealt in its own shares in connection with strategic operations involving the exchange of large shareholdings. To this end, at the beginning of 2000, 28 million shares (2% of capital) were passed to Ente Cassa di Risparmio di Firenze in connection with the alliance with Cassa di Risparmio di Firenze. In January 2001, 27.5 million shares were passed to Fondazione Cassa di Risparmio di Venezia as part of the acquisition of a 10.9% stake in the Cardine Group. As of 15 March 2001, 19,358,700 own shares (1.38% of the capital) were held by the Parent Bank, carried at a value of 334.2 million Euro.

Regulatory capital and capital adequacy

At the end of 2000, the ratio between the Group's regulatory capital and its total assets weighted for lending and market risk gave a total solvency ratio of 9.2%, after consolidating Banco di Napoli; the ratio of the Group's Tier 1 capital to total risk-weighted assets was 7.1%.

Tier 3 subordinated debt issued in 2000 amounted to a total of 601 million Euro. These cover almost all of the market risks of the Parent Bank and the other members of the Group, for a total of 8.1 billion Euro. Moreover, with the new equity investments acquired during the year, the Group raised its regulatory capital by issuing 1.9 billion Euro of Tier 2 subordinated debt. An issue of preferred shares of 1 billion Euro was then added at the end of the year.

Given that own shares were used to acquire the 10.9% stake in the Cardine Group in January 2001, the overall

solvency ratio should still be the same as at the end of December, while the Tier 1 ratio ought to rise to 7.7%.

Regulatory capital and capital adequacy

	31/12/2000	31/12/1999
Regulatory capital (€/mil)		
Tier 1 capital	6,868	7,505
Tier 2 capital	3,257	1,255
less: prescribed deductions	-1,259	-737
Total capital	8,866	8,023
Weighted assets (€/mil)		
Lending risk	95,050	70,838
Market risk	587	6,637
Other requirements	513	500
Total assets	96,150	77,975
Capital adequacy ratios (%)		
Tier 1 ratio	7.1	9.6
Total capital ratio	9.2	10.3

Risk management

The basic principles

The SANPAOLO IMI Group lays substantial emphasis on risk management and control, based on three principles:

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

The policies relating to the acceptance of lending and financial risks are defined by the Parent Bank's Board of Directors and Executive Committee with input from specific Committees (the Financial Risk Committee, the Loans Committee, the Financial Institution 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 and of a Risk Control unit.

The Business Areas that generate lending and/or financial risks operate within assigned limits of autonomy and each has its own control structure.

Financial risk management and control

The organizational arrangement

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

The Financial Risk Committee is responsible for defining the criteria and methods by which risks are measured, as well as the structure of the operating limits to be followed by the Parent Company and its Business Areas, and for monitoring the risk profile of Group companies. The Committee consists of the Managing Directors, the heads

of the Business Areas that take on and control risks, and by the Risk Management unit.

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

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

The single Business Areas measure financial risk, applying a system of limits in line with the Parent Bank's general plan.

The measurement methods used

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

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

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

Sensitivity Analysis quantifies the change in value of a financial portfolio following adverse movements in risk factors. For interest rate risk, an adverse movement is defined as a parallel, uniform shift of 100 basis points in the interest rate curve.

The Worst Case Scenario method measures the worst possible economic result of those obtained in various hypothetical scenarios, built in such a way as to represent a significant shock to current market parameters on the basis of a holding period of one day and accumulating the losses deriving from the various risk factors in absolute value. The idea underlying the determination of the shocks to be assigned to the risk factors is to ensure a high degree of prudence; indeed, the objective is to quantify and limit the maximum potential loss that could emerge in extreme market conditions.

Lending

The financial risks generated by the Group's lending activity (Asset and Liability Management) are monitored by means of Sensitivity Analysis, together with VaR measurement.

During 2000, the potential loss on the fair value of the Bank's loan book, measured according to the Sensitivity Analysis methodology, showed an average of 62 million Euro, with a minimum of 47 and a maximum of 126 million Euro; the decline in the average value and the higher degree of fluctuation around it compared with the prior year reflect the Bank's policies during the year of maximizing the fair value of the portfolio based on expected interest rate scenarios.

The VaR of the lending business showed an average of 172.6 million Euro.

The exchange risk generated by the lending business during the year was extremely limited.

Sensitivity Analysis – lending

	2000 (€/mil)	1999 (€/mil)
Average	61.9	105.4
Low	46.8	92.8
High	125.6	120.8
31 December	88.8	94.4

Equity investments in non-Group listed companies

The market value as of 31 December 2000 of the equity investments held by the Parent Bank and by Sanpaolo IMI International in listed companies that are not consolidated

on a line by line basis or at net equity, including the own shares held by the Parent Bank, amounted to 2,816 million Euro. The portfolio included unrealized capital gains over book value of 298 million Euro, which refer essentially to the investments in Banco Santander Central Hispano, Beni Stabili and The Royal Bank of Scotland. The market value of the listed equity investments held by NHS, the merchant bank controlled 51% by SANPAOLO IMI, was 560 million Euro; potential capital gain, with respect to book value, was 148 million Euro, which refers mainly to the investment in Montedison.

The monitoring of market risk of the shareholding portfolio (whose values do not have a direct impact on the Group's income statement because of the cost accounting used) is measured through VaR.

The VaR of quoted non-Group investments held by the Parent Bank and Sanpaolo IMI International during the course of 2000 averaged 224 million Euro, with a low of 176.4 million Euro. A high of 294.7 million Euro was reached at the end of the year, which was justified both by the higher volume of investments made in the latter part of the year and by the general increase in share prices volatility. The average level of VaR recorded by NHS, for the portion relating to SANPAOLO IMI, was 19.3 million Euro. The overall average value, taking account of the diversification effect, was 228 million Euro.

VaR of listed shareholding portfolio

	2000 (€/mil)	1999 (€/mil)
Average	228	192
Low	189	93
High	312	263
31 December	312	252

The following graph shows the trend in VaR of the Group's equity investments during the course of 2000.

Trading activities

Measured here are trading activities, mainly in securities (fixed income and equities), exchange rate and derivative contracts.

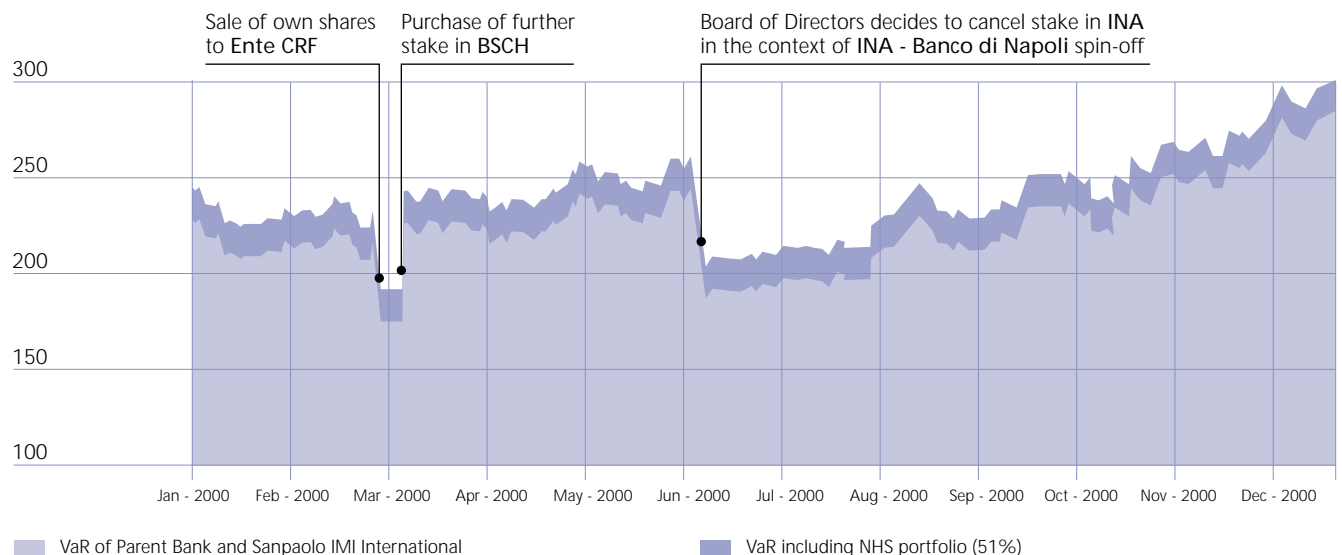
The VaR of the trading activities, concentrated in Banca IMI and its subsidiaries, oscillated during 2000 between a low

of 6.5 million Euro and a high of 19.5 million Euro, showing an average of 13.7 million Euro, in line with the previous year.

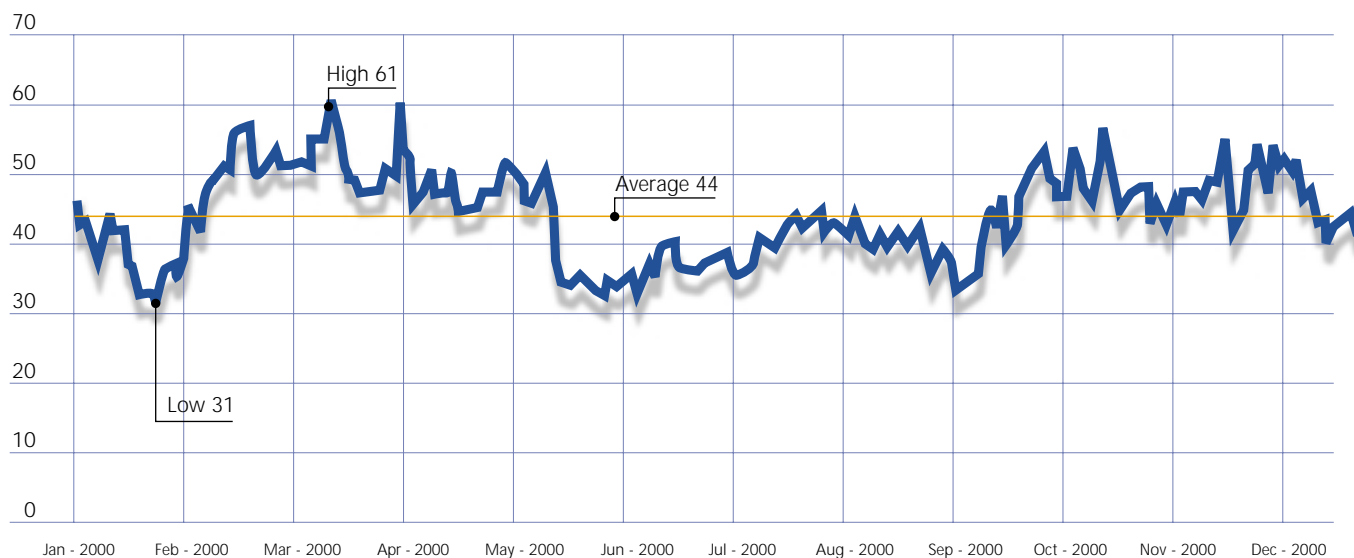
In addition to VaR, the Worst Case Scenario methodology is also used to monitor the impact of potential losses that might arise in extreme circumstances. The evolution in the maximum potential daily loss shows an increase in potential risks during the first part of the year, reaching at the end of March a high of 61 million Euro, then to fall gradually to around the yearly average of 43.8 million Euro.

VaR - trading by type of risk

	2000				1999	
	31 December (€/mil)	Average (€/mil)	Low (€/mil)	High (€/mil)	31 December (€/mil)	Average (€/mil)
Interest rate risk	2.1	4.2	0.5	13.8	11.9	5.3
Exchange rate risk	0.1	0.2	0.0	0.7	0.0	0.5
Share price risk	15.7	12.7	4.6	19.5	8.7	9.7
Diversification effect	-2.2	-3.4	n.s.	n.s.	-6.0	-3.6
Total	15.7	13.7	6.5	19.5	14.5	11.9



VaR of Group shareholding portfolio (€/mil)



Maximum potential daily loss in trading (€/mil)

Backtesting has demonstrated that these measurement techniques are prudent. In no case was the *ex ante* potential daily exposure, in terms of VaR and maximum potential loss, exceeded by the losses actually incurred.

Credit risk management and control

The organizational arrangement

The Group is organized so as to maximize the efficiency of lending risk management and control process by means of:

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

The Business Areas that grant credit to customers have a certain level of approval power as defined by the Board of Directors. In particular, for loans granted by Commercial Banking, the lending process is split into precise lines of responsibility for the granting and management of loans, with rising approval levels by branch, geographic area and

division. This process was revised during 1999, with the definition of a loan policy and a system of loan classification, as well as a new credit line proposal procedure. Proposals in excess of the approval limit of the Heads of the Business Areas have to be approved by the Managing Directors, the Credit Committee, the Executive Committee and the Board of Directors, according to the amount.

For lending risks to financial institutions, a special Committee was set up – consisting of the Managing Directors, the heads of the units taking on and controlling risks and by the Risk Management unit – which has responsibility to decide on the maximum credit lines to be granted by the Group to individual counterparties and to divide these limits into sublimits to be assigned to individual Group companies. The Financial Institution Credit unit has the task of doing preliminary investigations and monitoring the risks taken on versus financial counterparties by the various Business Areas of the Bank and of the Group.

For country risk, a specific Committee was formed in 2000, made up of the Managing Directors and managers of the Business Areas that normally operate in markets considered to be at risk, with the task of deciding on credit limits for each country and to allocate the related sublimits to the Group's Business Areas.

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

- Risk Management is responsible for the definition, updating and verification of the measuring techniques used by the Parent Bank and by the Group as a whole, ensuring that they are constantly in line with industry best practice. It is also responsible for analyzing the risk profile of the Parent Bank and Group and for proposing any corrective action;
- the control structures operating within the individual Business Areas are responsible for measuring and monitoring their portion of the loan book. Given the size of its loan book, the Credit Control department of Commercial Banking is particularly important;
- finally, Risk Control is responsible for measuring the exposure of larger borrowers, checking the measurements carried out by the risk control structures in the various Business Areas for consistency and accuracy, and ending the Parent Bank's top management summary reports on changes in loan quality and on the use of economic capital by the individual Business Areas.

Measurement techniques

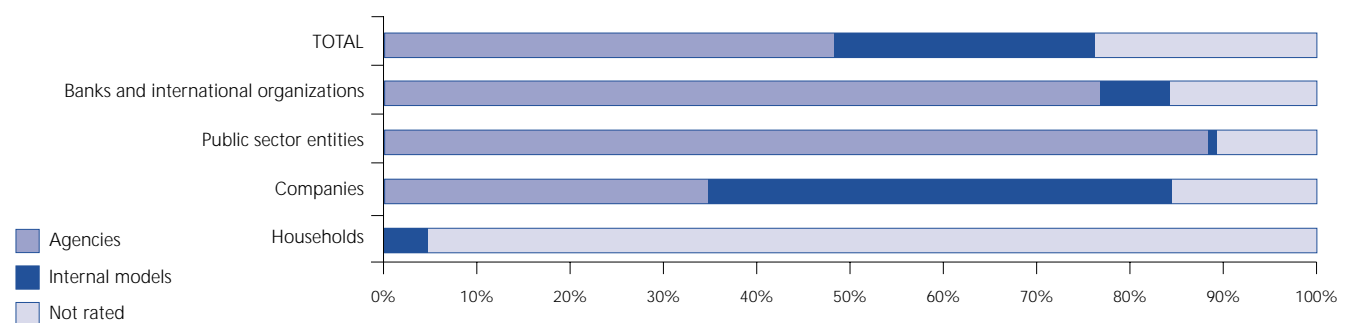
A series of instruments has been developed to ensure analytic control over the quality of loans to customers and financial institutions, as well as of exposures to country risk.

For loans to customers, various grading models have been developed. These differ according to the counterparty's size and industry sector. These models make it possible to

summarize the counterparty's credit quality in a single rating measurement which reflects the risk of insolvency in the successive 12 months. By means of statistical calibrations, these ratings are fully comparable with the rankings made by the official rating agencies, forming a global scale of reference. Backtesting analyses carried out to date, comparing insolvency forecasts with actual defaults, have confirmed that the models used are reliable.

For the Commercial Banking loan book, households, small businesses and SMEs, credit quality management uses a system of classifying customers into categories, based on an evaluation by the loan supervisors, who are specifically responsible for certain matters (frequency of credit reviews and returns measures). Control over credit quality uses a scoring system, based as the grading system on financial and experience indicators, although it is geared not so much to estimating the risk of insolvency, but to giving early warning of any anomalous situations.

For banking and financial counterparties, a scoring system has been devised to classify financial institutions with credit lines on a scale consistent with those used by the specialized rating agencies. The risk class constitutes the basic level of information, which is integrated by the type and duration of the transaction, as well as by any guarantees that are given. All of this leads to the setting of maximum credit limits for each counterparty. In the case of transactions covered by bank guarantees, the credit quality of the guaranteed counterparty is considered in weighting the maximum exposure.



Drawn down loan portfolio by rating source (%)

Finally, for country risk, a rating is assigned on the basis of the ratings and scores provided by specialized institutions, market information and internal evaluations.

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

SANPAOLO IMI also pays considerable attention to the important changes in matters of credit risks contained in the Basle Committee's proposal for the reform of the Accord on Capital. Among other things, this provides for the possibility of using internal ratings to calculate the requisite amount of capital. The measurement techniques used by the Group are in line with the situation outlined in this proposal.

Credit risks

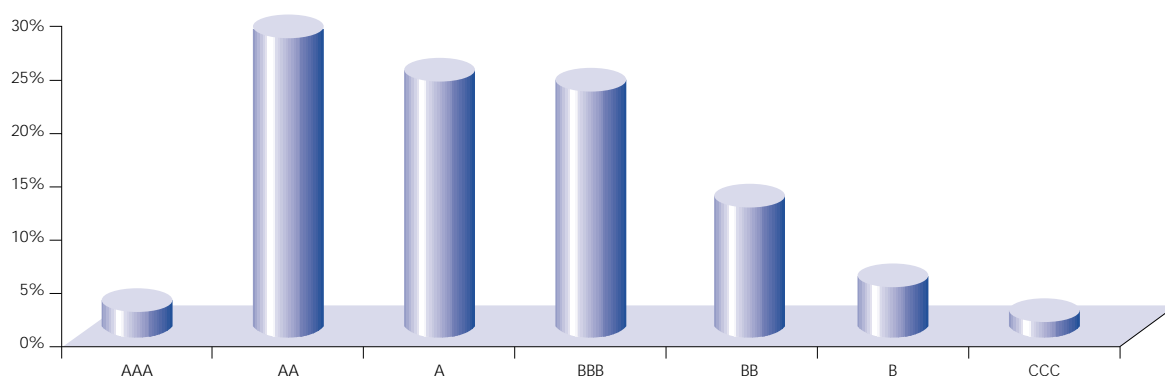
All of the lending exposures on and off balance sheet are subject to monitoring. The analysis, initially developed on the basis of the Parent Bank's loan portfolio, was gradually extended to the main subsidiaries as well. At present, in addition to the Parent Bank's loans, the portfolio includes those of Banca OPI, Sanpaolo IMI

Bank Ireland and almost all of the exposures of Banco di Napoli.

Analytical ratings are available for more than three quarters of the counterparties contained in the Bank's loan portfolio, in terms of exposure. About a third of the analytical ratings are internal, while the others are the work of specialized rating agencies. The non-rated portfolio is essentially represented by households and particularly housing mortgage loans.

Customer loans assigned an individual rating, which represent the main reference population for the credit risk management model, show a high level of asset quality: the total portion of investment grade loans (from AAA to BBB) is around 80% of the total and is almost one percentage point higher than a year ago.

For customer loans, measurement of economic capital, including country risk, was 3,450 million Euro at the end of the year, around 3.66% of the drawn down portion of credit lines. This figure has been calculated on a comparable basis, excluding Banco di Napoli, and shows a decrease of 22 basis points on the figure at December 1999, reflecting an improvement in credit quality. Around half of total capital is allocated to Commercial Banking, a quarter to Banco Napoli, while the rest is split between Corporate and Banca OPI, which have lower risk profiles because of their type of business.



Drawn down loan portfolio by level of rating (%)

Management and control of other risks

SANPAOLO IMI takes into consideration two other kinds of risk in its models: operational risk and business risk.

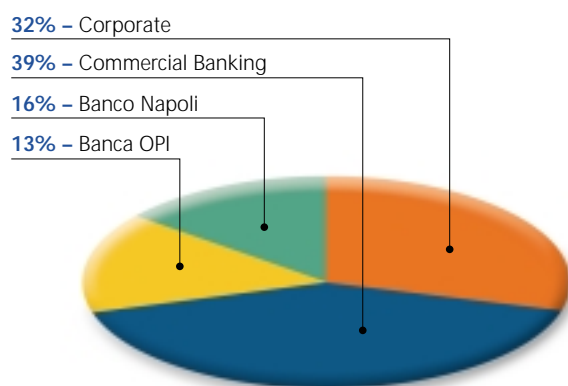
Operational risk is defined as the risk of incurring loss as a result of four macro categories of event: fraud, legal risks (including non-performance of contractual liabilities), weaknesses in internal control or in information systems and natural calamities. A database of significant events that took place in the past 10 years has been used for each category, from which it is possible to identify the impact in terms of loss from public sources of information. The empirical distributions of losses calculated in this way are estimated by means of theoretical distributions according to the extreme value theory. The capital at risk is identified as the minimum measurement, net of insurance coverage, needed to cope with the maximum potential loss with a confidence level of 99.95%; the methodology also provides for the application of a correction factor to take account of the effectiveness of internal controls in the operating areas.

It should be pointed out that this methodology has been developed to allocate an adequate amount of capital to the Business Areas and to the Group as a whole. Operating risks are controlled by defining internal rules and procedures and the Internal Audit Department checks compliance.

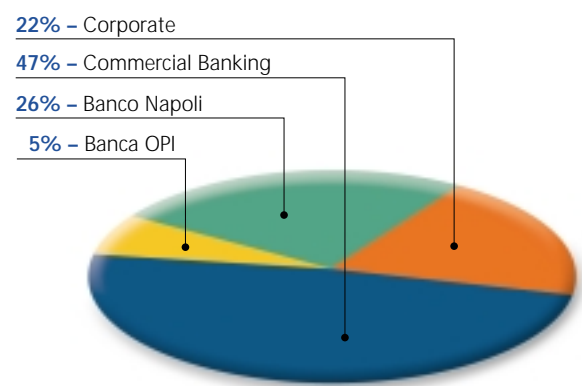
Various refinements to the system are currently being worked on. They mainly concern extending external databases, constructing internal databases, improving statistical models, using exposure indicators and the economic effect linked to the effectiveness and frequency of internal controls. These developments are in line with the best practices emerging from international taskforces that are working on such matters, with SANPAOLO IMI's active participation; they are also in line with the recommendations of the Basle Committee which in its proposed reform of the Accord on Capital, provides for the introduction of a specific capital charge for operational risks.

Business risk (also called strategic risk) is the risk of incurring losses as the result of changes in the macro or microeconomic scenario that can jeopardize the company's ability to generate revenue, typically by reduced operating volumes or spread compression.

It is evaluated by breaking down the activity of the Business Areas, on the basis of the respective cost and revenue structures, into fundamental "industrial" business sectors (e.g. EDP, consulting, mass retailing, etc.). The Business Areas are then allocated a level of capitalization in line with the norm for companies operating in the same type of activity.



Loans and guarantees by Business Area



Capital against credit risk by Business Area

Supplementary information

Performance of the SANPAOLO IMI share price

The SANPAOLO IMI share price started the year at 13.42 Euro. It then appreciated strongly during the initial part of the year, reaching a record high of 20.87 Euro at the beginning of September. The turbulence that then hit financial markets towards the end of the year reduced the price rise, coming in at 17.78 Euro at the end of the year.

The decline continued in early 2001 and at 26 March 2001 the price stood at 15.2 Euro.

The share price performance was better than that of the MIB Bancario: in 2000 the shares went up by 32.4%, compared with 13.9% in the sector; as of 26 March 2001 the price was up 12.9% since the beginning of 2000, compared with a decline of 2.2% in the banking index.

SANPAOLO IMI's stock was admitted to the Eurostoxx 50 index from 18 September 2000.

Comparison with the market

	26/3/01	29/12/00	30/12/99	Change 29/12/00-30/12/99 (%)
SANPAOLO IMI share price (€)	15.156	17.780	13.424	+32.4
Banking index (current MIB Bancario, base 30/12/99 = 1,000)	978	1,139	1,000	+13.9

SANPAOLO IMI share price

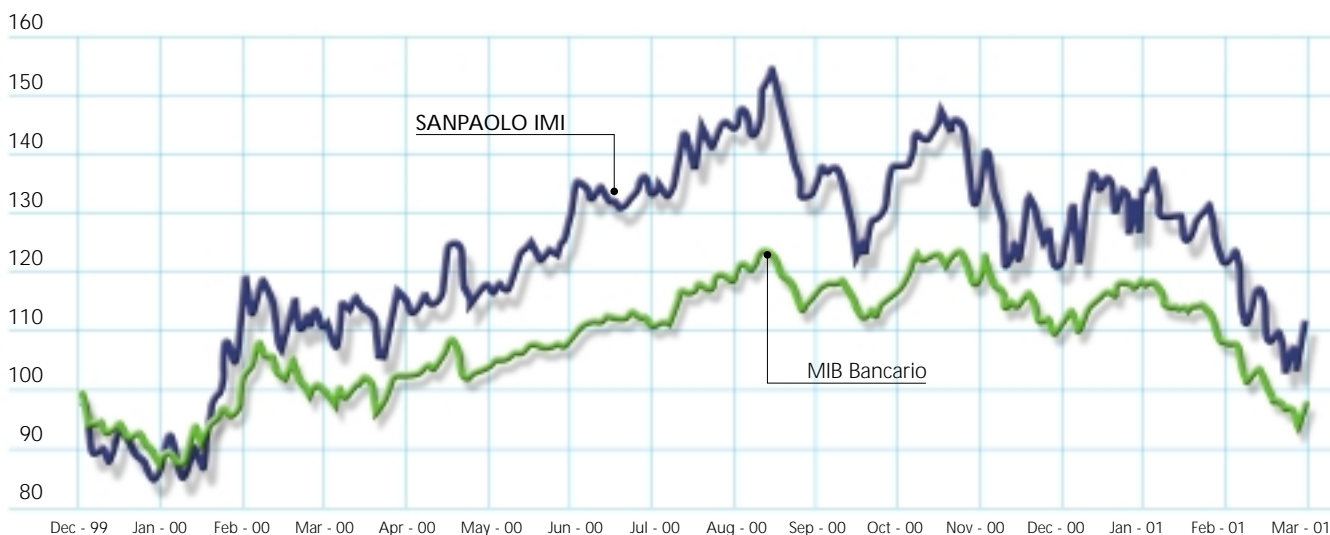
Year	High (€) (*)	Low (€) (*)	Average (€) (*)
1995	5.110	4.030	4.573
1996	5.287	4.210	4.758
1997	8.833	4.583	6.263
1998	16.102	8.654	12.427
1999	16.035	11.102	13.191
2000	20.870	11.658	16.617
2001 (to 26/3/2001)	18.627	14.070	16.828

(*) Share prices before 2 November 1999 have been adjusted for the real estate spin-off.

SANPAOLO IMI market indices

	29/12/2000	30/12/1999
Price/Book value	3.0	2.4
Price/Earnings on consensus earnings (*)	17.3	16.2

(*) Calculated on consensus earnings 2001 for 29/12/2000 and on consensus earnings 2000 for 30/12/1999.



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

Shareholders of SANPAOLO IMI

Based on available information, the shareholder structure of SANPAOLO IMI as of 31 December 2000 was as follows:

<i>Shareholders of SANPAOLO IMI</i>	%
Compagnia di San Paolo	16.13
Banco Santander Central Hispano	7.02
Monte dei Paschi di Siena	6.17
IFI / IFIL	4.99
Fondazione Cariplo	2.77
Ente Cassa di Risparmio di Firenze	2.57
Società Reale Mutua di Assicurazioni	2.06
KBC Bank	1.16
Other shareholders (*)	57.13
Total	100.00

(*) Includes own shares held by the Group.

SANPAOLO IMI debt ratings

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

Ratings of subsidiary company debt

Group company	Rating agency	Short-term rating	Medium/long-term (senior) rating
Banco di Napoli	Fitch	F1	A+
	Rating and Investment Information (Japan)	-	A+
	Moody's Investors Service	P-1	A1
	Standard & Poor's	A-1	A
Banque Sanpaolo	Fitch	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 SANPAOLO IMI ratings

Type of rating	Rating agency	Rating
Bank Financial Strength	Moody's Investors Service	B
Individual	Fitch	B/C
Legal	Fitch	2
Issuer	Thomson BankWatch	B

In January 2001 Fondazione Cassa di Risparmio di Venezia took a 1.96% interest in the share capital of SANPAOLO IMI.

Ratings

In April 2000 Moody's upgraded the SANPAOLO IMI Group's rating, as follows:

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

In October 2000, Standard & Poor's upgraded SANPAOLO IMI and Banca Fideuram's outlook from stable to positive.

In February 2001, Fitch raised Banco di Napoli's medium/long-term rating from A to A+.

Intercompany transactions and transactions with related parties

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

Notes to the Parent Bank's Financial Statements.

Transactions with related parties as defined in the Consob Communications dated 20 February 1997 and 27 February 1998 - including those with personnel and officers of the SANPAOLO IMI Group and any companies they control - similarly comply with current legislation and are conducted on an arm's-length basis. Investments in the Parent Bank and in the companies it controls held by the Directors, Statutory Auditors and Managing Directors of the Parent Bank and by other persons as per Article 79 of Consob Resolution no. 11971 of 14/5/99 are as follows:

Shares held by persons as per Article 79 of Consob Resolution no. 11971 of 14/5/99

Name	Company	How held	Title to shares	Shares held on 31/12/99	Shares bought during 2000	Shares sold during 2000	Shares held on 31/12/00
Luigi Arcuti	SANPAOLO IMI	Direct	Full	19,857	27,000	-	46,857
		Spouse	Full	3,657	-	-	3,657
Alberto Carmi	SANPAOLO IMI	Spouse	Full	10,000	-	-	10,000
Giuseppe Fontana	SANPAOLO IMI	Direct	Full	-	20,000	20,000	-
Rainer Masera	SANPAOLO IMI	Direct	Full	5,827	123,250	99,077	30,000
Emilio Ottolenghi	SANPAOLO IMI	Direct	Full	310,000	10,000	10,000	310,000
		Subsidiary	Full	4,110,000	5,000	5,000	4,110,000
		Spouse	Full	-	4,000	-	4,000
Carlo Pasteris	SANPAOLO IMI	Direct	Joint	-	2,500	1,000	1,500
Stefano Preda	SANPAOLO IMI	Direct	Full	-	37	37	-
	Banca Fideuram	Direct	Full	7,000	3,500	10,500	-
Alessandro Rayneri	SANPAOLO IMI	Subsidiary	Full	10,045	955	-	11,000
Enrico Salza	SANPAOLO IMI	Direct	Full	500	-	-	500
Antonio Sclavi	SANPAOLO IMI	Direct	Full	-	750	-	750

Stock option plans

On 31 July 1998, the Shareholders passed a resolution authorizing the Board of Directors to introduce stock option plans for Group managers, making use of paid increases in capital for up to 40 million Euro, as subsequently defined, equal to 14,285,714 shares.

Implementing this resolution, the Board of Directors launched on 9 February 1999 an initial stock option plan, structured as follows:

- *Beneficiaries:* the Managing Directors, as General Managers, and 56 top managers.
- *Rights decided by the Board of Directors:* 7,000,000 rights to buy 7,000,000 SANPAOLO IMI ordinary shares.
- *Rights assigned:* 6,772,000, of which 370,000 to each of the Managing Directors and 6,032,000 to the other 56 managers.
- *Exercizing rights:* a third of the rights may be exercised after the shares become ex-dividend for the financial year 1999, another third when they go ex-dividend for the financial year 2000 and the final third when they become

ex-dividend for the financial year 2001. Rights not exercised will expire by 31 March 2003. Rights may be exercised during four periods during the year of 25 days each, following the approval of the Group's quarterly results.

- *Subscription price:* initially set at 12.7746 Euro, which was the average market price of SANPAOLO IMI shares in the final quarter of 1998; subsequently adjusted to 12.396 Euro to take account of the real estate spin-off to Beni Stabili in October 1999.
- *Restrictions:* exercising rights is subject to restrictions and cancellations, which are detailed in the stock option plan regulations; such restrictions relate to the transferability of the rights and the role of the beneficiaries in the organization.

Based on the same mandate from the Shareholders, on 27 June 2000 the Board of Directors authorized a second stock option plan, structured as follows:

- *Beneficiaries:* the Managing Directors, as General Managers, and 122 top managers.
- *Rights decided by the Board of Directors:* up to 3,750,000 rights to buy 3,750,000 SANPAOLO IMI ordi-

Development of stock option plans in 2000

	Number of shares	Average exercise price (€)	Market price (€)
(1) Rights existing at 1 January 2000	6,772,000	12.396	13.424 (a)
(2) New rights assigned in 2000	3,378,270	16.45573	16.989 (b)
(3) Rights exercised in 2000	-1,833,250	12.396	17.151 (c)
(4) Rights lapsed in 2000 (d)	-90,000	-	-
(5) Rights existing at 31 December 2000	8,227,020	14.16795	17.780 (e)
(6) Of which: exercizable at 31 December 2000 (f)	-	-	-

(a) Official market price at 30/12/1999.

(b) Market price on the date of the resolution of the Board of Directors (27/6/2000).

(c) Average market price weighted for amounts exercised during market days during the "2000 exercising periods".

(d) Rights no longer exercizable because holders no longer work for the Bank.

(e) Official market price at 29/12/2000.

(f) No rights were exercizable at 31/12/2000 in that the date is not included in the infra-annual periods when rights may be exercised. At 31/12/2000, 394,083 residual rights for exercise (at a price of 12.396 Euro) in 2000 existed; these rights will again be exercizable from 2001.

Detail of rights by exercise price and remaining validity

Exercise price (€)	Rights assigned at 31/12/2000				of which: exercizable at 31/12/2000	
	Minimum remaining contractual validity			Total	Total	Average remaining contractual validity
	1/1/2001 - 31/12/2001	1/1/2002 - 31/3/2003	1/4/2003 - 31/3/2005			
12.396	2,621,416	2,227,334	-	4,848,750	-	-
16.45573	-	-	3,378,270	3,378,270	-	-
Total	2,621,416	2,227,334	3,378,270	8,227,020	-	-

nary shares; part of the rights depends on achieving the 2000 budget objectives.

- *Rights assigned:* 3,378,270, of which 188,285 to each of the Managing Directors and 3,001,700 to 122 managers.
- *Exercising rights:* after the shares the financial year ex-dividend for 2002. Rights not exercised will expire by 31 March 2005. Rights may be exercised during four periods during the year of 25 days each, following the approval of the Group's quarterly results.
- *Subscription price:* 16.45573 Euro, equal to the average market price of SANPAOLO IMI's stock during the month prior to approval of the plan.
- *Restrictions:* exercising rights is subject to restrictions and cancellations, which are detailed in the stock option plan regulations; such restrictions relate to the transferability of the rights and the role of the beneficiaries in the organization.

The rights exercised up to 31 December 2000 entailed an increase in capital of 5 million Euro, equal to 0.1% of the share capital, and the booking of a share premium reserve of 18 million Euro. If the rights assigned but not yet exercised were to be exercised, this would entail further increases in capital of 23 million Euro, equal to 0.6% of the share capital and the booking of a share premium reserve of 93 million Euro.

In accordance with Consob Resolution no. 11971 of 14 May 1999, it should also be pointed out that under the 1999-2001 stock option plan, one of the Managing Directors, Rainer Stefano Masera, exercised 123,250 rights on shares of the Bank during the year at a price of 12.396 Euro.

The Euro

The working groups specifically set up to form part of the Euro Project contributed during the year towards the definition of a reference framework for the key topics for the Bank in the third and final stage of the change-over to the new currency.

The planned interventions are principally of an IT nature, the purpose being to complete the introduction of the

single currency in all applications related to operations, as well as to prepare for the change-over from a dual currency system to a single one with the Euro alone from 1 January 2002. In aspects relating to the replacement of coins and banknotes, the interventions principally concern the planning of flows for the branches and the organizational adaptations needed to ensure that cash operations can continue normally.

Staff training is fundamental to ensure that customers are assisted properly. To this end, a detailed plan has been prepared to ensure that all members of staff receive adequate understanding on the practical aspects of using the Euro. This will be the final step in the training plan that started during the first stage, which was designed to make all of the Bank's personnel aware of the basic aspects of the new currency.

A particular effort has been made to ensure that private and corporate customers are also ready for the change. Various initiatives are in hand, their main purpose being to provide information and advice to ensure an orderly switch, however complex it may be, both for book assets and for cash in hand, given that the impact will be very widespread and concentrated in a short period of time. The information plan includes a series of brochures for companies and private customers, as well as fliers to be sent to customers in coordination with the campaigns run by the government and by the banking system.

Total costs for the implementation of this project amount to 67 million Euro, of which 53 million Euro were booked in previous years. The residual charges to be amortized over the coming years amount to 14 million Euro.

Code of Self Regulation of Quoted Companies

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

Business Areas

Organization by Business Area

The Group operates through a structure organized into Business Areas in the following sectors:

- **Retail Banking:** the operations geared to households and small- and medium-sized enterprises are handled by the Commercial Banking Business Area and also, from 2001, by Banco di Napoli, now controlled by SANPAOLO IMI. The activities of Cassa di Risparmio di Firenze (in which SANPAOLO IMI has a 19.1% interest) also form part of the Retail Banking sector;
- **Wealth Management:** a specific Business Area is currently being set up to provide asset management products and services both to the Group's own distribution structures (Commercial Banking, Banco di Napoli and Banca Sanpaolo Invest) and to external networks and institutional investors;
- **Personal Financial Services:** the distribution through consultants of financial services to households and small businesses with a medium-high savings potential is carried out by the networks of Banca Fideuram and Banca Sanpaolo Invest; the e-banking operations organized by IMIWeb Bank are also included in this sector;
- **Wholesale Banking:** this sector includes the activities carried on by Corporate, Public Works and Infrastructure, Investment Banking and Merchant Banking.

The Group also has Central Functions to carry on holding activities, treasury, credit recovery, real estate and shareholding management.

Criteria to calculate the profitability of the Business Areas

The statement of income of the various Business Areas is prepared as follows:

- for those Areas in which operations are carried out both by the Parent Bank and by subsidiaries, the Parent Bank's figures for the Area in question are consolidated with those of the subsidiaries operating in the same Area. The Parent Bank's figures are allocated to the Areas on the following bases:
 - net interest income has been calculated using appropriate internal transfer rates;
 - in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;

- the direct costs of each Area are calculated and, on the basis of certain parameters, the operating costs of the central structures other than those attributable to holding company functions, have been allocated to the Areas;

- for those Areas whose activities are carried out entirely by subsidiaries, the statements of income of the companies concerned are shown. The contribution made to consolidated net income is also shown, net of minority interests and after consolidation adjustments applicable to the Area. Amortization of the goodwill rising from investments made by the Parent Bank in the Areas is also allocated to Central Functions.

The capital allocated to each Area has been quantified according to the following bases:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, the average amount of capital absorbed by the Parent Bank is consolidated with that absorbed by the subsidiaries. The amount of economic capital absorbed is measured using a VaR approach, distinguishing among various types of risk: credit risk, market risk and operational risk;
- for those Areas whose activities are carried out exclusively by subsidiaries, the company's average book net equity (excluding net income for the year) is taken into consideration.

Particularly prudent methods are used when allocating the Parent Bank's capital to the Business Areas:

- the risks of the Areas are calculated with a confidence interval of 99.95%, in line with the rating attributed to the Group;
- the risks of the Areas are covered entirely by Tier 1 capital.

Finally, the profitability of each Area is calculated, as follows:

- for Areas whose activities are carried out both by the Parent Bank and by subsidiaries, profitability is expressed in terms of RORAC (Return On Risk Adjusted Capital), calculating the Area's contribution to Group net income as a percentage of the economic capital that it absorbs, quantified according to a VaR approach;
- for Areas whose activities are carried out exclusively by subsidiaries, profitability is expressed in terms of RoE (Return on Equity), calculating the Area's contribution to Group net income as a percentage of its average book net equity (excluding net income for the year), in accordance with Group accounting criteria.

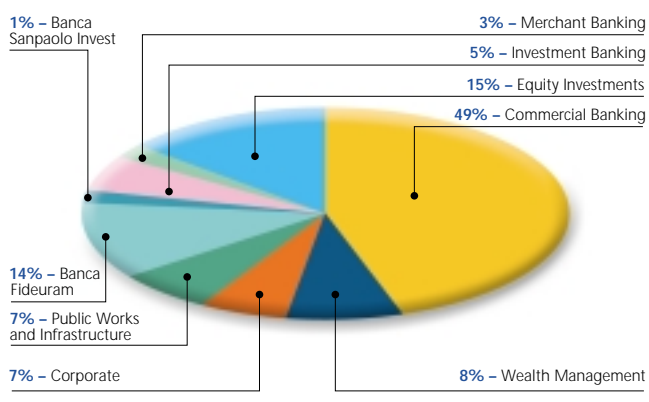
The results of the Business Areas in 2000 have been compared with those of the previous year. The changes from

1999 of the Areas whose activities are carried on by the Parent Bank are affected to a certain extent by changes in the methods of divisionalizing the various elements of cost and revenue.

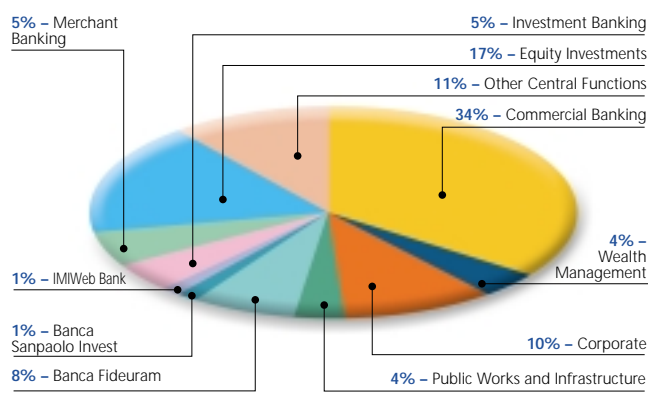
Results by Business Area

The results of the Group's Business Areas are summarized in the following table:

Business Area	Contribution to Group net income			Average capital		Profitability	
	2000 restated (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)	2000 restated (€/mil)	1999 (€/mil)	2000 restated (%)	1999 (%)
RETAIL BANKING							
Commercial Banking	635	403	+57.6	2,473	2,464	25.7	16.4
WEALTH MANAGEMENT							
	106	65	+63.1	266	233	39.8	27.9
PERSONAL FINANCIAL SERVICES							
Banca Fideuram	177	129	+37.2	544	496	32.5	26.0
Banca Sanpaolo Invest	16	21	-23.8	89	46	18.0	45.7
IMIWeb Bank	-28	n.s.	n.s.	41	n.s.	n.s.	n.s.
WHOLESALE BANKING							
Corporate	84	59	+42.4	750	706	11.2	8.4
Public Works and Infrastructure	89	41	+117.1	256	205	34.8	20.0
Investment Banking	60	76	-21.1	356	362	16.9	21.0
Merchant Banking	33	36	-8.3	382	374	8.6	9.6
CENTRAL FUNCTIONS							
Equity Investments	197	240	-17.9	1,229	1,370	n.s.	n.s.
Other Central Functions	-77	-20	n.s.	771	1,250	n.s.	n.s.
GROUP TOTAL	1,292	1,050	+23.0	7,157	7,506	18.1	14.0



Net income 2000 by Business Area (in %)



Allocated capital 2000 by Business Area (in %)

Commercial Banking

Commercial Banking operates, in Italy, through the Parent Bank's network of 1,332 branches; abroad, the Area operates through the French subsidiary Banque Sanpaolo, which has 61 branches, and the Hungarian company Inter-Europa Bank, in which the Group has a 32.5% interest. The various specialist companies operating in the consumer credit sector

(Finconsumo, jointly controlled together with Banco Santander Central Hispano) and in leasing (Sanpaolo Leasint) also report to Commercial Banking.

The decision to set up a separate Business Area devoted to Wealth Management will involve spinning off the asset management companies from Commercial Banking in April 2001. In order to reflect this new situation, the fig-

	Commercial Banking		of which: Domestic branch network		of which: Banque Sanpaolo (*)	
	2000	Change % 2000/1999	2000	Change % 2000/1999	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)						
Net interest and other banking income	3,321	+13.5	3,000	+13.0	210	+26.1
Operating costs	-1,908	+3.3	-1,720	+2.3	-129	+14.4
Operating income	1,413	+30.8	1,280	+31.7	81	+50.5
Provisions and net adjustments to loans and financial fixed assets	-230	-20.8	-202	-20.9	-11	-35.1
Income before extraordinary items	1,184	+49.4	1,078	+50.4	70	+89.0
Net extraordinary income	13	n.s.	2	n.s.	9	+189.3
Income before taxes	1,197	+51.3	1,080	+50.6	79	+96.3
Income taxes for the year	-562	+44.7	-514	+44.6	-31	n.s.
Net income	635	+57.6	566	+56.4	48	+41.2
ALLOCATED CAPITAL (€/mil)	2,473	+0.4	2,062	-2.2	284	+10.5
	2000	1999	2000	1999	2000	1999
RATIOS (%)						
RORAC	25.7	16.4	27.4	17.2	16.9	13.2
Cost / Income ratio	57.5	63.1	57.3	63.4	61.3	67.6
	31/12/00	Change % 2000/1999	31/12/00	Change % 2000/1999	31/12/00	Change % 2000/1999
OPERATING DATA (€/mil)						
Total financial assets	161,036	+0.3	147,805	+3.6	13,066	-25.5
- Direct deposits	34,598	+6.4	29,795	+3.7	4,638	+36.5
- Asset management	71,125	+6.8	65,424	+4.6	5,701	+38.9
of which: Group products	69,396	+7.3	65,424	+4.6	3,972	+85.9
- <i>Mutual funds and fund-based portfolio management</i>	58,610	+4.8	55,237	+2.2	3,373	+80.0
- <i>Portfolio management</i>	4,848	+15.5	4,249	+8.0	599	+127.7
- <i>Life insurance</i>	5,938	+30.9	5,938	+30.9	-	-
of which: Other products	1,729	-12.1	-	-	1,729	-12.1
- Asset administration	55,313	-9.9	52,586	+2.3	2,727	-72.8
Net asset management flows	7,674		6,204		1,470	
Net loans to customers excluding NPLs	39,975	+7.5	36,102	+7.4	3,565	+18.6
STRUCTURE						
Employees	17,571	+0.6	16,046	+0.1	1,221	+5.0
Branches	1,393	+3.6	1,332	+3.1	61	+17.3

(*) Banque Sanpaolo figures show the contribution to Group results.

ures for Commercial Banking in 2000 and 1999 are restated without the contribution of these companies.

Action taken by this Area on the domestic market in 2000 was geared principally to reinforcing competitive positioning. They concerned the following in particular:

- the creation of a distribution model allowing customers to operate with the Bank in an integrated way through branches, Internet, the call center and mobile banking: the last quarter of the year saw the release of information services on the Internet, which were then followed in early 2001 by the related statement and order transmission applications. The call center, which has reached 100,000 customers, was strengthened and projects were started up involving the use of the Internet as a platform for developing commercial relations with companies;
- reinforcement of the branch network in both quantitative and qualitative terms: the number of branches increased by 40; particular attention was paid to those branches involved in private banking, with an increase of eight during the year; the entire network is now involved in a reorganization which will lead to the specialization of each outlet according to its principal type of customer, differentiating between retail branches and business centers;
- strengthening of the commercial capacity, giving priority to higher value-added customers and better cross-selling: to improve services to private individuals, customer portfolio managers have been identified and given more sophisticated IT support. Sales and marketing initiatives have also been implemented with the creation of new products and services;
- improvement in asset quality, with the acquisition of distinctive skills in the field of lending risk management. Personnel in this Area have been given greater support through new workstations and more modern systems of scoring and of monitoring critical positions;
- reinforcement of incentive plans with a greater focus on the commercial results and profitability achieved.

In consumer credit, Finconsumo, which has a market share of 4.3% and comes eighth in the ranking of Italian companies operating in this field, completed the formalities for it to be transformed into a bank. This is expected to take place by

the middle of 2001. It also carried out the securitisation of performing loans for 350 million Euro and prepared a plan for the development of a credit card operation.

In the French market, Banque Sanpaolo strengthened its distribution structure, buying seven branches from Banque Générale du Commerce during the year to bring its network up to a total of 61 outlets. It also completed a project to upgrade its electronic channels, with the activation of a new Internet banking facility.

In total, the Commercial Banking Area has seen a substantial increase in its profit margins: net income went up by 57.6%, RORAC came in at 25.7% compared with 16.4% in 1999; the cost to income ratio fell to 57.5% versus 63.1% in 1999. These results were made possible, on the one hand, by the positive trend in net interest income and, above all, commissions, and on the other, by the efforts made to contain operating costs and improve asset quality. This last aspect is reflected in the lower writedowns and in a lower increase in absorbed capital compared with the growth in loans.

There has also been significant growth in asset management volumes, coming in at 71.1 billion Euro at the end of the year, thanks to a net inflow of 7.7 billion Euro, of which 1.6 billion Euro was in the insurance sector, as follows:

- the Italian network achieved a net inflow of 6.2 billion Euro, bringing total funds under management to 65.4 billion Euro. The market share in mutual funds and fund-based portfolio management at the end of the year came to 10.6%. The most significant increase was in equity and balanced funds, whose proportion of the total rose from 23.8% to 28% and from 23.1% to 31% respectively;
- Banque Sanpaolo, with net inflow of 1.5 billion Euro, brought its stock of assets under management to 5.7 billion Euro.

The Area maintained a positive trend in net loans to customers, with an increase during the year of 7.5%. The main contributions to this result came from mortgage loans granted to private individuals by the Italian network, for a total of 1.6 billion Euro, and from Banque Sanpaolo, whose mortgage loans went up by approximately 23% on the previous year.

Wealth Management

	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)		
Net interest and other banking income	261	+48.4
Operating costs	-62	+15.9
Operating income	199	+62.6
Provisions and net adjustments to loans and financial fixed assets	-44	n.s.
Income before extraordinary items	156	+32.1
Income before taxes	156	+32.7
Income taxes for the year	-26	-7.2
Change in reserves for general banking risks	3	n.s.
Net income	133	+49.5
Contribution to Group net income (*)	106	+63.1
ALLOCATED CAPITAL (€/mil)	266	+14.4
	2000	1999
RATIOS (%)		
RoE	39.8	27.9
Cost / Income ratio	23.8	30.4
	31/12/00	Change % 2000/1999
OPERATING DATA (€/mil)		
Asset management	74,331	+5.8
STRUCTURE		
Employees	343	+31.4

(*) After the posting of consolidation attributable to the Area.

The know-how acquired by the SANPAOLO IMI Group in the field of asset management and the market opportunities associated with the growing use of open architecture distribution methods led to the definition of a project to create a separate Business Area devoted to Wealth Management.

This new Area, for which pro forma figures are provided for 2000 and 1999, will be operational from April 2001. It will provide products and services both to the Bank's own dis-

tribution structures (Commercial Banking, Banco di Napoli and Banca Sanpaolo Invest) and to external networks.

Wealth Management will include the companies operating in mutual funds and portfolio management (Sanpaolo IMI Asset Management, Sanpaolo Gestion Internationale, Sanpaolo Fiduciaria and Sanpaolo Services Luxembourg), private banking (Sanpaolo Bank Luxembourg and Sanpaolo Bank Austria) and life insurance (Sanpaolo Vita and Sanpaolo Life).

During the course of 2000, the companies in Wealth Management started up initiatives geared to expand the range of products and services, namely:

- in asset management, 15 new funds were created and portfolio managements were upgraded;
- in insurance, an Index Linked Multimanager policy was launched and new products dedicated to higher value-added customers were introduced;
- in private banking, the formation of a bank in Switzerland was initiated with a view to expanding international operations.

The Wealth Management companies also took steps to extent their distribution channels, defining agreements for:

- the creation of insurance products to be distributed by the Italian Post Office;
- the management of mutual funds to be distributed by Cassa di Risparmio di Firenze through a new company set up jointly by Cassa di Risparmio di Firenze and SANPAOLO IMI.

Operations in Wealth Management grew rapidly during 2000. The positive trend in volumes under management gave a strong boost to commissions, which more than offset the higher costs incurred to strengthen the Area. Its contribution to Group net income increased by 63.1%, raising its profitability to around 40%.

Banca Fideuram

	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)		
Net interest and other banking income	526	+32.6
Operating costs	-228	+22.0
Operating income	298	+42.0
Value adjustments on goodwill, merger differences and consolidation	-34	+13.5
Provisions and net adjustments to loans and financial fixed assets	-11	-18.8
Income before extraordinary items	253	+52.1
Net extraordinary income	1	-65.1
Income before taxes	254	+50.1
Income taxes for the year	-30	n.s.
Net income	224	+41.8
Contribution to Group net income (*)	177	+37.2
ALLOCATED CAPITAL (€/mil)	544	+9.7
	2000	1999
RATIOS (%)		
RoE	32.5	26.0
Cost / Income ratio	43.3	47.2
	31/12/00	Change % 2000/1999

OPERATING DATA (€/mil) ()**

Total financial assets	51,073	+14.2
- Direct deposits	2,725	+21.3
- Asset management	40,613	+12.5
- Mutual funds and fund-based portfolio management	34,923	+12.2
- Life insurance	5,690	+14.1
- Asset administration	7,735	+21.3
Net asset management flows	6,150	

STRUCTURE ()**

Employees	1,587	+22.3
Financial planners	3,782	+7.8
Branches	74	+17.5

(*) Relates to the 74% held by SANPAOLO IMI and after posting consolidation attributable to the Area.

(**) Operating data and structure figures reflect the full consolidation of Wagny Group.

Banca Fideuram, which has a network of 3,782 financial planners and 74 branches, operates through its own com-

panies that specialize in the provision of asset management services.

In 2000, Banca Fideuram took various steps to increase growth, which included the following:

- strengthening its distribution channels by adding 273 consultants, opening 11 new branches and developing on line operations;
- enriching the product range with a specific emphasis on those geared to the affluent segment, above all a new line of unit linked policies for wealthy clients;
- expanding into foreign markets in the international private banking sector; at the end of the year the acquisition of the Wagny Group was finalized; this group holds an important position in the French market in the field of traditional and on line securities brokerage, as well as a niche presence in private banking. With a view to expanding on the Swiss market as well, Banca Fideuram applied for authorization to transform its subsidiary Turis into a bank. In February 2001, this company changed its name to Fideuram Bank Suisse.

Banca Fideuram's margins rose rapidly in 2000, bringing its profitability to more than 30%. Net commissions in particular grew by 37%, despite booking commission provisions for consultants' incentive bonuses under the 1999-2001 plan for more than 100 million Euro. The increase in revenues permitted the bank to absorb the rise in operating costs related to the expansion initiatives taken during the year without penalizing the bottom line.

Asset management grew faster than the average for the Italian banking system, amounting to 40.6 billion Euro at the end of the year thanks to a net inflow of 6.2 billion Euro, of which 725 million Euro was in insurance. Banca Fideuram's share of the domestic market for mutual funds and fund-based portfolio management grew by around 60 basis points to reach 6.3% at the end of the year. The equity component had a particularly positive trend in this situation, representing 53.4% of the total at the end of December.

Banca Sanpaolo Invest

	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)		
Net interest and other banking income	69	+10.7
Operating costs	-49	+68.6
Operating income	20	-39.9
Income before extraordinary items	20	-23.3
Net extraordinary income	6	n.s.
Income before taxes	26	-4.5
Income taxes for the year	-10	+60.5
Net income	16	-23.8
ALLOCATED CAPITAL (€/mil)	89	+92.2
	2000	1999
RATIOS (%)		
RoE	18.0	45.7
Cost / Income ratio	71.0	46.6
	31/12/00	Change % 2000/1999
OPERATING DATA (€/mil)		
Total financial assets	10,178	+8.7
- Direct deposits	52	n.s.
- Asset management	9,180	+12.3
of which: Group products	7,469	+8.3
- <i>Mutual funds and fund-based portfolio management</i>	6,733	+8.2
- <i>Portfolio management</i>	270	-1.4
- <i>Life insurance</i>	466	+17.6
of which: Other products	1,711	+33.5
- Asset administration	946	-20.2
Net asset management flows	1,711	
STRUCTURE		
Employees	176	+60.0
Financial planners	1,488	+9.7

Sanpaolo Invest's main priority during the year was to strengthen its competitive positioning with a view to gaining a stockmarket quotation. The main initiatives concerned:

- the company's transformation into an autonomous bank, with respect to the Parent Bank;
- adoption of a multichannel distribution model by activating Internet and telephone banking services, allowing the network of financial planners to focus on higher value-added activities;
- expansion of the range by creating banking services and its own asset management products, as well as by adopting an open architecture approach. To this end, a specialist fund management company was set up under Irish law called Sanpaolo Invest Ireland Ltd. Distribution agreements were also reached with leading internation-

al operators, such as Credit Agricole, Indosuez, Credit Suisse, J.P. Morgan and Pictet, involving a total of 200 different types of funds.

The company's results were affected by the extraordinary charges incurred for the transformation into a bank and to prepare for its listing on the Stock Exchange. As a result, net income went down by 23.8% compared with 1999.

Operationally, Banca Sanpaolo Invest maintained a high rate of growth in 2000, raising its assets under management to 9.2 billion Euro thanks to a net inflow of 1.7 billion Euro. The company's market share in the field of mutual funds and fund-based portfolio management went up during the year to 1.3%. Placements were strongly focused on equity funds which at the end of the year came to 69% of the total.

IMIWeb Bank

	2000
STATEMENT OF INCOME (€/mil)	
Net interest and other banking income	6
Operating costs	-35
Loss before extraordinary items	-29
Net extraordinary income	1
Net loss	-28
	31/12/00
OPERATING DATA	
Number of active customers	12,000
Market share in on line trading	7%

IMIWeb, which was set up at the end of 1999 as the Group's on line trading company, established a reputation for itself during 2000, building up a clientele of around 12,000 active customers and a market share of around 7%. With a view to gradually extending its activities from e-trading to e-banking, the company applied for a banking license which was granted in January 2001.

Moreover, during 2000 Banca IMI transferred to IMIWeb all of its shareholding in IMIWeb UK, previously IMI Sigeco (UK), so that the subsidiary could launch an on line trading activity also in the United Kingdom.

IMIWeb closed its first full year of operations with a loss of 28 million Euro, mainly because of the substantial investments made.

Corporate

	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)		
Net interest and other banking income	272	+16.8
Operating costs	-99	-1.5
Operating income	173	+31.4
Provisions and net adjustments to loans and financial fixed assets	-31	-3.8
Income before extraordinary items	142	+41.7
Net extraordinary income	1	n.s.
Income before taxes	143	+43.5
Income taxes for the year	-59	+48.4
Net income	84	+42.4
ALLOCATED CAPITAL (€/mil)	750	+6.2
	2000	1999
RATIOS (%)		
RORAC	11.2	8.4
Cost / Income ratio	36.4	43.5
	31/12/00	Change % 2000/1999
OPERATING DATA (€/mil)		
Net loans to customers excluding NPLs	23,460	+13.4
Guarantees	6,832	+20.6
Total loans and guarantees	30,292	+14.9
STRUCTURE		
Employees	462	+5.5
Area offices in Italy	6	-
Foreign branches and representative offices	23	-

Corporate carries on lending activities and provides services to medium- and large-sized companies and groups. In Italy, it uses part of the Parent Bank's structure which includes central units and six area offices; abroad, it operates through branches and representative offices, as well as through Sanpaolo IMI Bank Ireland.

During 2000 the Corporate Area worked with Italian businesses with turnover of more than 1,000 billion Lire. Given the growing demand for specialist banking services on the part of medium-sized enterprises as well, it was decided to expand the Area's scope, giving it responsibility from 2001 for Italian groups and companies with turnover of more than 500 billion Lire.

In an extremely competitive market, the Area operated in 2000 with a view to reinforcing its profitability by improving its commission revenues, rationalizing its activities and optimizing the amount of capital absorbed. To this end:

- operations were focused on structured transactions and participation in syndicated loans, taking a leading role, as well as on project and export financing;
- the foreign network was widened and rationalized, splitting it into three macro areas: Europe, America and Asia, while the technology side of the European branches was centralized;
- a cooperation agreement was signed with Banca IMI to develop a common business for international corporate clients;
- an understanding agreement was signed with BSCH for the Italian corporates assistance and the connection of the two banks' business in Latin America.

Loans increased during the course of 2000 by 14.9%, amounting at the end of the year to 30.3 billion Euro, rising to 31.8 billion Euro taking account of the new customer scope.

The Area had positive results in 2000: the expansion in lending volumes, the rise in commissions and the action taken to keep down operating costs managed to offset the downward trend in spreads, allowing RORAC to come in at 11.2%.

Public Works and Infrastructure

	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)		
Net interest and other banking income	117	+30.0
Operating costs	-17	+34.4
Operating income	100	+29.3
Provisions and net adjustments to loans and financial fixed assets	-8	-24.4
Income before extraordinary items	92	+37.8
Net extraordinary income	2	n.s.
Income before taxes	94	+39.7
Income taxes for the year	-5	-81.0
Net income	89	+117.1
ALLOCATED CAPITAL (€/mil)		
	2000	1999
RATIOS (%)		
RoE	34.8	20.0
Cost / Income ratio	14.5	14.1
	31/12/00	Change % 2000/1999
OPERATING DATA (€/mil)		
Net loans to customers excluding NPLs	11,973	+11.6
Disbursements during the year	3,128	+18.0
STRUCTURE		
Employees	99	-10.0

Public Works and Infrastructure oversees the provision of financial services to the public sector, with particular reference to the financing of capital investments and major infrastructure works. In the first half of 2000 operations were carried on through the Parent Bank. On 1 July the Area's activities were transferred to a dedicated company, IMI Lease, which acquired a banking license and took on the name of Banca OPI.

During the course of 2000, the Area concentrated on reinforcing its market share and emphasizing its role as a specialist operator. This was also done by triggering synergies with the Group's Italian network which was given an origination role with local government entities. The Area's project financing and advisory operations were of particular importance.

The Public Works and Infrastructure Area closed the year with a significant improvement in its profitability. Net income was also boosted by booking deferred tax assets on the carry-forward tax losses of IMI Lease, and by applying the Dual Income Tax mechanism to the new organization. Loans to customers rose by 11.6%, thanks to new disbursements during the year amounting to a total of 3.1 billion Euro.

Investment Banking

	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)		
Net interest and other banking income	250	-4.5
Operating costs	-161	+15.5
Operating income	89	-27.3
Provisions and net adjustments to loans and financial fixed assets	1	n.s.
Income before extraordinary items	90	-21.5
Net extraordinary income	8	+72.1
Income before taxes	98	-17.9
Income taxes for the year	-31	-29.4
Net income	67	-11.1
Contribution to Group net income (*)	60	-21.1
ALLOCATED CAPITAL (€/mil)		
	2000	1999
RATIOS (%)		
RoE	16.9	21.0
Cost / Income ratio	64.4	53.3
	31/12/00	Change % 2000/1999
OPERATING DATA (€/mil)		
Banca IMI S.p.A. trading volumes		
- trading	474,918	-14
- sales	100,060	+179
- repurchase agreements	817,939	-23
- placements	19,537	+16
STRUCTURE		
Employees	683	+14.6
Branches	2	-

(*) After the posting of consolidation attributable to the Area.

Investment Banking handles all securities brokerage activities on own account and third-party account, funding operations for the raising of risk capital and debt for companies, and consulting in matters of corporate finance. Investment banking activity is carried out by Banca IMI and its subsidiaries, excluding IMIWeb Bank.

Banca IMI concentrated on reinforcing its operations and extending its range of products and services. During 2000, Banca IMI:

- consolidated its leadership position in placement and advisory: it organized and participated in the placement of bond loans for a total of 10.2 billion Euro; in equities, it acted as Global Coordinator and Sponsor in the AEM Torino, BB Biotech, AS Roma, CDC, Mondo TV, Inferentia, TXT, Biosearch Italia, Novuspharma, Engineering, Aeroporto di Firenze, Cassa di Risparmio di Firenze, and Vitaminic placements. Banca IMI also acted as Regional Retail Lead Manager in the placement in Italy of the second tranche of Deutsche Telekom, as well as Co-Lead Manager in the Italian offering of shares in Banco Santander Central Hispano;
- strengthened its role as primary dealer in the main European government security markets and strengthened its presence in the field of Eurobonds issued by primary issuers; in equities, Banca IMI dealt on the electronic market volumes on third-party account for 100 billion Euro, achieving a market share of 6.7%;
- increased its transactions in quoted covered warrants, also acquiring the possibility of operating directly in the German equity and derivatives market;
- applied for authorization to set up a hedge fund management company and to offer individual portfolio management services.

As part of a general rationalization of the Group's activities, at the end of the year Banca IMI transferred to NHS its 5% interest in Andala, one of the companies to be awarded a UMTS third-generation mobile telephone license, which changed its name in the new year to H3G.

The investments incurred to reinforce operations, combined with the lower inflow of revenues following the tensions that appeared on financial markets in the second part of the year, had an effect on the Area's results, which fell with respect to 1999. Net income came to 67 million Euro. Its contribution to Group net income was 60 million Euro, after reversing the intercompany capital gain on the sale of the 5% interest in Andala to NHS. The profitability of Banca IMI and its subsidiaries, excluding IMIWeb Bank, came to approximately 17%.

Merchant Banking

	2000	Change % 2000/1999
STATEMENT OF INCOME (€/mil)		
Net interest and other banking income	51	-41.9
Operating costs	-9	+24.5
Operating income	42	-47.9
Provisions and net adjustments to loans and financial fixed assets	-10	+34.6
Income before extraordinary items	32	-56.6
Net extraordinary income	93	n.s.
Income before taxes	125	+65.0
Income taxes for the year	-49	+113.9
Net income	76	+44.5
Contribution to Group net income (*)	33	-8.3
ALLOCATED CAPITAL (€/mil)		
	2000	1999
RATIOS (%)		
RoE	8.6	9.6
RoE mark to market	15.8	n.a.
Cost / Income ratio	17.6	8.2
	31/12/00	Net flow 2000
OPERATING DATA (€/mil)		
Merchant banking direct investments	479	+369
Other shareholdings	460	+152
	31/12/00	Change % 2000/1999
STRUCTURE		
Employees	52	+4.0

(*) Relates to the 51% held by SANPAOLO IMI and after posting consolidation attributable to the Area.

Merchant Banking has the task of acquiring and increasing the value of minority shareholdings with a view to realizing capital gains. This activity is carried on by NHS, held 51%, and its Dutch subsidiary LDV Holding.

During the course of 2000, NHS made new investments for 760 million Euro, the main ones being:

- the purchase of a 2.2% stake in FIAT from Compagnia di San Paolo at a market price of 220 million Euro; this

acquisition brought NHS into the FIAT shareholder syndicate agreement with IFI/IFIL, Generali and Deutsche Bank;

- the acquisition of 7% of Andala for 240 million Euro; as mentioned previously, part of this stake (5%) was transferred to NHS by Banca IMI;
- investments made in AEFEE, AMPS-Azienda Municipalizzata di Parma, Camuzzi, SAGAT and AEM di Torino.

NHS also promoted the closed-end Sanpaolo IMI Private Equity Fund I, of 120 million Euro, whose purpose is to acquire shareholdings in medium-sized companies, committing resources worth 35 million Euro. NHS is also planning to set up two new funds during 2001, the first to invest in small and medium-sized enterprises located in the South of Italy, and the second focusing on investments in quoted and unquoted stakes in Italian and European public utilities.

During the year, NHS sold investments for 307 million Euro on the market, realizing capital gains of around 100 million Euro. These included the complete disposal of the interests held in Countrywide Assured, Milano Assicurazioni and Efibanca, partial disposal of the interests held in Tecnost, Buzzi Unicem and Acea, as well as the transfer to the Parent Bank of the 4.1% stake held in Cassa di Risparmio di Firenze.

NHS's net income is up on the previous year thanks to a substantial contribution from the capital gains earned on the sale of investments which were booked as extraordinary income. The company's contribution to the Group's net income – 51%, given the Group's interest in the company – was down on 1999, partly because a higher share was attributable to minority interests following the reduction in SANPAOLO IMI's shareholding, and the reversal of the intercompany capital gain realized on the sale of the stake in Cassa di Risparmio di Firenze, net of the tax effect. The Area's profitability came to 8.6%, rising to 15.8% on adjusted earnings and net equity if the investment portfolio is valued mark to market.

Significant events after the year end

Economic background

Worries increased during the early months of 2001 concerning the future of the world economy, America's in particular, as there was a sharp deterioration in the indicators of the climate of confidence among households and companies and in the expectations of financial markets.

In the United States, the new expansive cycle launched by the Federal Reserve in January and the measures to reduce the tax burden announced for this year by the new Bush administration were designed to restabilize conditions of greater confidence among the business community and in equity markets, and to bring down the current risks of a recession.

In the Euro countries, the macroeconomic scenario looks less critical. In recent months, the downward trend in the climate of business confidence tended to signal expectations of a deterioration in the cyclical conditions, but to a lesser extent than in the United States. The European Commission estimates a GDP growth rate of around 2.9% in 2001.

Within the Euro-zone, the cyclical slowdown could be greater in those countries that are most exposed to the dynamics of international demand, Germany and Italy in particular. For 2001, the main international organizations have downgraded their estimates of Italian growth this year to 2.5%.

The decline in oil prices, wage moderation in the main countries in the Euro-zone and the recent slight appreciation in the European currency are all factors that limit the rise in inflation. Futures prices on the money market suggest expectations of a slight easing in the ECB's monetary policy by the end of the year.

This deterioration in the growth prospects of the world's main economies and in the climate of confidence among market operators gave rise in early 2001 to a sharp correction in the main international stock exchanges. The bear market hit high technology, media and financial stocks in particular, the sectors which had seen their prices rise substantially in early 2000. In the United States, the S&P500 and NASDAQ indices on 23 March 2001 were showing declines from the start of the year of 13.7% and 21.9% respectively. In the same period in Europe, the DJ Eurostoxx 50 index went down

by 16.1%, while in Italy the MIB 30 had fallen by 15.8%.

The asset management industry has been hit particularly hard by these trends. In the first two months of the year the net assets of mutual funds managed by Italian intermediaries went down by 3%. Net flows were negative, coming to a total of 2.3 billion Euro. Placements to equity and balanced funds were particularly reduced as against money funds.

This bearish phase in the market, and the performance of the asset management industry as a result, could continue for a number of months, taking into account that the cyclical outlook for the world economy is still not very positive. The trend should however reverse when it can be seen that the conditions for the main economies are recovering and this is currently being forecast by the end of the year by the principal research institutes and by the business community in general.

Group performance in the first two months of the current year

In a difficult market scenario, the SANPAOLO IMI Group has managed to protect its customer relations effectively during the first two months of 2001. Going against the general trend for the Italian banking system, in January and February the Group actually turned in positive net inflows to its asset management activities of 630 million Euro. The Group's mutual funds and fund-based portfolio management have posted positive net inflows of 350 million Euro compared with a general outflow for the system of 2.3 billion Euro. As a result, the Group's share of the mutual fund market has risen to more than 19%. Net inflow was particularly positive during these two months in the insurance sector, coming in at 300 million Euro including investments in funds made by unit linked policies.

The Group's asset management stock at the end of February of 126,600 million Euro has been heavily affected by the sharp decline in equity markets: while there was a net inflow of 630 million Euro during the first two months of the year, there was also a drop in value of around 3,000 million Euro since the start of the year. This contraction in the stock has led to a lower flow of net commissions compared with the pro forma figure for the same period of the previous year, restated on a comparable basis assuming that Banco di Napoli had been acquired as of 1 January 2000.

The first two months of the new year have confirmed the positive trend in net interest income, which is up on January

and February 2000. The cost trend is limited in line with forecast, while provisions and writedowns have fallen further.

Future prospects

The Group's accounts for the first three months of 2001 will also be conditioned by the comparison with the first quarter of 2000, which had the highest revenue flow of the

whole year. A drop in net commissions from services is envisaged, partly offset by higher net interest income and lower loan adjustments thanks to the continuing trend towards better asset quality.

Planned action lines, both to strengthen income through active management in different sectors and through cost containment, should allow a recovery in profit margins in subsequent quarters.



**Report of the Independent Auditors
on the consolidated financial statements
pursuant to art. 156 of Legislative Decree
no. 58 of February 24, 1998
(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 audited the consolidated financial statements of Sanpaolo IMI S.p.A. (the Company) and subsidiaries as of and for the year ended December 31, 2000. These consolidated financial statements are the responsibility of the Directors of Sanpaolo IMI S.p.A. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in Italy as recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the adequacy and the fairness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries and of certain enterprises subject to a significant influence, representing respectively 27.7% of the consolidated total assets and 25.5% of consolidated net interest and other banking income, have been examined by other auditing firms, who have provided us with their reports. Our opinion expressed in this report, insofar as it relates to the amounts included for such companies, is also based upon the audits of other auditing firms.

For our opinion on the prior year's consolidated financial statements, which are presented for comparative purposes as required by law, reference should be made to the our auditors' report dated April 10, 2000.

3. In our opinion, the consolidated financial statements of Sanpaolo IMI S.p.A. and subsidiaries as of and for the year ended December 31, 2000, comply with the Italian statutory provisions related to financial statements; therefore they give a true and fair view of the financial position and results of operations of the Company and subsidiaries.



4. For a better understanding of the consolidated financial statements, attention is drawn to the following information which is more fully described in the Report on Operations and in the explanatory notes:

- In the course of the year, Sanpaolo IMI S.p.A. acquired the Banco di Napoli Group and a significant investment in the Cassa di Risparmio di Firenze S.p.A.; the accounting treatment followed for the consolidation and the related effects on the consolidated statement of income and consolidated shareholders' equity are described in the explanatory notes. Moreover, in order to facilitate the comparison with the consolidated financial statements as of December 31, 1999, the consolidated financial statements as of December 31, 2000 have been restated by valuing the Banco di Napoli Group based on the equity method, and a "pro-forma" consolidated statement of income for the year 2000 has been prepared, assuming that the Banco di Napoli Group was acquired on January 1, 2000.

The main adjustments for the preparation of such restated and "pro-forma" consolidated financial statements, which are not subject to audit, are described in the accounting policies of the consolidated explanatory notes.

- Sanpaolo IMI S.p.A. has allocated a share of the net income for the years 1999 and 2000 to the reserve as provided for and in accordance to Law 461/98 and Legislative Decree 153/99 (the so-called "Ciampi reserve") in relation to the merger with IMI and acquisition of the Banco di Napoli Group. In the 2000 consolidated financial statements, following the request of suspension of the incentives and in line with the accounting treatment of the previous year, Sanpaolo IMI S.p.A. has, for reason of prudence, appropriated to the tax provision the whole amount of the benefit rising out of the application of these incentives. As required by the CONSOB Recommendation dated February 15, 2001, Sanpaolo IMI S.p.A. has disclosed in the consolidated explanatory notes the effects on the consolidated statement of income and consolidated shareholders' equity of such incentives.

Turin, Italy
April 2, 2001

Arthur Andersen SpA
s/Giulio Lubatti - Partner

s/Mario M. Busso - Partner

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(€/mil)

ASSETS	31/12/00	31/12/00 restated (*)	31/12/99
10. Cash and deposits with central banks and post offices	708	525	528
20. Treasury bills and similar bills eligible for refinancing with central banks	8,968	7,376	3,332
30. Due from banks:	19,119	16,602	22,144
a) repayable on demand	2,932	2,434	3,115
b) other deposits	16,187	14,168	19,029
40. Loans to customers	98,706	80,025	73,174
including:			
- loans using public funds	83	38	47
50. Bonds and other debt securities	13,987	8,946	13,605
a) public entities	6,007	4,186	7,369
b) banks	3,445	2,834	3,959
including:			
- own bonds	1,056	775	1,392
c) financial institutions	671	468	632
including:			
- own bonds	-	-	10
d) other issuers	3,864	1,458	1,645
60. Shares, quotas and other equities	2,003	2,002	1,443
70. Investments	3,034	2,870	2,899
a) carried at equity	272	269	395
b) other	2,762	2,601	2,504
80. Investments in Group companies	539	1,804	448
a) carried at equity	539	1,804	448
90. Goodwill arising on consolidation	915	915	7
100. Goodwill arising on application of the equity method	74	74	51
110. Intangible fixed assets	359	291	267
including:			
- start-up costs	2	1	2
- goodwill	10	-	17
120. Tangible fixed assets	1,793	1,126	1,120
140. Own shares (par value € 117 million)	739	739	357
150. Other assets	19,193	14,252	16,199
160. Accrued income and prepaid expenses	2,661	2,430	4,649
a) accrued income	2,466	2,267	4,435
b) prepaid expenses	195	163	214
including:			
- discounts on bond issues	27	13	8
Total assets	172,798	139,977	140,223

(*) The restated consolidated financial statements, which are not required to be audited, have been prepared solely in the interests of better comparison with the 1999 consolidated financial statements. This situation reflects the consolidation of the Banco di Napoli Group at equity as explained in the notes (Part A - Section 1).

		(€/mil)		
LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/00	31/12/00 restated (*)	31/12/99
10.	Due to banks	29,596	27,098	28,012
	a) repayable on demand	4,869	4,297	3,151
	b) time deposits or with notice period	24,727	22,801	24,861
20.	Due to customers	64,718	47,598	43,189
	a) repayable on demand	43,701	32,252	31,818
	b) time deposits or with notice period	21,017	15,346	11,371
30.	Securities issued	39,338	31,925	35,718
	a) bonds	26,589	22,136	23,643
	b) certificates of deposit	8,888	6,173	9,090
	c) other	3,861	3,616	2,985
40.	Public funds administered	88	39	50
50.	Other liabilities	17,420	14,900	15,715
60.	Accrued expense and deferred income	3,114	2,652	5,154
	a) accrued expense	2,755	2,320	4,827
	b) deferred income	359	332	327
70.	Provision for termination indemnities	743	450	438
80.	Provisions for risks and charges	3,823	1,814	1,483
	a) pensions and similar commitments	1,128	43	46
	b) taxation	1,230	1,169	1,029
	c) other	1,465	602	408
90.	Reserve for possible loan losses	35	35	29
100.	Reserve for general banking risks	355	355	357
110.	Subordinated liabilities	5,158	4,834	1,524
120.	Negative goodwill arising on consolidation	-	-	952
130.	Negative goodwill arising on application of the equity method	63	63	199
140.	Minority interests	715	582	539
150.	Capital	3,931	3,931	3,926
160.	Share premium reserve	18	18	-
170.	Reserves	2,382	2,382	1,888
	a) legal reserve	793	793	792
	b) reserve for own shares	739	739	357
	d) other reserves	850	850	739
180.	Revaluation reserves	9	9	-
200.	Net income for the year	1,292	1,292	1,050
Total liabilities and shareholders' equity		172,798	139,977	140,223
GUARANTEES AND COMMITMENTS		31/12/00	31/12/00 restated (*)	31/12/99
10.	Guarantees given:	15,670	14,242	11,045
	including:			
	- acceptances	159	145	132
	- other guarantees	15,511	14,097	10,913
20.	Commitments	26,518	22,079	18,028

(*) The restated consolidated financial statements, which are not required to be audited, have been prepared solely in the interests of better comparison with the 1999 consolidated financial statements. This situation reflects the consolidation of the Banco di Napoli Group at equity as explained in the notes (Part A - Section 1).

CONSOLIDATED STATEMENT OF INCOME

(€/mil)

	2000	2000 restated (*)	1999
10. Interest income & similar revenues	7,622	6,679	5,966
<i>including:</i>			
– loans to customers	5,501	4,861	4,324
– debt securities	1,006	794	915
20. Interest expense & similar charges	-5,123	-4,584	-3,934
<i>including:</i>			
– deposits from customers	-1,401	-1,149	-909
– debt securities	-2,117	-1,939	-1,847
30. Dividends and other revenues	231	227	250
a) from shares, quotas and other equities	169	168	148
b) from equity investments	62	59	102
40. Commission income	3,452	3,270	2,587
50. Commission expense	-817	-808	-530
60. Profits (losses) on financial transactions	165	156	103
70. Other operating income	250	219	224
80. Administrative costs	-3,076	-2,652	-2,466
a) personnel	-1,929	-1,620	-1,534
<i>including:</i>			
– wages and salaries	-1,380	-1,167	-1,097
– social security charges	-425	-369	-365
– termination indemnities	-97	-81	-69
– pensions and similar commitments	-27	-3	-3
b) other	-1,147	-1,032	-932
90. Adjustments to intangible and tangible fixed assets	-389	-326	-293
100. Provisions for risks and charges	-323	-249	-81
110. Other operating expenses	-31	-25	-40
120. Adjustments to loans and provisions for guarantees and commitments	-647	-580	-664
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	417	403	361
140. Provisions to the reserve for possible loan losses	-8	-8	-10
150. Adjustments to financial fixed assets	-36	-35	-89
160. Writebacks of adjustments to financial fixed assets	15	15	2
170. Income (losses) from investments carried at equity	87	104	118
180. Income from operating activities	1,789	1,806	1,504
190. Extraordinary income	451	413	367
200. Extraordinary expenses	-55	-44	-73
210. Extraordinary items, net	396	369	294
230. Change in reserve for general banking risks	2	2	-1
240. Income taxes	-785	-795	-685
250. Minority interests	-94	-90	-62
255. Elimination of second half income of the Banco di Napoli Group (**)	-16	-	-
260. Net income for the year	1,292	1,292	1,050

(*) The restated consolidated financial statements, which are not required to be audited, have been prepared solely in the interests of better comparison with the 1999 consolidated financial statements. This situation reflects the consolidation of the Banco di Napoli Group at equity as explained in the notes (Part A - Section 1).

(**) This item refers to the special consolidation method used for the Banco di Napoli Group and expresses its net income for the second half of 2000, which is not to be attributed to the statement of income of Sanpaolo IMI, given that it is already included in the purchase price of the various shareholdings (see "Method and effects of the consolidation of investments acquired during the year" in the introduction to the explanatory notes).

Explanatory Notes to the consolidated financial statements

Introduction - Background information on the consolidated financial statements

- Form and content of consolidated financial statements
- "Restatement" of 2000 annual report and "pro forma" statement of income
- Scope of consolidation
- Method and effects of the consolidation of equity investments acquired during the year
- Consolidation principles
- Financial statements used for consolidation
- Audit of the consolidated financial statements
- Comparison with the quarterly accounts as of December 31, 2000

Part A – Accounting policies

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

Part B – Consolidated balance sheet

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

Part C – Consolidated statement of income

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

Part D – Other information

- Section 1 – Directors and Statutory Auditors

Introduction - Background information on the consolidated financial statements

Form and content of consolidated financial statements

The Bank's consolidated financial statements for 2000 have been prepared pursuant to Decree 87 of January 27, 1992, which implemented E.E.C. Directive 86/635. They also take account of the requirements contained in the Bank of Italy instructions dated July 30, 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

In compliance with current rules, the financial statements have been prepared in millions of Euro. The consolidated financial statements comprise the consolidated balance sheet, the consolidated statement of income and these explanatory notes, together with the report of the Board of Directors on the results of operations for the year.

These explanatory notes are presented with comparative figures taken from the financial statements as of December 31, 1999. They provide all the information required by law, including any additional data considered necessary to give a true and fair view of the financial and operating situation. The tables required by the Bank of Italy are numbered in accordance with Bank of Italy instructions or based on the date of the Instructions. The statement of income tables also include figures as of December 31, 2000 referring to the "restatement" (see the "restated annual report" and the "pro forma" statement of income 2000).

The "official" consolidated balance sheet format as of December 31, 1999 used for comparison purposes has been adjusted to comply with the format used in 2000. This restatement, which does not in any way alter consolidated shareholders' equity or net income, concerned negative goodwill arising on consolidation (see the paragraph on "Consolidation principles" below) and the detail of "Provisions for risks and charges" (see Part A - Accounting policies in these notes).

Still in terms of disclosure, the usual format of the reclassified statement of income used in the Report on operations as a basis for comments has been modified as follows:

- in the interests of a better management representation of the Group results, net interest income of the sub-holding Banca IMI is shown under "profits/(losses) on financial transactions and dividends on shares", given that, from an operating point of view, it is an integral part of that company's stockbroking activities. All of the prior year figures have therefore been reclassified.
- "adjustments to goodwill, merger and consolidation differences" are shown separately given the importance of this caption following the acquisition of equity investments of the year. For comparison purposes, the prior period figures have been restated using consistent criteria.

It should also be mentioned that the supplementary information required by Consob (Communication 1011405 of February 15, 2001) from banks quoted on regulated markets concerning specific matters of importance for the financial statements is provided in Part B – Section 7 "Provisions" of these explanatory notes. More specifically, the above section includes information on:

- comments already expressed by the European Commission on the tax benefits granted with D. Lgs. 153 of 17/5/99 (Ciampi Law);
- provisions dictated by Law 133 of 13/5/99 and by the Budget Law 2001 on the renegotiation of low-interest mortgage loans;

- provisions dictated by D.L. 394 of 29/12/00 on fixed rate mortgage loans without special interest terms (as regards the question of usury);
- judgement 425 of 9/10/00, in which the Constitutional Court declared the illegitimacy of article 25, c.3 of D. Lgs. 342 of 4/8/99, relating to clauses concerning the charging of interest on accrued interest (anatocism).

The following schedules are attached to the consolidated financial statements:

- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Statement reconciling the Bank's financial statements with the consolidated financial statements.
- "pro forma" consolidated statement of income for 2000;
- List of equity investments that exceed 10% of the capital of unquoted and private companies (as per Consob resolution no. 11715 of November 24, 1998);

"Restatement" of the 2000 annual report and "pro forma" statement of income

With regard to the changes in the scope of consolidation following the acquisition of the Banco di Napoli group (see the following paragraph "Scope of consolidation"), in order to make the comparison between the 2000 and 1999 consolidated figures more meaningful and homogeneous, a "restated" unaudited version of the official and reclassified consolidated balance sheet and statement of income schedules are also provided. In this version, the newly acquired Neapolitan group is consolidated on a summary basis using the equity method; so while the consolidation difference is the same as the one arising from the line-by-line consolidation, the shareholding in this bank is only reflected in the captions "equity investments" and "income from investments carried at equity". The "restated" results are detailed in the Report on operations. In addition, the consolidated explanatory notes provide the main figures needed to calculate the effect of the first-time consolidation of the newly acquired group on the 2000 accounts. More specifically, the tables in "Part C - Consolidated statement of income" also provide restated statement of income figures.

Lastly, in order to provide further information to shareholders and the market, there is also a pro forma reclassified consolidated statement of income for 2000, prepared as though the acquisition of Banco di Napoli had taken place on January 1, 2000. In this pro forma table, the figures relating to Banco di Napoli, suitably adjusted for all of the elements considered changes in shareholders' equity in the calculation of consolidation differences, have been fully consolidated for the entire year. The financial and economic effects of the different timing of the acquisition have also been calculated. The pro forma statement of income does not have any impact on net income as the effects have been eliminated by means of an equal and opposite adjustment. The attached pro forma consolidated statement of income have not been audited.

Scope of consolidation

The scope of line-by-line consolidation reflects the Sanpaolo IMI Banking Group as recorded in the appropriate register in compliance with art. 64 of Decree 385 dated September 1, 1993, with the exception of certain minor investments whose balance sheet and statement of income results have little or no effect on the consolidated financial statements, or which have been put into liquidation or disposed of. In addition to Sanpaolo IMI S.p.A. (Parent Bank), the Banking Group comprises the directly and indirectly controlled subsidiaries, which carry out banking, finance or other activities which complement those of the Bank.

The scope of line-by-line consolidation excludes Società per la Gestione di Attività S.p.A. (SGA), owned by Banco di Napoli, the shares of which have been handed over as a pledge with voting right to the Treasury Ministry as part of the special procedures described in Part B Section 5 - Other assets of these Explanatory Notes.

The subsidiary Finconsumo S.p.A., together with its subsidiary F.C. Factor S.r.l., was consolidated on a proportional basis, given a situation of joint control.

Investments in subsidiaries whose activities differ from those of the rest of the Group or those that are excluded from the scope of consolidation for the above-mentioned reasons, are valued using the equity method, together with holdings in companies subject to significant influence (i.e. associated companies).

Companies consolidated on a line-by-line basis, proportionally and at net equity are listed in Part B, Section 3 of these explanatory notes. The following are the main changes in the scope of consolidation during the year:

- the inclusion in the scope of consolidation at net equity of Cassa di Risparmio di Firenze S.p.A., after the completion in March 2000 of a strategic agreement among the shareholders and the increase in the interest held by the Group from 4.1% to 19.1%, resulting in a relationship of "significant influence";
- the inclusion in the line-by-line consolidation of the Banco di Napoli Group which Sanpaolo IMI took control of during the second half of 2000 in the following three stages:
 - at the beginning of July Sanpaolo IMI purchased the 49% interest held by Banca Nazionale del Lavoro in Banco Napoli Holding, the parent company of Banco di Napoli with 56.1% of the ordinary share capital;
 - in mid October the non-proportional spin-off of INA was completed. This gave Sanpaolo IMI the remaining 51% in Banco Napoli Holding and hence control over Banco di Napoli;
 - at the beginning of December a compulsory takeover bid was made for the remaining ordinary shares of Banco di Napoli. This led to the purchase of a further 41.5% of the bank's ordinary shares;
- the inclusion in the line-by-line consolidation of the French group Wargny Associés, which Banca Fideuram took control of at the end of November 2000 by acquiring 95% of the capital of the holding company (of which 53% directly and 42% through the wholly-owned subsidiary Wargny Management (also newly acquired and consolidated on a line-by-line basis).

Methods and effects of the consolidation of equity investments acquired during the year.

The three new investments described above are reflected in the consolidated accounts as indicated below:

- the consolidation of Cassa di Risparmio di Firenze at equity resulted in "goodwill arising on consolidation", being the difference between the acquisition price and shareholders' equity pertaining to the Group as of December 31, 1999, an amount of € 255 million. Of this amount: a) € 173 million, as the excess cost vis-à-vis the average market value of Carifirenze shares, has been deducted from "negative goodwill arising on consolidation" already existing in the consolidated financial statements as at December 31, 1999, using the opportunity envisaged under current regulations (see following paragraph "Principles of Consolidation"); b) the balance of € 82 million has been booked to the consolidated balance sheet to be amortized over 10 years starting from 2000, given the nature of the investment;
 - the line-by-line consolidation of the Banco di Napoli group, based on the net equity on the acquisition dates of the three different tranches (suitably adjusted to comply with the accounting policies of the Sanpaolo IMI Group, and to take account of expected restructuring costs), shows "goodwill arising on consolidation" of € 1,670 million. This goodwill has been attributed: a) € 854 million to reduce the existing balance of "negative goodwill arising on consolidation", using the opportunity envisaged under current regulations (see following paragraph "Principles of Consolidation"); b) € 816 million to the assets side of the balance sheet to be amortized over 10 years, given the nature of the investment. In 2000, the amortization on the portion not offset against negative goodwill arising on consolidation, charged to the statement of income in proportion to the ownership period of the different tranches acquired, totalled € 4 million.
- Considering that the control over Banco di Napoli was finalized during the second half of 2000, as mentioned above, the consolidated statement of income of Sanpaolo IMI as of December 31, 2000 reflects, on

a *line by line* basis, the economic flows of the Neapolitan group only relating to the second half of the year, suitably adjusted for the elements considered as changes to shareholders' equity when calculating the consolidation differences. The portion of consolidated income of the bank relating to the second semester of 2000 included in the purchase price of the various tranches, and therefore not to be attributed to the Sanpaolo IMI Group result, is shown in a specific caption of the statement of income "elimination of second half-year income pertaining to Banco di Napoli Group" and deducted from the consolidated result;

- the line-by-line consolidation of the Wargny group entailed booking to the assets side of the consolidated balance sheet "goodwill arising on consolidation" of € 78 million, with respect to the shareholders' equity of the French group based on the initial results as of December 31, 2000. This difference will be amortized over 10 years, given the nature of the investment. Given that we took control of this group in November 2000, the consolidated statement of income of Sanpaolo IMI as of December 31, 2000 does not reflect the results of the French group.

Consolidation principles

The main consolidation principles adopted are as follows:

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

More specifically, the shareholders' equity of Group companies used in calculating consolidation differences has been determined as follows:

- with reference to the balance sheets as of December 31, 1993 for investments held in portfolio as of December 31, 1994, being the date the Bank first prepared consolidated financial statements;
- for investments purchased subsequently to December 31, 1994, with reference to their balance sheets at the date of acquisition or, as customary where these are not available, with reference to the balance sheets prepared closest to that date.
- for investments formerly belonging to the IMI Group, with reference to their balance sheets as of January 1, 1998 (accounting date for the merger of Sanpaolo and IMI).

Note that "negative goodwill arising on consolidation" the first time that the investments formerly belong to the IMI Group were consolidated has been recorded as "negative goodwill arising on consolidation", instead of being booked to the various captions of consolidated shareholders' equity starting from the 2000 half-yearly report. The previous treatment was the one used 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. Compensation of positive differences with pre-existing negative differences arising on consolidation is made on the basis possibility envisaged by Article 32, paragraph 4, of legislative Decree 87/92, confirmed by paragraph 5 of the same article, as well as the applicable instructions of the Bank of Italy (provision of July 30, 1992 and successively updated). It is based on the prudent aim of not taking forward to future years the recovery, through amortization, of part of the cost which can be immediately compensated for with pre-existing consolidation reserves. Positive goodwill not offset against negative goodwill is amortized over a period of five years or over different periods depending on how the investment is used. This approach has been applied beginning from the financial statements as of December 31, 1998; positive goodwill arising on consolidation of certain equity investments of the IMI Group has been offset against the negative goodwill arising on consolidation of other equity investments of the IMI Group. On that occasion the amortization schedule of existing positive goodwill has been confirmed.

Receivables, payables, off-balance sheet transactions, and costs and revenues as well as any gains and losses relating to significant transactions between Group companies are eliminated. By way of exception, also on account of the provisions of art. 34, Decree 87/92, costs and revenues arising on transactions involving stocks and shares and currency traded between Group companies at normal market conditions, are not eliminated.

The financial statements of consolidated companies denominated in currencies not included in the Euro-zone are translated into Euro at year-end rates of exchange. Differences arising on translation of the equity items of consolidated companies at year-end rates of exchange are included in consolidated reserves, unless they are offset by specific hedging transactions.

Adjustments and provisions made solely for fiscal purposes in the financial statements of the parent bank and of consolidated companies are eliminated.

Financial statements used for consolidation

The financial statements used for the consolidation are those prepared as of December 31, 2000, as approved by the appropriate bodies within subsidiary companies and adjusted, where necessary, for consistency with Group accounting policies. The financial statements used for consolidation purposes of companies operating in the financial leasing sector were prepared using the financial lease method which is essentially consistent with Group accounting policies.

The valuation at equity of minority equity investments is based on the latest financial statements or draft financial statements that are available.

Audit of the consolidated financial statements

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

Comparison with the quarterly accounts as of December 31, 2000

The consolidated financial statements, 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 December 31, 2000, which was presented in order to provide advance information concerning the Group's results for the year.

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

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

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The consolidated financial statements as of December 31, 2000, have been prepared using the accounting policies adopted in relation to the financial statements as of December 31, 1999.

Loans, guarantees and commitments

Loans

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

In detail:

- non-performing loans, being loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans, being loans to borrowers in temporary difficulties, 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. They do not include specific positions which are assessed on a case-by-case basis, using objective criteria, with reference to the category of risk concerned;
- performing loans, being loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. General adjustments to performing loans are calculated by the individual subsidiaries on a historical, statistical basis which, for the parent bank is based on the following stages:

1. at the year-end, the bank estimates the performing loans which, based on the movements in the last five years, are likely to become doubtful loans during the next year;
2. the bank then calculates the potential losses likely to be incurred on the amount mentioned in point 1, assuming that the loss percentage is the same as the average loss on performing loans transferred to doubtful loans in the last five years.

The net present value adjustments reflect the difference between the:

- estimated realizable value;
- and the net present value of future financial flows (principal and interest).

The discounted present value of financial flows is determined by reference to expected cash receipts, the timing of such receipts and the applicable discounting rate.

The timing and extent of expected cash receipts are determined by input from the department responsible for loan evaluation, using estimates and general statistics deriving from historical data and studies of the business sectors concerned.

With regard to the discounting rate at December 31, 2000, the Bank has used a reference rate of 6.9%. This rate is deemed to reflect the best approximation of the original average yield on the problem loan portfolio – considering the contractual rates currently applied by the Bank on medium-long term loans (fixed and floating rate) and on short term ones (floating rate). A similar approach has been adopted by subsidiary companies; foreign companies have applied reference rates appropriate to the markets concerned.

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

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

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

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

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

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

Loans for which the Group acquired protection against the risk of non-performance as part of derivative contracts ("buyer protection") continue to be booked in the financial statements among loans secured by personal guarantees.

Loans deriving from financing and deposit contracts

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

Reverse repurchase agreements on securities

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

Loan of securities

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

Finance leases

Lease transactions are recorded using lease accounting methodology, which states lease contracts and transactions in such a way as to disclose their economic substance. This approach, which recognizes the financial nature of leasing transactions, treats the excess of total lease payments over the cost of the related asset as interest income. Such income is credited to the statement of income with reference to the residual principal and the pre-determined rate of return, taking into consideration the end-of-lease purchase value of the asset. Accordingly, the balance of loans under finance leases reported in the consolidated financial statements essentially represents the outstanding principal on loans to customers and installments due but not yet collected.

Guarantees and commitments

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

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

Investment securities

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

Such securities are written down to reflect any lasting deterioration in the solvency of the issuers and the ability of the related nations to repay debt. Investment securities can also be written down to take account of market trends (art. 18 of D.Lgs. 87/92). The original value of investment securities is reinstated when the reasons for any writedowns cease to apply.

Dealing securities

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

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

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

Commitments to buy or sell for securities transactions to be settled

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

Equity investments

Equity investments which are neither fully consolidated nor valued at equity are carried at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account, among others, any reductions in the equity of the companies concerned. Equity investments can also be written down to take account of market trends. 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 valued at equity are recorded, together with the related tax credits, when the tax credit becomes collectible, usually in the year in which dividends are collected.

Own shares

Own shares acquired by the Parent Bank, essentially for use in strategic deals that require the availability of own shares (e.g. share exchanges as part of the acquisition of equity investments, stable cooperation agreements and other extraordinary financial operations) are valued at "average daily cost". The Parent Bank's shares purchased by subsidiaries for normal dealing purposes are valued at market value, namely the official year-end price.

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

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

Assets and liabilities denominated in foreign currency

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

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

Unsettled spot and forward currency transactions

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

Transactions not carried out for hedging purposes are valued:

- at year-end spot exchange rates, in the case of spot transactions still to be settled;
- at period-end forward exchange rates for the maturity dates concerned, in the case of forward transactions.

The effect of these valuations is debited or credited to the statement of income.

Tangible fixed assets

Tangible fixed assets are stated at purchase cost, including related charges and the cost of improvements. In certain cases, purchase cost may have been restated on transformation of the Bank at the time of mergers or as a result of applying monetary revaluation laws.

Operating assets are depreciated on a straight-line basis over their residual useful lives. Tangible fixed assets are written down in cases where there is a permanent loss in value, regardless of how much depreciation has already been accumulated. The value of such assets is reinstated in future accounting periods if the reasons for any writedowns no longer apply.

Ordinary maintenance and repairs which do not imply an increase in the usefulness or useful lives of the assets are expensed in the year they are incurred.

Intangible fixed assets

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

- Formation and capital increase expenses and other deferred charges are generally amortized on a straight-line basis over five years.

- Costs incurred for the purchase of software or for its development using external resources, are generally amortized on a straight-line basis over three years, taking account of the residual period such software is expected to benefit.
- The differences arising on the merger of Banca Provinciale Lombarda and Banco Lariano in 1993, net of the portion allocated to more closely reflect the value of the related assets, are amortized on a straight-line basis. Amortization is provided over a period of ten years. These amortization periods are justifiable in view of the durability of the goodwill accumulated by the merged banks, as assessed in expert appraisals prepared for the respective mergers.

Payables

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

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

Provision for employee termination indemnities

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

Provisions for risks and charges

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

Pensions and similar commitments

The accumulated provisions under this heading relate to supplementary pensions of Banco di Napoli. 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 deferred taxes, income taxes and the regional tax on business activities, including those charged on units operating abroad. The provision also takes into consideration current and potential disputes with the tax authorities.

Income taxes are calculated prudently on the basis of the tax charge applicable to the year.

Deferred taxation, determined according to the so called "balance sheet liability" method, reflects the tax effect of timing differences between the book value of assets and liabilities and their value for tax purposes, which will lead to taxable and deductible amounts in future years.

To this end, taxable timing differences are defined as those which will give rise to taxable income in future years (deferred capital gains, for example); while deductible timing differences are defined as those which will give rise to deductible amounts in future years (such as provisions and costs that can be deducted for tax purposes over a period of years, e.g. general loan writedowns in excess of the fiscally deductible amount).

Deferred tax liabilities are calculated by applying at the level of each consolidated company 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.

Latent taxation on equity reserves of the Parent Bank 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 of the Parent Bank subject to deferred taxation only in the event of distribution. This is because such reserves are allocated to accounts not available for distribution and because the events which would give rise to such taxation are not expected to occur.

Deferred taxation on the equity items of consolidated companies is not booked if it is unlikely that any liability will actually arise, bearing in mind the permanent nature of the investment.

Deferred tax assets and liabilities relating to the same kind of tax, applicable to the same entity and reversing in the same period are offset against each other.

Deferred tax assets are booked to the assets side of the balance sheet at caption 130 "Other assets" as the contra-entry to income taxes, while deferred tax liabilities are booked to liabilities on the balance sheet under caption 80 b.-Taxation-, again as a contra-entry to income taxes.

If the deferred tax (assets or liabilities) relates to transactions directly involving shareholders' equity without affecting the statement of income, it is debited or credited to shareholders' equity.

Other provisions

Provisions for guarantees and commitments cover losses in respect of guarantees given and, more generally, the contingencies associated with guarantees and commitments.

Other provisions for risks and charges cover estimated losses arising from lawsuits 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, as well as potential charges deriving from the renegotiation of low interest subsidized mortgages and other potential liabilities.

The provision for other personnel charges comprises:

- provisions made by the Parent Bank on the basis of an independent actuarial report to an independent supplementary pension fund (Cassa di Previdenza del Personale) to cover unfunded pension liabilities, as well as provisions for contributions that may be due in relation to the personnel of the Parent Bank;

- provisions made on an actuarial basis to set up the technical reserve needed to cover long-service bonuses payable to employees.

Reserve for general banking risks

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

Accruals and deferrals

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

Derivatives contracts

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

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

The values determined are recorded separately in the balance sheet without 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 by the Group via the use of asset and liability management techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- intent to enter into a hedge;
- 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 aris-

ing from interest-earning / bearing assets and liabilities is classified among "Accrued income" or "Accrued expenses". The period element of differentials on forward rate agreements hedging the interest arising from interest-earning / bearing assets and liabilities is classified among "Prepaid expenses" or "Deferred income". The market value of contracts hedging the risk of price fluctuations, and the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among "Other assets" or "Other liabilities". Contracts hedging investment securities, or total loans and deposits, are valued according to the valuation of the assets and liabilities being hedged.

Statement of income: where derivative contracts are intended to hedge the interest arising from interest-earning / bearing assets and liabilities, the related economic effect will form part of the interest margin on an accruals basis. In this case, the related differentials and margins are allocated either to interest income or to interest expense, 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:

Derivatives contracts on securities, interest rates, stockmarket indices and other assets: contracts quoted in organized markets are stated at their market value on the last day of the period. Contracts linked to reference indicators subject to official observation are stated on the basis of their financial value (replacement cost), determined with reference to the market quotations for those indicators on the last day of the year. Other contracts are valued with reference to other elements determined on an objective and consistent basis.

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

The related procedures for presentation in the financial statements are summarized below:

Balance sheet: the amounts determined from the valuation of non-hedging contracts are classified as "Other assets" or "Other liabilities".

Statement of income: the economic effects of non-hedging derivative contracts are classified as "Profits (losses) on financial transactions". This caption is analyzed in a specific table within the explanatory notes with regard to the portfolios in which the transactions took place (securities, currency, other financial instruments) and to the nature of the income / costs arising (from valuations or elsewhere).

Internal deals

The Parent Bank has adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is inspired mainly by the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives (and sometimes securities); they have their own books of account and established limits on net risk, and they are responsible for their own results.

The desks serve as counterparties to other desks (which are also autonomous from an accounting point of view) that are not authorized to deal in the market, by means of internal deals in derivatives at market prices. The non-specialized desks initiate these internal deals mainly for hedging purposes.

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

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

Settlement date

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

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

Adjustments recorded solely for fiscal purposes by consolidated companies in their statutory financial statements have been reversed upon consolidation.

Provisions recorded solely for fiscal purposes

Provisions recorded solely for fiscal purposes by consolidated companies in their statutory financial statements have been reversed upon consolidation.

Part B - Consolidated balance sheet

SECTION 1 - LOANS

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due from banks (caption 30)	19,119	22,144	-13.7
<i>including the contribution of the Banco di Napoli Group</i>	2,517	-	n.s.
Loans to customers (caption 40)	98,706	73,174	+34.9
<i>including the contribution of the Banco di Napoli Group(*)</i>	18,681	-	n.s.
Total	117,825	95,318	23.6

(*) The amount includes € 2,738 million of loans to Società per la Gestione di Attività S.p.A. (SGA). (see Information contained in Section 5 – Other assets)

Due from banks (caption 30)

Amounts due from banks include:

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) deposits with central banks	439	668	-34.3
b) bills eligible for refinancing with central banks	-	-	n.s.
c) finance leases	-	-	n.s.
d) repurchase agreements	4,720	5,429	-13.1
e) securities loaned	25	102	-75.5

Deposits with central banks as of December 31, 2000 represent the compulsory reserve with the Bank of Italy, € 276 million (€ 633 million as of December 31, 1999).

Loans to customers (caption 40)

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

Detail of caption 40 "Loans to customers" (table 1.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Bills eligible for refinancing with central banks	285	-	n.s.
b) Finance leases	1,877	1,579	+18.9
c) Repurchase agreements	2,890	1,796	+60.9
d) Securities loaned	132	7	n.s.

"Secured loans to customers", excluding those granted directly to Governments or other public entities amount to € 14,929 million (€ 9,940 million as of December 31, 1999), and are detailed as follows:

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Mortgages	22,164	17,266	+28.4
b) Pledged assets :			
1. cash deposits	294	328	-10.4
2. securities (*)	4,192	2,990	+40.2
3. other instruments	175	158	+10.8
c) Guarantees given by :			
1. Governments (**)	9,739	3,677	+164.9
2. other public entities	3,622	279	n.s.
3. banks	1,799	1,197	+50.3
4. other operators	14,159	8,043	+76.0
Total	56,144	33,938	+65.4

(*) Includes repurchase and similar agreements guaranteed by underlying securities totalling € 3,022 million as of December 31, 2000 and 1,803 as of December 31, 1999.

(**) Including € 2,738 million of loans of Banco di Napoli to SGA.

Loans to customers guaranteed by banks and other operators include € 166 million of positions for which the Parent Bank bought buyer protection against the risk of non-performance, by means of derivative contracts.

Secured loans to customers and those granted directly to Governments or other public entities represent 58.7% of total loans to customers (60.0% as of December 31, 1999). Including the Banco di Napoli group this indicator comes to 58.5%.

Degree of risk in loan portfolio

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in part A, section 1 of these notes. The related writedowns are effected via direct reduction of the balance sheet asset value of the loans concerned.

The estimated realizable value of problem loans takes into account not only the likelihood of recovery, but also the total or partial lack of income generation and late repayment. Total adjustments as of December 31, 2000 for discounting purposes total € 309 million.

Analysis of loans to customers

(Bank of Italy instructions dated 12.17.98)

	31/12/00 (€/mil)			31/12/99 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	5,157	3,054	2,103	5,920	3,016	2,904
A.1 Non-performing loans	3,542	2,527	1,015	4,146	2,452	1,694
A.2 Problem loans	1,341	458	883	1,545	496	1,049
A.3 Loans currently being restructured	17	5	12	25	6	19
A.4 Restructured loans	122	35	87	130	36	94
A.5 Unsecured loans exposed to country risk	135	29	106	74	26	48
B. Performing loans	97,190	587	96,603	70,544	274	70,270
Total loans to customers	102,347	3,641	98,706	76,464	3,290	73,174

Non-performing loans, problem loans and restructured loans include unsecured loans to residents of nations exposed to country risk held in portfolio by the Parent Bank for a gross exposure of € 4 million, € 8 million and € 3 million respectively. Value adjustments made to these loans amount to € 1 million for non-performing loans, € 7 million for problem loans and € 2 million for restructured loans.

Coverage of doubtful loans (*)

	31/12/00	31/12/00 restated (**)	31/12/99
Non-performing loans (gross of writeoffs)	79.8%	81.8%	71.0%
Non-performing loans (net of writeoffs)	71.3%	71.7%	59.2%
Problem loans (gross of writeoffs)	37.3%	40.0%	42.0%
Problem loans (net of writeoffs)	34.2%	36.0%	32.1%

(*) Index is defined as the ratio between accumulated adjustments on non-performing loans and problem loans and the amounts of such loans at the year end.

(**) Indices are calculated including the contribution of the Banco di Napoli Group.

Analysis of loans to banks

(Bank of Italy instructions dated 12.17.98)

	31/12/00 (€/mil)			31/12/99 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	72	18	54	273	168	105
A.1 Non-performing loans	14	13	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	58	5	53	262	157	105
B. Performing loans	19,072	7	19,065	22,039	-	22,039
Total loans to banks	19,144	25	19,119	22,312	168	22,144

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Non-performing loans (net amount, including default interest)	1,016	1,694	-40.0

Movements during the year in gross doubtful loans to customer

(Bank of Italy instructions dated 12.17.98)

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of January 1, 2000	4,146	1,545	25	130	74
<i>A.1 including: for default interest</i>	921	47	3	-	-
B. Increases	1,437	862	1	49	78
B.1 inflows from performing loans	56	337	-	1	-
B.2 default interest	139	9	-	-	-
B.3 transfer from other categories of doubtful loan	279	42	-	34	-
B.4 other increases	963	474	1	14	78
C. Decreases	2,041	1,066	9	57	17
C.1 outflows to performing loans	15	65	-	44	4
C.2 write-offs	823	106	-	-	-
C.3 collections	323	479	1	10	6
C.4 disposals	848	106	-	-	-
C.5 Transfers to other categories of doubtful loan	27	310	8	3	7
C.6 other decreases	5	-	-	-	-
D. Gross value as of December 31, 2000	3,542	1,341	17	122	135
<i>D.1 including: for default interest</i>	808	41	3	-	-

"Other increases" include € 1,226 million relating to the contribution of the Banco di Napoli Group, as a result of its first-time consolidation, relating to non-performing loans, € 860 million; problem loans, € 344 million; loans being restructured, € 1 million; restructured loans, € 8 million; and unsecured loans exposed to country risk, € 13 million.

The decrease in non-performing loans can be attributed mainly to the completion by the Parent Bank of 3 factoring deals for the assignment without recourse of loans involving 16,282 mortgage loans, 20,391 short-term loans and 935 industrial loans. These loans, recorded for a gross value of € 1,554 million and a net value of € 756 million, have been factored for € 848 million.

Movements during the year in gross doubtful amounts due from banks

(Bank of Italy instructions dated 12.17.98) (€/mil)

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of January 1, 2000	11	-	-	-	262
<i>A.1 including: for default interest</i>	-	-	-	-	-
B. Increases	5	-	-	-	8
B.1 inflows from performing loans	-	-	-	-	7
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loan	-	-	-	-	-
B.4 other increases	5	-	-	-	1
C. Decreases	2	-	-	-	212
C.1 outflows to performing loans	-	-	-	-	3
C.2 write-offs	-	-	-	-	143
C.3 collections	2	-	-	-	45
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loan	-	-	-	-	-
C.6 other decreases	-	-	-	-	21
D. Gross value as of December 31, 2000	14	-	-	-	58
<i>D.1 including: for default interest</i>	-	-	-	-	-

"Other increases" include € 3 million of the Banco di Napoli Group's contribution on first-time consolidation, relating to non-performing loans.

The reduction in unsecured loans exposed to country risk derives mainly from the participation of the Parent Bank to the agreement for the restructuring of the payable by Russia (the so-called London Club), entailing the decline in the total exposure to a gross amount of € 173 million (through a waiver of loans and an exchange of quoted securities, subsequently sold) and a net positive effect of € 18 million booked to the statement of income.

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

(Bank of Italy instructions dated 12.17.98) (€/mil)

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of January 1, 2000	2,452	496	6	36	26	274
<i>A.1 including: for default interest</i>	921	47	3	-	-	9
B. Increases	1,137	223	2	18	37	333
B.1 adjustments (*)	440	96	2	4	15	147
<i>B.1.1 including: for default interest</i>	136	9	-	-	-	3
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loan	65	19	-	9	-	3
B.4 other increases	632	108	-	5	22	183
C. Decreases	1,062	261	3	19	34	20
C.1 writebacks from valuations	61	23	-	6	7	1
<i>C.1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	165	59	-	-	-	2
<i>C.2.1 including: for default interest</i>	31	17	-	-	-	2
C.3 write-offs	822	106	-	-	-	12
C.4 transfers to other categories of doubtful loan	11	72	3	-	6	4
C.5 other decreases	3	1	-	13	21	1
D. Total adjustments as of December 31, 2000	2,527	458	5	35	29	587
<i>D.1 including: for default interest</i>	808	41	3	-	-	16

(*) The table "Adjustments to the value of loans" under caption 120 of the consolidated statement of income also includes € 67 million pertaining to the Banco di Napoli Group. This amount is included in the table under "Other increases" as a part of the effect of the group's first-time consolidation.

"Other increases" comprise € 865 million for the contribution of the Banco di Napoli Group as a result of its first-time consolidation, referring for € 603 million to non-performing loans, for € 99 million to problem loans, for € 5 million to restructured loans, for € 2 million to unsecured loans exposed to country risk and for € 156 million to performing loans.

As already discussed, total adjustments include € 309 million relating to the adoption of a policy of actualizing doubtful loans. Writedowns for discounting purposes total € 235 million on non-performing loans, € 64 million on problem loans and € 10 million on restructured loans and loans being restructured.

Performing loans include € 205 million pertaining to the Parent Bank, specifically under observation, and valued case by case, covered by writedowns totalling € 26 million. The inherent risk associated with other performing loans is covered by a general writedown of € 568 million.

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

(Bank of Italy instructions dated 12.17.98) (€/mil)

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of January 1, 2000	11	-	-	-	157	-
<i>A.1 including: for default interest</i>	-	-	-	-	-	-
B. Increases	2	-	-	-	21	7
B.1 adjustments	-	-	-	-	1	7
<i>B.1.1 including: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loan	-	-	-	-	-	-
B.4 other increases	2	-	-	-	20	-
C. Decreases	-	-	-	-	173	-
C.1 writebacks from valuations	-	-	-	-	7	-
<i>C.1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	22	-
<i>C.2.1 including: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	-	-	-	-	143	-
C.4. transfers to other categories of doubtful loan	-	-	-	-	-	-
C.5 other decreases	-	-	-	-	1	-
D. Total adjustments as of December 31, 2000	13	-	-	-	5	7
<i>D.1 including: for default interest</i>	-	-	-	-	-	-

"Other increases" include € 2 million of the Banco di Napoli Group's contribution on first-time consolidation, relating to non-performing loans.

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

Country	(€/mil)		
	Total (book value)	Gross exposure	
		including: unsecured book value	weighted value
Brazil	108	58	10
Argentina	81	51	51
Qatar	56	22	16
Venezuela	16	13	13
Tunisia	10	8	2
Egypt	17	6	6
Algeria	44	6	4
South Africa	5	5	1
Morocco	101	5	5
Philippines	10	5	5
Cameroon	3	3	3
Russian Federation	457	2	2
Croatia	2	2	2
Lebanon	53	1	-
Pakistan	32	-	-
Others	94	6	5
Total gross exposure	1,089	193	125
Total adjustments	34	34	
Net exposure as of December 31, 2000	1,055	159	

For the purposes of these notes, the countries considered are those listed by the Italian Banking Association, for which, in the absence of specific guarantees, general adjustments have to be made.

Adjustments to unsecured loans exposed to country risk have been made by applying the weighting criteria and the writedown percentages agreed industry-wide by the Italian Bankers' Association, as mentioned above. Such writedowns are to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans, amounting € 896 million, are insured by SACE or equivalent entities and by sureties from banking operators in the OECD area. In addition, they comprise loans of € 295 million granted by the Parent Bank to a prime customer resident in Russia that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the lending risk. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

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 analysed as follows:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	8,968	3,332	+169.1
<i>including the contribution of the Banco di Napoli Group</i>	1,592	-	n.s.
Bonds and other debt securities (caption 50)	13,987	13,605	+2.8
<i>including the contribution of the Banco di Napoli Group</i>	5,042	-	n.s.
Shares, quotas and other equities (caption 60)	2,003	1,443	+38.8
<i>including the contribution of the Banco di Napoli Group</i>	2	-	n.s.
Total	24,958	18,380	+35.8

"Treasury bills and similar bills eligible for refinancing with central banks" represent securities which may be used for refinancing purposes.

Investment securities

Securities recorded in the consolidated financial statements include those which will be held long term by Group companies and declared as such in their financial statements. The investment securities portfolio is analysed as follows:

Investment securities (table 2.1 B.I.)

	31/12/00 (€/mil)		31/12/99 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	2,907	2,962	690	712
– unquoted	-	-	-	-
1.2 other securities				
– quoted	2,675	2,681	701	676
– unquoted	1,087	1,087	365	359
2. Equities				
– quoted	2	2	-	1
– unquoted	-	-	-	-
Total	6,671	6,732	1,756	1,748

The increase in the book value of the investment securities portfolio for € 5,203 million reflects the first-time consolidation of the Banco di Napoli Group.

A comparison between the market value and book value of "Government securities" reveals a net unrealized, unrecorded gain of € 55 million pertaining to the Parent Bank and to Banco di Napoli, substantially offset by derivative contracts.

"Other securities" include mainly the portfolio of the subsidiary Banco di Napoli (€ 2,937 million) and that of foreign subsidiaries (€ 601 million), as well as that of the Parent Bank (€ 215 million). More specifically, the securities portfolio of Banco

di Napoli includes securities issued by primary North American operators (around € 2,270 million), while the investments made by the Parent Bank and its other subsidiaries are concentrated in EU Government and other securities.

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

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

(€/mil)

A. Opening balance	1,756
B. Increases	5,385
B1. purchases	84
B2. writebacks	-
B3. transfers from dealing portfolio	27
B4. other changes	5,274
C. Decreases	470
C1. sales	178
C2. redemptions	212
C3. adjustments	16
<i>including:</i>	
<i>permanent writedowns</i>	-
C4. transfers to dealing portfolio	1
C5. other changes	63
D. Closing balance	6,671

"Transfers from dealing portfolio" as per subcaption B3 are made up by foreign subsidiary companies.

Subcaption B4 "Increases – other changes" includes € 5,203 million relating to the contribution of the Banco di Napoli Group.

Subcaptions B4 "Increases - other changes" and C5 "Decreases - other changes" reflect exchange differences on securities denominated in foreign currency and accrued issue and dealing discounts.

The sales reported in subcaption C1 refer for € 134 million to foreign subsidiaries and for € 44 million to the factoring by the Parent Bank of Interest Arrears Notes issued by the former URSS and to its participation to the restructuring of payables by Mexico and Ecuador, resulting in a net gain in the income statement of around € 6 million.

The "adjustments" reported in subcaption C3, totalling € 16 million, relate to the writedown of unsecured securities issued by residents in nations subject to "country risk" made by the Parent Bank, to take market trends into consideration, pursuant to Art. 18 of D.Lgs 87/92.

A comparison between the repayment value and book value reveals gains of € 43 million (issue and dealing discounts) which will be recorded in the statement of income on an accrual basis. More specifically, Banco di Napoli shows gains of € 55 million, the Parent Bank losses of € 10 million and other foreign subsidiaries losses of € 2 million.

Dealing securities

These securities, held for treasury and dealing purposes, comprise:

Dealing securities (table 2.3 B.I.)

	31/12/00 (€/mil)		31/12/99 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	9,275	9,275	8,281	8,281
– unquoted	228	228	419	419
1.2 other securities				
– quoted	3,811	3,811	3,199	3,199
– unquoted	2,972	2,977	3,282	3,286
2. Equities				
– quoted	1,991	1,991	1,435	1,435
– unquoted	10	10	8	8
Total	18,287	18,292	16,624	16,628

In the reclassified consolidated balance sheet, the dealing securities portfolio also includes € 42 million of Sanpaolo IMI S.p.A. shares, purchased by certain subsidiaries as part of their trading activities.

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

(€/mil)

A. Opening balance	16,624
B. Increases	296,805
B1. purchases	291,709
– debt securities	268,650
– government securities	153,204
– other securities	115,446
– equities	23,059
B2. writebacks and revaluations	133
B3. transfers from investment portfolio	1
B4. other changes (*)	4,962
C. Decreases	295,142
C1. sales and redemptions	292,043
– debt securities	269,093
– government securities	153,624
– other securities	115,469
– equities	22,950
C2. adjustments	245
C3. transfers to investment portfolio	27
C5. other changes	2,827
D. Closing balance	18,287

(*) This caption includes € 1,433 million which is the contribution made by the Banco di Napoli Group on its first-time consolidation.

Other information relating to securities

The composition of the securities portfolio is analysed 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 :

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Equity investments (caption 70)	3,034	2,899	+4.7
Investments in Group companies (caption 80)	539	448	+20.3
Total	3,573	3,347	+6.8
<i>including:</i>			
– Significant investments carried at equity	811	843	-3.8

Significant investments

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

Significant investments (table 3.1 B.I.)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)	
					Held by	%			
A. Companies consolidated line by line									
Sanpaolo IMI S.p.A. (Parent Bank)									
	Turin		7,700	1,198	-	-	-	-	
<i>A1 Line-by-line</i>									
1	Banca Fideuram S.p.A.	Milan	1	831	410	Sanpaolo IMI	74.19	74.19	XXX
2	Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	398	49	Sanpaolo IMI	100.00	100.00	XXX
3	Banca IMI Securities Corp,	United States	1	163	1	IMI Capital Market USA	100.00	100.00	XXX
4	Banca OPI S.p.A. (ex IMI Lease S.p.A.)	Rome	1	349	70	Sanpaolo IMI	100.00	100.00	XXX (A/B)
5	Banca Sanpaolo Invest S.p.A. (ex Sanpaolo Invest Banca S.p.A.)	Rome	1	105	16	Sanpaolo IMI	100.00	100.00	XXX
6	Banco di Napoli S.p.A.	Naples	1	1,361	92	Gruppo Bancario Banco di Napoli Sanpaolo IMI	52.48 38.89 91.37	56.08 41.57 97.65	XXX (C) XXX
7	Banco di Napoli Asset Management SGR p.A.	Naples	1	25	2	Banco di Napoli	100.00	100.00	XXX (C)
8	Banque Sanpaolo S.A.	France	1	451	40	Sanpaolo IMI	100.00	100.00	XXX
9	Bonec Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
10	Datitalia Processing S.p.A.	Naples	1	8	-	Banco di Napoli	70.00	70.00	XXX (C)
11	Fideuram Bank S.A.	Luxembourg	1	38	13	Banca Fideuram Fideuram Vita	99.99 0.01 100.00	99.99 0.01 100.00	XXX XXX
12	Fideuram Capital S.p.A.	Milan	1	33	20	Banca Fideuram	100.00	100.00	XXX
13	Fideuram Fiduciaria S.p.A.	Rome	1	2	-	Banca Fideuram	100.00	100.00	XXX
14	Fideuram Fondi S.p.A.	Rome	1	46	1	Banca Fideuram	99.25	99.25	XXX
15	Fideuram Gestioni Patrimoniali SIM S.p.A.	Milan	1	18	12	Banca Fideuram	100.00	100.00	XXX
16	Fideuram Gestions S.A.	Luxembourg	1	8	6	Banca Fideuram Fideuram Vita	99.99 0.01 100.00	99.99 0.01 100.00	XXX XXX

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
17 Fideuram Multimanager Fund Management Company S.A.	Luxembourg	1	-	-	Banca Fideuram	99.20	99.20	XXX (D)
					Fideuram Vita	0.80	0.80	XXX
						100.00	100.00	
18 Financiere Wargny S.A.	France	1	24	18	Wargny Associes	50.17	50.17	XXX (E)(P)
					Wargny Societe' de Bourse	49.83	49.83	XXX
						100.00	100.00	
19 Fonditalia Management Company S.A.	Luxembourg	1	206	196	Banca Fideuram	99.96	99.96	XXX
					Fideuram Vita	0.04	0.04	XXX
						100.00	100.00	
20 Gruppo Bancario Banco di Napoli S.p.A. (subsequently BNH S.p.A.)	Rome	1	307	1	Sanpaolo IMI	100.00	100.00	XXX (C)
21 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	
22 IMI Bank (Lux) S.A.	Luxembourg	1	87	10	Banca IMI	99.99	99.99	XXX
					IMI Investments	0.01	0.01	XXX
						100.00	100.00	
23 IMI Capital Markets USA Corp.	United States	1	165	-	IMI Investments	100.00	100.00	XXX
24 IMI Investments S.A.	Luxembourg	1	162	1	Banca IMI	99.99	99.99	XXX
					Banca IMI Securities Corp.	0.01	0.01	XXX
						100.00	100.00	
25 IMI Real Estate S.A.	Luxembourg	1	3	-	IMI Bank (Lux)	99.99	99.99	XXX
					Sanpaolo IMI International	0.01	0.01	XXX
						100.00	100.00	
26 IMIWeb Bank S.p.A. (ex @IMIWeb S.I.M. S.p.A.)	Milan	1	84	-29	Banca IMI	100.00	100.00	XXX
27 IMIWeb (UK) Ltd (ex IMI Sigeco UK Ltd)	United Kingdom	1	14	-2	IMIWeb Bank	100.00	100.00	XXX
28 Independent Management for Institutional Advisory Co. S.A.	Luxembourg	1	6	6	IMI Investments	100.00	100.00	XXX
29 Interfund Advisory Company S.A.	Luxembourg	1	63	62	Banca Fideuram	99.92	99.92	XXX
					Fideuram Vita	0.08	0.08	XXX
						100.00	100.00	
30 Int. Securities Advisory Company S.A.	Luxembourg	1	5	4	Banca Fideuram	99.98	99.98	XXX
					Fideuram Vita	0.02	0.02	XXX
						100.00	100.00	
31 Lackenstar Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
32 LDV Holding B.V.	The Netherlands	1	166	-8	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	XXX
33 NHS-Nuova Holding Sanpaolo IMI S.p.A. (ex NHS-Nuova Holding Subalpina S.p.A.)	Turin	1	820	84	Sanpaolo IMI	51.00	51.00	XXX
34 Sanpaolo Asset Management S.A.	France	1	3	2	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	

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
35 Sanpaolo Bail S.A.	France	1	5	1	Banque Sanpaolo	99.97	99.97	XXX
					Sanpaolo Mur	0.01	0.01	XXX
					SCI Parisienne de L'Avenue Hoche	0.01	0.01	XXX
					Société Foncière d'Investissement	0.01	0.01	XXX
					100.00	100.00		
36 Sanpaolo Bank (Austria) AG	Austria	1	12	2	Sanpaolo Bank	100.00	100.00	XXX
37 Sanpaolo Bank S.A.	Luxembourg	1	122	50	Sanpaolo IMI	99.99	99.99	XXX
					Sanpaolo Services Luxembourg	0.01	0.01	XXX
					100.00	100.00		
38 Sanpaolo Fiduciaria S.p.A.	Turin	1	2	-	Sanpaolo IMI	100.00	100.00	XXX
39 Sanpaolo Fonds Gestion Snc	Luxembourg	1	12	12	Banque Sanpaolo	80.00	80.00	XXX
					Sanpaolo Asset Management S.A.	20.00	20.00	XXX
					100.00	100.00		
40 Sanpaolo Gestion Internationale S.A.	Luxembourg	1	39	37	Sanpaolo IMI	99.98	99.98	XXX
					Sanpaolo Bank	0.02	0.02	XXX
					100.00	100.00		
41 Sanpaolo IMI Asset Management SGR S.p.A.	Turin	1	50	16	Sanpaolo IMI	100.00	100.00	XXX
42 Sanpaolo IMI Bank (International) S.A.	Madeira	1	182	7	Sanpaolo IMI	69.01	69.01	XXX
					Sanpaolo IMI International	30.99	30.99	XXX
					100.00	100.00		
43 Sanpaolo IMI Bank Ireland Plc	Ireland	1	446	29	Sanpaolo IMI	100.00	100.00	XXX
44 Sanpaolo IMI Capital Company I LLC	United States	1	45	-	Sanpaolo IMI	100.00	100.00	XXX (D)(F)
45 Sanpaolo IMI International S.A.	Luxembourg	1	1,105	57	Sanpaolo IMI	100.00	100.00	XXX
46 Sanpaolo IMI Investments S.A.	Luxembourg	1	1	-	NHS - Nuova Holding	99.90	99.90	XXX (G)
					Sanpaolo IMI LDV Holding	0.10	0.10	XXX
					100.00	100.00		
47 Sanpaolo IMI US Financial Co.	United States	1	-	-	Sanpaolo IMI	100.00	100.00	XXX
48 Sanpaolo Immobiliare S.p.A.	Turin	1	6	1	Sanpaolo IMI	100.00	100.00	XXX
49 Sanpaolo Leasint S.p.A.	Milan	1	59	7	Sanpaolo IMI	100.00	100.00	XXX (B)
50 Sanpaolo Mur S.A.	France	1	3	-	Banque Sanpaolo	99.99	99.99	XXX
					Sanpaolo Bail	0.01	0.01	XXX
					100.00	100.00		
51 Sanpaolo Riscossioni Genova S.p.A.	Genoa	1	6	2	Sanpaolo IMI	100.00	100.00	XXX
52 Sanpaolo Riscossioni Prato S.p.A.	Prato	1	3	1	Sanpaolo IMI	100.00	100.00	XXX
53 Sanpaolo Services Luxembourg S.A.	Luxembourg	1	2	2	Sanpaolo IMI	99.60	99.60	XXX
					Sanpaolo Bank	0.40	0.40	XXX
					100.00	100.00		
54 SEP S.p.A.	Turin	1	3	1	Sanpaolo IMI	100.00	100.00	XXX
55 SIM Banconapoli & Fumagalli Soldan S.p.A.	Milan	1	14	2	Banco di Napoli	80.00	80.00	XXX (C)
56 Société de Gestion du Fonds commun de Placement Fideuram Fund S.A.	Luxembourg	1	14	14	Banca Fideuram	99.20	99.20	XXX
					Fideuram Vita	0.80	0.80	XXX
					100.00	100.00		
57 SP Asset Management Luxembourg S.A.	Luxembourg	1	2	1	Sanpaolo Bank	99.99	99.99	XXX (G)
					Sanpaolo Services Luxembourg	0.01	0.01	XXX
					100.00	100.00		

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
58 Sogesmar S.A.	France	1	-	-	Financiere Wargny	51.50	51.50	XXX (E)
					Wargny Gestion	48.19	48.19	XXX
						99.69	99.69	
59 SP Immobiliere S.A.	Luxembourg	1	-	-	Sanpaolo Bank	99.99	99.99	XXX (H)
					Sanpaolo Services Luxembourg	0.01	0.01	XXX
						100.00	100.00	
60 Tobuk Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
61 Turis A.G. (subsequently Fideuram Bank (Suisse) S.A.)	Switzerland	1	24	-	Banca Fideuram	100.00	100.00	XXX (J)
62 Tushingam Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
63 Wargny Associes S.A.	France	1	13	6	Banca Fideuram	52.78	52.78	XXX (E)(P)
					Wargny Management	42.24	42.24	XXX
						95.02	95.02	
64 Wargny Gestion S.A.	France	1	3	1	Financiere Wargny	99.93	99.93	XXX (E)(P)
65 Wargny Gestion S.A.M.	Montecarlo	1	4	2	Financiere Wargny	99.50	99.50	XXX (E)(P)
66 Wargny Management S.A.	France	1	-	-	Banca Fideuram	100.00	100.00	XXX (E)(P)
67 Wargny Mesactions S.A.	France	1	19	1	Financiere Wargny	99.99	99.99	XXX (E)(P)
68 Wargny Societé de Bourse S.A.	France	1	33	7	Wargny Associes	77.70	77.70	XXX (E)(P)
					Banca Fideuram	0.01	0.01	XXX
						77.71	77.71	

A2 Proportional method

1	Finconsumo S.p.A.	Turin	7	43	7	Sanpaolo IMI	50.00	50.00	XXX
2	FC Factor S.r.l.	Turin	7	1	-	Finconsumo	100.00	100.00	XXX (G)

B. Investments carried at equity

Subsidiary companies (***)

1	Apokè Two S.p.A.	Milan	1	4	3	Sanpaolo IMI	100.00	100.00	4
2	Banca IMI (Nominees) Limited (ex IMI Sigeco (Nominees) Ltd.)	United Kingdom	1	-	-	Banca IMI	100.00	100.00	- (I)
3	BDN Commercial Paper USA Inc.	United States	1	-	-	Banco di Napoli	100.00	100.00	- (C)(I)
4	Bernabé Mobile Investments 2 S.A.	Belgium	1	67	-	NHS - Nuova Holding Sanpaolo IMI	99.99	99.99	67
5	Brokerban S.p.A.	Naples	1	2	1	Banco di Napoli	100.00	100.00	2 (C)
6	Cedar Street Securities Corp.	United States	1	-	-	Banca IMI Securities	100.00	100.00	- (I)
7	Consorzio SE.TEL.SUD.	Naples	1	-	-	Datitalia Processing	66.67	66.67	- (C)
8	Consorzio Studi e Ricerche Fiscali	Rome	1	-	-	Sanpaolo IMI	50.00	50.00	-
						Banca Fideuram	15.00	15.00	-
						Banca IMI	10.00	10.00	-
						NHS - Nuova Holding	5.00	5.00	-
						Sanpaolo IMI			
						Fideuram Vita	5.00	5.00	- (K)
						Sanpaolo Leasint	5.00	5.00	-
						Sanpaolo IMI Asset Management	5.00	5.00	-
	95.00	95.00							

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
9 Fideuram Assicurazioni S.p.A.	Rome	1	12	2	Banca Fideuram	100.00	100.00	12
10 Fideuram Vita S.p.A.	Rome	1	296	45	Banca Fideuram	99.75	100.00	293
11 Finance Gestion S.A.	France	1	-	-	Wargny Soci�t� de Bourse	50.02	50.02	-(E)
					Wargny Associes	49.98	49.98	-
						100.00	100.00	
12 Finomatic SARL	France	1	-	-	Wargny Associes	99.80	99.80	-(E)
13 Gedit S.A.	Luxembourg	1	-	-	Sanpaolo IMI	90.00	90.00	-
					Prospettive 2001	10.00	10.00	-(K)
						100.00	100.00	
14 Independent Management for Institutional Sicav	Luxembourg	1	-	-	IMI Bank (Lux)	50.00	50.00	-
					Independent Management for Institutional Adv,	50.00	50.00	-
						100.00	100.00	
15 Prospettive 2001 S.p.A.	Milan	1	13	-	Sanpaolo IMI	100.00	100.00	13
16 Sanpaolo IMI Capital Partners Limited	Guernsey	1	-	-	NHS - Nuova Holding	99.00	99.00	-
					Sanpaolo IMI			
					Sanpaolo IMI Management	1.00	1.00	-(K)
					100.00	100.00		
17 Sanpaolo IMI Institutional Asset Management SGR S.p.A.	Monza	1	1	-	Sanpaolo IMI Asset Management SGR	55.00	55.00	1
					Fideuram Capital	30.00	30.00	-
					Banca IMI	15.00	15.00	-
						100.00	100.00	
18 Sanpaolo IMI Management Ltd	United Kingdom	1	-	-	NHS - Nuova Holding	100.00	100.00	-
					Sanpaolo IMI			
19 Sanpaolo IMI Private Equity S.p.A.	Turin	1	2	-	NHS - Nuova Holding	100.00	100.00	2
					Sanpaolo IMI			
20 Sanpaolo Invest Ireland Limited	Ireland	1	-	-	Banca Sanpaolo Invest	100.00	100.00	-
21 Sanpaolo Leasint GMBH	Austria	1	-	-	Sanpaolo Leasint	100.00	100.00	-
22 Sanpaolo Life Ltd	Ireland	1	14	7	Sanpaolo Vita	75.00	100.00	-(K)
					Banca Sanpaolo Invest	25.00	0.00	1
						100.00	100.00	
23 Sanpaolo Vita S.p.A.	Milan	1	118	21	Sanpaolo IMI	100.00	100.00	127
24 Soci�t� Civile Les Jardins d'Arcadie	France	1	-	-	Banque Sanpaolo	55.00	55.00	-
25 Soci�t� Civile Parisienne de l'Av. Hoche	France	1	-	-	Banque Sanpaolo	100.00	100.00	3
26 Socavie S.A.	France	1	4	4	Banque Sanpaolo	99.80	99.80	4
					Soci�t� Fonciere d'Investissement	0.20	0.20	-(K)
						100.00	100.00	
27 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	-(K)
						100.00	100.00	
28 Soci�t� Immobiliere d'Investissement	France	1	-	-	Banque Sanpaolo	99.98	99.98	-
					Soci�t� Fonciere d'Investissement	0.02	0.02	-(K)
						100.00	100.00	

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
29 Spei S.p.A.	Rome	1	1	-	Banca OPI	100.00	100.00	1
30 UNI Invest S.A.	France	1	-	-	Banque Sanpaolo	99.98	99.98	-
					Sanpaolo Bail	0.01	0.01	-
					Société Civile Parisienne de l'Av. Hoche	0.01	0.01	- (K)
						100.00	100.00	
31 W.D.W. S.A.	France	1	-	-	Financiere Wargny	99.76	99.76	- (E)
32 W.S. Invest S.A.	France	1	-	-	Wargny Associes Finance Gestion	60.50	60.50	- (E)
						39.00	39.00	-
						99.50	99.50	
33 BN Finrete S.p.A. (in liq.)	Naples	1	1	-	Banco di Napoli	99.00	99.00	1 (C/L)
34 Consorzio SIARC (in liq.)	Naples	1	-	-	Datitalia Processing	60.00	60.00	- (C)
35 Fidimi Consulting S.p.A. (in liq.)	Rome	1	-	-	Sanpaolo IMI	100.00	100.00	-
36 Imifin S.p.A. (in liq.)	Rome	1	-	-	Sanpaolo IMI	100.00	100.00	-
37 IMI Bank A.G. (in liq.)	Germany	1	1	-	IMI Bank (Lux)	95.24	95.24	1 (L)
					Sanpaolo IMI International	4.76	4.76	-
						100.00	100.00	
38 Innovare S.r.l. (in liq.)	Naples	1	1	-	Banco di Napoli	90.00	90.00	1 (C/L)
39 Sanpaolo U.S. Holding Co. (in liq.)	United States	1	3	-	Sanpaolo IMI	100.00	100.00	3 (L)
40 Stare S.r.l. (in liq.)	Milan	1	-	-	Sanpaolo IMI	100.00	100.00	-
Other minor investments								3 (M)

Total investments in subsidiaries carried at equity 539

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
<i>Other</i>								
41 Banque Michel Inchauspe S.A. (BAMI)	France	8	24	4	Banque Sanpaolo	20.00	20.00	5
42 Beaujon Immobilière	France	7	-	-	Banque Sanpaolo	50.00	50.00	-
43 BNC Assicurazioni S.p.A. (subsequently HDI Assicurazioni S.p.A.)	Rome	8	138	-17	Sanpaolo IMI	28.32	28.32	39
44 Cassa di Risparmio di Firenze S.p.A.	Florence	8	813	58	Sanpaolo IMI	19.09	19.09	155 (O)
45 CBE Service	Belgium	8	-	-	Sanpaolo IMI	20.00	20.00	-
46 Conservateur Finance S.A.	France	8	24	4	Banque Sanpaolo	20.00	20.00	5
47 Consorzio Co.Me.Ta.	Naples	8	-	-	Datitalia Processing	20.00	20.00	- (C)
48 Consorzio Dagitalia	Milan	8	-	-	Datitalia Processing	28.00	28.00	- (C)
49 Consorzio Datapro	Naples	8	-	-	Datitalia Processing	27.00	27.00	- (C)
50 CR Firenze Gestion Internationale S.A.	Luxembourg	8	-	-	Sanpaolo IMI	20.00	20.00	-
51 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	9	1	Sanpaolo Vita	50.00	50.00	- (K)
52 Esatri S.p.A.	Milan	8	62	13	Sanpaolo IMI	31.50	31.50	16 (I)
53 Eurosic S.A.	France	8	29	2	Banque Sanpaolo	32.77	32.77	10
54 Finnat Investments S.p.A.	Rome	8	1	-	Sanpaolo IMI	20.00	20.00	- (I)
55 Inter-Europa Bank RT	Hungary	8	36	3	Sanpaolo IMI	32.51	32.51	8
56 Logiasit S.A.	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
57 San Marino Gestion S.A.	Luxembourg	8	-	-	Sanpaolo Bank SA	20.00	20.00	-
58 Sanpaolo IMI Private Equity Scheme B.V.	The Netherlands	8	112	-8	Ldv Holding	29.37	29.37	30
59 Società Gestione per il Realizzo S.p.A.	Rome	8	13	1	Banco di Napoli Sanpaolo IMI Banca Fideuram	18.84 9.48 0.63	18.84 9.48 0.63	1 (C)(N)
						28.95	28.95	
60 Societé Civile Domaine de La Flambelle	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
61 Societé Civile du 41 Avenue Bouisson Bertrand	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
62 Societé Civile le Jardin de Nazareth	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
63 Societé Civile Le Maestro	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
64 Societé Civile les Jardins du Ponant	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
65 Societé Civile Res Club les Arcades	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
66 Societé Civile St. Gratien Village	France	8	-	-	Banque Sanpaolo	30.00	30.00	-
67 Stoà S.C.p.A.	Naples	8	1	-	Banco di Napoli	20.76	20.76	- (C)(I)
68 Aeroporto di Napoli (in liq.)	Naples	8	-	-	Banco di Napoli	20.00	20.00	- (C)(I)
69 Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	2	-	Sanpaolo IMI Banco di Napoli	32.49 0.35	32.49 0.35	- (I) -
						32.84	32.84	
70 Consorzio Marc (in liq.)	Naples	8	-	-	Datitalia Processing	45.00	45.00	- (C)
71 Eurofondo S.C.p.A. (in liq.)	Rome	8	-	-	Sanpaolo IMI	25.00	25.00	-
72 Finexpance S.p.A. (in liq.)	Chiavari	8	-8	-	Sanpaolo IMI	30.00	30.00	- (I)
73 G.E.CAP. S.p.A. (in liq.)	Foggia	8	-12	-	Banco di Napoli	37.25	37.25	- (C)(I)
74 Galère 28 (in liq.)	France	8	-	-	Banque Sanpaolo	23.44	23.44	-
75 Galileo Holding (in liq.)	Venice	8	-19	-	Sanpaolo IMI	31.52	31.52	- (I)
76 Ingc (in liq.)	Rome	8	-	-	Banco di Napoli Sanpaolo IMI	20.00 5.00	20.00 5.00	- (C)(I) -
						25.00	25.00	

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
77 Italinfra Grandi Progetti S.p.A. (in liq.)	Naples	8	1	-	Banco di Napoli	30.00	30.00	- (C)(I)
78 Pubblileasing S.p.A. (in liq.)	Bari	8	1	-	Banco di Napoli	24.00	24.00	- (C)(I)
79 Sofimer S.p.A. (in liq.)	Naples	8	3	-	Banco di Napoli	20.00	20.00	1 (C)(A)
80 Sviluppo di Nuove Iniziative S.p.A. (in liq.)	Genoa	7	2	-	Banco di Napoli	50.00	50.00	1 (C)(A)
Other equity investments								1 (M)
Total Other investments carried at equity								272

Total investments carried at equity 811

(*) *Type of relationship:*

1 = control pursuant to art. 2359.1.1 of the Italian Civil Code (majority of voting rights at an ordinary meeting);

7 = joint control pursuant to art. 35.1 of Decree 87/92;

8 = associated company pursuant to art. 36.1 of Decree 87/92: companies over which a "significant influence" is exercised, which is expected to exist if at least 20% of the voting rights at an ordinary meeting are held.

(**) *Shareholders' equity for consolidated companies is that used for the consolidated financial statements. Shareholders' equity includes the portion of net income, before allocation of dividends (net of any interim dividends):*

(***) *The list excludes investments of Banco di Napoli Iseimer S.p.A. (in liquidation) and Società per la Gestione di Attività S.p.A. (S.G.A.) in consideration of the special characteristics of these holdings (see Part B – Section 5 "Other assets" of these explanatory notes).*

(A) *On 7/1/2000, this company received Bank of Italy authorization to carry on banking activities starting from that date. The transfer from the Parent Bank of the Public Works and Infrastructures business also took effect from that date.*

(B) *Lease transactions are shown in the balance sheet and statement of income according to the financial lease method.*

(C) *Deriving from acquisition of control of the Banco di Napoli Group.*

(D) *Newly constituted company.*

(E) *Deriving from the acquisition of the Wargny Group.*

(F) *The company has also issued preferred securities amounting to € 1 million.*

(G) *In the 1999 consolidated financial statements, the company was included among subsidiaries carried at equity*

(H) *Company acquired during 2000.*

(I) *Shareholders' equity figures refer to the financial statements as of December 31, 1999.*

(J) *The decrease in share capital from 20 to 15 million Swiss francs was decided in September 2000, even if it took place in February 2001.*

(K) *The value is included in the equity valuation of the company holding the investment.*

(L) *The book value of the company reflects the estimated realisable value according to the stage of completion of the liquidation process.*

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

(N) *The company's book value is lower than the pro-rata shareholders' equity based on a prudent valuation.*

(O) *Shareholders' equity figures refer to the financial statements as of September 30, 2000.*

(P) *As control over the Wargny Group was achieved in November 2000, the consolidated statement of income of the Sanpaolo IMI Group as of December 31, 2000 does not reflect the results of the French subsidiary.*

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

Other equity investments

Name	Registered offices	Ownership		Consolidated Book values (€/mil)
		Held by	% held (*)	
ADR International Airport South Africa Ltd	South Africa	LDV Holding	0.37	8
Aeffe S.p.A.	Rimini	LDV Holding	14.44	39
AEM Torino S.p.A.	Turin	NHS-Nuova Holding Sanpaolo IMI	1.21	11
AMPS S.p.A.	Parma	NHS-Nuova Holding Sanpaolo IMI	17.32	38
Andala UMTS S.p.A. (subsequently Hutchinson 3G Italy S.p.A.)	Cagliari	Sanpaolo IMI Investments Bernabé Mobile Investments	5.00 2.00	21 - (A)
			7.00	21
Azimut S.p.A.	Viareggio	LDV Holding Sanpaolo IMI Private Equity	7.53 0.07	27 - (A)
			7.60	27
Banca Agricola Mantovana S.p.A.	Mantua	Sanpaolo IMI	9.58	206 (B)
Bank of Italy	Rome	Banco di Napoli Sanpaolo IMI	6.29 2.00	130 55
			8.29	185
Banca Mediocredito S.p.A.	Turin	Sanpaolo IMI	1.11	4
Banca Popolare di Lodi S.c.r.l.	Lodi	NHS-Nuova Holding Sanpaolo IMI LDV Holding	1.40 0.50	21 8
			1.90	29
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.89	16
Banco Santander Central Hispano S.A.	Spagna	Sanpaolo IMI Sanpaolo IMI International	1.17 1.88	458 919
			3.05	1,377
Banksiel S.p.A.	Milan	Sanpaolo IMI	7.00	3
Beni Stabili S.p.A.	Rome	Sanpaolo IMI	14.17	80
BIAT S.A.	Tunisia	Sanpaolo IMI	5.61	8
Blixer S.p.A.	Milan	LDV Holding Sanpaolo IMI Private Equity	2.52 0.05	4 - (A)
			2.57	4
Borsa Italiana S.p.A.	Milan	Banca IMI IMI Bank (Lux) SIM Banconapoli &Fumagalli Soldan	7.00 0.50 0.35	3 - -
			7.85	3
Camuzzi Gazometri S.p.A.	Milan	NHS-Nuova Holding Sanpaolo IMI	2.79	21
CDC - Services Industrie FCPR 1	France	NHS-Nuova Holding Sanpaolo IMI	9.87	3
Cedel International S.A.	Luxembourg	Banca IMI Banco di Napoli	1.32 0.33	3 -
			1.65	3
Convergenza S.C.A.	Luxembourg	LDV Holding	10.00	6
Enel S.p.A.	Rome	NHS - Nuova Holding Sanpaolo IMI	0.04	20
Engineering Ingegneria Informatica S.p.A.	Rome	NHS - Nuova Holding Sanpaolo IMI	1.60	8
Euromedia Venture Belgique S.A.	Belgium	NHS - Nuova Holding Sanpaolo IMI	9.68	5
Euronext S.A.	France	Wargny Société de Bourse	1.47	4 (C)
FIAT S.p.A.	Turin	NHS - Nuova Holding Sanpaolo IMI	1.48	220
Fincantieri - Cantieri Navali Italiani S.p.A.	Trieste	NHS - Nuova Holding Sanpaolo IMI Banco di Napoli	1.21 0.76	4 3
			1.97	7

Name	Registered offices	Ownership		Consolidated Book values (€/mil)
		Held by	% held (*)	
ILIAD S.A.	France	Banque Sanpaolo	9.93	5
Istituto Enciclopedia Italiana S.p.A.	Rome	Banco di Napoli	10.00	3 (D)
Istituto per il Credito Sportivo	Rome	Banco di Napoli	10.81	19 (D)
Kiwi Il Ventura Servicos de Consultoria S.A.	Madeira	NHS - Nuova Holding Sanpaolo IMI	1.16	3
La Stampa Interattiva S.p.A.	Turin	NHS - Nuova Holding Sanpaolo IMI	19.03	3
Montedison S.p.A. (ex Compart S.p.A.)	Milan	NHS - Nuova Holding Sanpaolo IMI	5.68	111
Praxis Calcolo S.p.A.	Milan	LDV Holding	12.23	8
		Sanpaolo IMI Private Equity	0.24	- (A)
			12.47	8
Sagat S.p.A.	Turin	NHS - Nuova Holding Sanpaolo IMI	12.40	18
Salvagnini BV	The Netherlands	LDV Holding	9.43	6
Simest S.p.A.	Rome	Sanpaolo IMI	3.31	5
		Banco di Napoli	0.53	1
			3.84	6
SINLOC - Sistemi Iniziative Locali S.p.A.	Turin	Sanpaolo IMI	8.15	4
Spinner Global Technology Fund Ltd	Dutch Antilles	NHS - Nuova Holding Sanpaolo IMI	3.42	8
The Royal Bank of Scotland Plc	United Kingdom	Sanpaolo IMI International	0.20	87
Tecnost S.p.A. (since 1/1/2001 merged into Olivetti S.p.A.)	Ivrea	Sanpaolo IMI	0.38	57
		NHS - Nuova Holding Sanpaolo IMI	0.05	8
			0.43	65
Unionvita S.p.A.	Rome	Fideuram Capital	15.00	5
Utet S.p.A.	Turin	LDV Holding	17.90	19
Other minor investments				36
Total other investments				2,762

(*) Percentage of total capital.

(A) Value included in the net equity valuation of the company.

(B) Financial investment made in 1999 in the context of the placement, organized by the SANPAOLO IMI Group, of 19% of the company's capital.

(C) Result of the acquisition of the Wargny group.

(D) Result of the acquisition of control of the Banco di Napoli group.

Composition of the investment portfolio

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Investments in banks			
1. quoted	-	-	-
2. unquoted	1	1	-
b) Investments in financial institutions			
1. quoted	-	-	-
2. unquoted	11	9	+22.2
c) other			
1. quoted	-	-	-
2. unquoted	527	438	+20.3
Total	539	448	+20.3

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Investments in banks			
1. quoted	1,870	1,022	+83.0
2. unquoted	236	443	-46.7
b) Investments in financial institutions			
1. quoted	10	10	-
2. unquoted	58	66	-12.1
c) other			
1. quoted	527	1,235	-57.3
2. unquoted	333	123	+170.7
Total	3,034	2,899	+4.7

Changes during the year in the investment portfolio

<i>Investments in Group companies (table 3.6.1 B.1.)</i>		<i>(€/mil)</i>
A. Opening balance		448
B. Increases		99
B1. purchases		72
B2. writebacks		-
B3. revaluations		-
B4. other changes		27
C. Decreases		-8
C1. sales		-
C2. adjustments		-1
<i>including:</i>		
- <i>permanent writedowns</i>		-1
C3. other changes		-7
D. Closing balance		539
E. Total revaluations		43
F. Total adjustments		408

Subcaption B.1 "Purchases" comprises mainly the acquisition by NHS - Nuova Holding Sanpaolo IMI of a controlling interest in Bernabé Mobile Investments 2 S.A. for € 67 million.

Subcaption B.4 "Other changes" essentially refers to the increase in value of equity holdings carried at equity (a total of € 20 million). The latter amount includes € 4 million for revaluation of Fideuram Vita's shareholders' equity after it carried out a property revaluation pursuant to Law 342 of November 21, 2000. The contra-entries of this revaluation in the consolidated accounts are the € 3 million increase in negative goodwill arising on application of the equity method and the € 1 million increase in shareholders' equity pertaining to minority interests.

Subcaption C.3 "Decreases - Other changes" is entirely made up of the decrease in value of equity investments carried at equity.

<i>Other equity investments (table 3.6.2 B.1.)</i>	<i>(€/mil)</i>
A. Opening balance	2,899
B. Increases	2,224
B1. purchases	1,745
B2. writebacks	14
B3. revaluations	-
B4. other changes	465
C. Decreases	-2,089
C1. sales	-846
C2. adjustments	-20
<i>including:</i>	
- <i>permanent writedowns</i>	-20
C3. other changes	-1,223
D. Closing balance	3,034
E. Total revaluations	121
F. Total adjustments	596

Subcaption B1. "Purchases" includes the cost of the Parent Bank's strategic investment in Cassa di Risparmio di Firenze S.p.A. (€ 387 million), investments made by Sanpaolo Imi International S.A. in Banco Santander Central Hispano S.A. (€ 708 million) and The Royal Bank of Scotland Plc (€ 71 million), as well as investments in the merchant banking sector by NHS – Nuova Holding Sanpaolo IMI and through its subsidiary LDV Holding BV (€ 575 million).

Subcaption B2. "Writebacks" refers entirely to writebacks made by NHS – Nuova Holding Sanpaolo IMI on equity investments which had previously been written down.

Subcaption B4. "Other changes" includes the minority investments of Banco di Napoli S.p.A. (€ 160 million), as well as realized gains from the sale of investments (€ 270 million, of which € 11 million from equity investments in the merchant banking sector). Gains from disposal of investments include the sale of the residual stake in Crediop S.p.A. (€ 134 million gain) and various other sales of minority interests by the Parent Bank and its subsidiaries NHS – Nuova Holding Sanpaolo IMI S.p.A. (gains of € 88 million) and Sanpaolo Imi International S.A. (gains of € 12 million).

The subcaption C1. "sales" refers to the disposals made by the Parent Bank (€ 404 million), by NHS – Nuova Holding Sanpaolo IMI S.p.A. (€ 256 million), by LDV Holding BV (€ 51 million) and by Sanpaolo Imi International S.A. (€ 45 million).

The subcaption C2. "Adjustments" relates mainly to writedowns of the investments in Banca Popolare di Lodi S.c.r.l. (€ 3 million) carried out by NHS – Nuova Holding Sanpaolo IMI S.p.A., and by LDV Holding BV on its investments in Elsacom NV (€ 8 million), Blixer S.p.A. (€ 4 million) and Filos S.p.A. (€ 2 million).

The subcaption C3. "Other changes" reflects for € 818 million the cancellation of the investment in Ina S.p.A. as part of the non-proportional spin-off of the insurance company, which involved the transfer of the shares in Banco Napoli Holding S.p.A. to Sanpaolo IMI. It also includes the attribution to goodwill arising on consolidation of part (€ 256 million) of the cost of the investment in Cassa di Risparmio di Firenze S.p.A., and Sanpaolo Imi International S.A.'s transfer of its investment in Banque Nationale de Paris S.A. (€ 90 million) to the dealing securities portfolio.

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

The following table sets out the amounts due to and from companies belonging to the SANPAOLO IMI Banking Group, as defined pursuant to article 4 of Decree 87/92, and the amounts due to and from investments that are not part of the Group:

Amounts due to and from Group companies (table 3.2 B.1.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Assets			
1. due from banks	26	-	n.s.
<i>including:</i>			
- subordinated	-	-	-
2. due from financial institutions (*)	3,208	-	n.s.
<i>including:</i>			
- subordinated	-	-	-
3. due from other customers	108	76	+42.1
<i>including:</i>			
- subordinated	-	-	-
4. bonds and other debt securities	-	-	-
<i>including:</i>			
- subordinated	-	-	-
Total assets	3,342	76	n.s.
b) Liabilities			
1. due to banks	14	-	-100.0
2. due to financial institutions	34	3	n.s.
3. due to other customers	142	72	+97.2
4. securities issued	16	867	-98.2
5. subordinated liabilities	-	-	-
Total liabilities	206	942	-78.1
c) Guarantees and commitments			
1. guarantees given	46	4	n.s.
2. commitments	6	4	+50.0
Total guarantees and commitments	52	8	n.s.

(*) It includes € 2,738 million of receivables due to Banco di Napoli by Società per la Gestione di Attività S.p.A. (see Part B – Section 5 "Other assets" of these notes).

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Assets			
1. due from banks (*)	928	1,180	-21.4
<i>including:</i>			
- subordinated	20	20	-
2. due from financial institutions	721	522	+38.1
<i>including:</i>			
- subordinated	-	-	-
3. due from other customers	1,852	2,158	-14.2
<i>including:</i>			
- subordinated	21	24	-12.5
4. bonds and other debt securities	13	275	-95.3
<i>including:</i>			
- subordinated	-	-	-
Total assets	3,514	4,135	-15.0
b) Liabilities			
1. due to banks (**)	2,718	1,919	+41.6
2. due to financial institutions	115	97	+18.6
3. due to other customers	110	28	n.s.
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
Total liabilities	2,943	2,044	+44.0
c) Guarantees and commitments			
1. guarantees given	955	363	+163.1
2. commitments	464	-	n.s.
Total guarantees and commitments	1,419	363	n.s.

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

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

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Tangible fixed assets (caption 120)	1,793	1,120	+60.1
<i>including:</i>			
<i>contribution from the Banco di Napoli Group - property</i>	575	-	n.s.
<i>contribution from the Banco di Napoli Group - furniture and installations</i>	92	-	n.s.
Intangible fixed assets (caption 110)	359	267	+34.5
<i>including the contribution of the Banco di Napoli Group</i>	68	-	n.s.
Total	2,152	1,387	+55.2

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Property			
– operating	1,448	948	+52.7
– non-operating	72	35	+105.7
– undergoing renovation	21	20	+5.0
Furniture and installations			
– electronic machines	140	54	+159.3
– general and specific installations	69	31	+122.6
– office furniture and machines	42	31	+35.5
– vehicles	1	1	-
Total	1,793	1,120	+60.1

<i>Changes in tangible fixed assets during the year (table 4.1 B.I)</i>		<i>(€/mil)</i>
A. Opening balance		1,120
B. Increases		842
B1. purchases		137
B2. writebacks		-
B3. revaluations		15
B4. other changes		690
C. Decreases		169
C1. sales		30
C2. adjustments		
a) accumulated depreciation		134
b) permanent writedowns		-
C3. other changes		5
D. Closing balance		1,793
E. Total revaluations		916
F. Total adjustments		1,351
a) accumulated depreciation		1,343
b) permanent writedowns		8

Changes in tangible fixed assets during the year are:

	<i>(€/mil)</i>	
	Property	Furniture and installations
Opening balance	1,003	117
Increases		
– purchases	10	127
– revaluations	15	-
– other changes	588	102
– incremental costs	2	-
– gains on disposals	7	1
– effect of the consolidation of the Banco di Napoli Group	575	92
– other	4	9
Decreases		
– sales	25	5
– adjustments	45	89
– depreciation	45	89
– permanent writedowns	-	-
– other changes	5	-
Closing balance	1,541	252

Revaluations refer to the application of Law 342 of November 21, 2000 by Banca Fideuram S.p.A. The contra-entries to this revaluation are the increase in its equity reserves of € 12 million (including € 3 million pertaining to minority interests) and substitute tax of € 3 million booked to the taxation reserve.

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Merger differences (goodwill of merged companies)	54	81	-33.3
Goodwill	10	17	-41.2
Other deferred charges	295	169	+74.6
Total	359	267	+34.5

*Changes in intangible fixed assets during the year (table 4.2 B.1.)**(€/mil)*

A. Opening balance	267
B. Increases	
B1. purchases	169
B2. writebacks	-
B3. revaluations	-
B4. other changes	73
C. Decreases	
C1. sales	-
C2. adjustments	
a) accumulated amortization	147
b) permanent writedowns	-
C3. other changes	3
D. Closing balance	359
E. Total revaluations	-
F. Total adjustments	517
a) accumulated amortization	517
b) permanent writedowns	-

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

	(€/mil)		
	Merger differences (goodwill of merged companies)	Goodwill	Other deferred charges
Opening balance - pro forma	81	17	169
Increases			
– purchases	-	-	169
– writebacks	-	-	-
– revaluations	-	-	-
– effect of the consolidation of the Banco di Napoli Group	-	10	58
– other changes	-	-	5
Decreases			
– sales	-	-	-
– adjustments:			
a) accumulated amortization	27	17	103
b) permanent writedowns	-	-	-
– other changes	-	-	3
Closing balance	54	10	295

The differences arising on the mergers of Banca Provinciale Lombarda and Banco Lariano in 1993 are recorded in the financial statements since they represent goodwill relating to merged companies. Such differences are stated net of the amounts allocated to the related assets acquired.

Other deferred charges include:

- € 158 million in software costs which will benefit future years;
- € 77 million of software not yet in use relating to modification and procedure changes for the development of application programs ordered from third parties;
- € 37 million for leasehold improvements;
- € 2 million for start-up and expansion costs.

The cost incurred by the Group for the introduction of the Euro, mainly for new and amended IT procedures, total € 67 million as of December 31, 2000. Of this amount, € 9 million was written off in 2000 and € 14 million is still to be amortized in future years.

The criteria used for booking these costs are in line with the current accounting principles and Consob recommendations. The nature of the costs has been analysed and intangible assets have only been capitalized if it is clear that they will benefit future years.

SECTION 5 - OTHER ASSETS

Consolidated asset captions 90, 100, 150 and 160, not commented upon previously, comprise the following:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Goodwill arising on consolidation (caption 90)	915	7	n.s.
Goodwill arising on application of the equity method (caption 100)	74	51	+45.1
Other assets (caption 150)	19,193	16,199	+18.5
<i>including: Banco di Napoli Group contribution</i>	4,941		
Accrued income and prepaid expenses (caption 160)	2,661	4,649	-42.8
<i>including: Banco di Napoli Group contribution</i>	231		
Total	22,843	20,906	+9.3

Goodwill arising on consolidation (caption 90)

Analysis of caption 90 " Goodwill arising on consolidation "

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Banco di Napoli Group	812	-	n.s.
Wargny Group	77	-	n.s.
Banca Fideuram S.p.A.	23	-	n.s.
SANPAOLO IMI Asset Management S.g.r. S.p.A.	2	5	-60.0
Finconsumo S.p.A.	1	2	-50.0
Total	915	7	n.s.

Goodwill arising on consolidation of Banco di Napoli reflects the excess price paid with respect to its adjusted shareholders' equity, for the part non compensated by the negative goodwill arising on consolidation (see Section 8 - capital, equity reserves, reserve for general banking risks and subordinated liabilities). The difference is shown net of the amortization charge for 2000 (€ 4 million). Given the nature of the investment, amortization will be calculated over 10 years (see Explanatory notes – Introduction - Background information on the consolidated financial statements).

In addition, the line-by-line consolidation of the Wargny Group entailed booking to consolidated assets positive goodwill arising on consolidation of € 78 million which is being amortized over 10 years, given the nature of the investment (see Explanatory notes – Introduction - Background information on the consolidated financial statements). This difference is shown net of the amortization charge for 2000 (€ 1 million).

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Cassa di Risparmio di Firenze	74	-	n.s.
Sanpaolo Vita S.p.A.	-	24	-100.0
Azimut S.p.A.	-	24	-100.0
Bafin S.p.A.	-	3	-100.0
Total	74	51	+45.1

The positive difference in the shareholders' equity of Cassa di Risparmio di Firenze reflects the higher price paid for the acquisition of 19.1% of this bank compared to its shareholders' equity, for the portion non compensated by negative goodwill arising on application of the equity method and on consolidation (see Section 8 - capital, equity reserves, reserve for general banking risks and subordinated liabilities). The difference is shown net of the amortization charge for 2000 (€ 8 million). Given the nature of the investment, amortization will be charged over 10 years (see Explanatory notes – Introduction - Background information on the consolidated financial statements).

Other assets (caption 150)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	4,588	9,289	-50.6
Unprocessed transactions (a)	3,494	1,104	n.s.
Tax collection accounts	1,512	205	n.s.
Banco di Napoli loans to be restored ex Law 588/96	1,376	-	n.s.
Amounts in transit between branches and subsidiaries (a)	1,350	605	+123.1
Effect of currency hedges, forex swap and cross-currency swap transactions	1,301	972	+33.8
Deferred tax assets (b)	1,270	558	+127.6
Due from tax authorities:	1,128	1,115	+1.2
– tax credits relating to prior years	283	125	+126.4
– tax withholdings overpaid during the year on bank interest income	2	122	-98.4
– taxes withheld during the year	13	20	-35.0
– taxes paid in advance on termination indemnities - Law 662/96	77	48	+60.4
– prepaid current year direct taxes	231	684	-66.2
– other credits	522	116	n.s.
Premiums paid on purchased options	507	364	+39.3
Checks and other instruments held	126	39	n.s.
Net effect of translating funds from international agencies using current rates, with the exchange risk borne by third parties	66	89	-25.8
Banco di Napoli non interest-bearing deposits with the Bank of Italy	58	-	n.s.
Transactions by foreign branches	54	133	-59.4
Items relating to securities transactions	17	18	-5.6
Other	2,346	1,708	+37.4
Total	19,193	16,199	+18.5

(a) Mostly settled at the beginning of 2001.

(b) More details on deferred tax assets can be found in Part B – Section 7 of these notes.

Banco di Napoli loans to be restored ex Law 588/96

This item, amounting to € 1,376 million (€ 1,264 million as of December 31, 1999), represents the residual principal and interest of the interventions made by the recently acquired Banco di Napoli to cover the liquidation deficit of Isveimer and the losses of Società per la Gestione di Attività S.p.A. (SGA). These interventions form part of the reorganisation plan prepared with Bank of Italy approval in accordance with Law 588/96 containing urgent provisions for the restoration, reorganisation and privatisation of Banco di Napoli. Among other things, this law intends to safeguard Banco di Napoli from the economic and financial consequences deriving from such interventions, either those already made or those still to be made using the mechanism foreseen by the Decree of the Treasury Ministry of September 27, 1974.

To summarize, the procedure applicable both to Isveimer and to SGA lays down that the Bank of Italy grants to Banco di Napoli extraordinary advances at a special low rate of interest (1%) to cover the losses of the subsidiaries concerned. These amounts have to be invested in Government securities, so that the differential between the interest income on the securities purchased and the interest expense on the advances received can directly reduce these "loans to be restored" and the related interest accrued, based on the "minimum interest rate offered on the principal refinancing operations".

From an accounting point of view, the advances received from the Bank of Italy and the Government securities purchased are shown under the memorandum accounts of Banco di Napoli, while the financial flows deriving from collection of the coupons on such securities and from the payment of interest on the advances are respectively debited and credited directly to the "loans to be restored", thus allowing them to be gradually reduced. This accounting treatment has been authorised by the Bank of Italy as it puts the emphasis on the substance of the situation rather than the form, in accordance with Decree Law 87 of January 27, 1992.

As of December 31, 2000, one advance has been granted by the Bank of Italy for € 15,983 million (expiring on December 27, 2001), which was invested in Government securities.

Below there is a summary of these two matters.

The liquidation of Isveimer

Isveimer S.p.A., a subsidiary of Banco di Napoli which financed industrial development in Southern Italy, was put in voluntary liquidation in 1996.

In 1997, Banco di Napoli intervened to reduce the final liquidation deficit estimated to be € 917 million. The cost of this intervention and the related interest were recovered in accordance with Law 588/96, as mentioned above, and the methods described in the Treasury Decree of 1974.

In fact, on the expiry of the advance granted by the Bank of Italy, the recovery process showed a balance in favour of the Central Bank as of December 31, 1998 of € 57 million. This amount, plus € 1 million of accrued interest, was lodged as a non interest bearing deposit with the Central Bank. In the consolidated balance sheet, this deposit is shown under "other assets" offset by "other liabilities".

During 2000, the ordinary shareholders' meeting of Isveimer resolved, after the favourable opinion of the Bank of Italy, to transfer all of Isveimer's doubtful loans to SGA at a provisional transfer price equal to their net value as shown in Isveimer's financial statements as of December 31, 1999. The final transfer price of each loan will be restated according to the amount actually collected by SGA and the latter will pay Isveimer as and when they are individually collected, taking account however of the expenses incurred for their recovery. Isveimer has therefore been left with the possible risk of not recovering the entire amount of the factored loans. The factoring agreement between Isveimer and SGA was signed to take effect from July 1, 2000.

Società per la Gestione di Attività (SGA)

Società per la Gestione di Attività S.p.A. (SGA) was created in 1996 by transforming an existing subsidiary of Banco di Napoli for the purpose of taking over most of the bank's doubtful loans, for a price and without recourse. Although Banco di Napoli owns the entire capital of the company, it does not exercise control over it, as it gave the shares and the voting rights to the Treasury by way of a pledge.

The transfer of the doubtful loans to SGA began on January 1, 1997; at the same time, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essentially to finance the cost of the factoring agreement, as well as to pay for the company's running costs (€ 6,426 million). As of December 31, 2000, Banco di Napoli loans to SGA, shown under "loans to customers", amount to € 2,773 million (including accrued interest and exposures other than those connected to the financing accounts) with a decrease during the year of € 1,042 million. This reduction follows the recovery of some of the loans transferred to SGA (€ 380 million), other interventions by Banco di Napoli in SGA's favour to cover losses from the writedown of loans or loans that had become uncollectible (€ 714 million), while interest accruing on the total exposure during 2000 came to € 177 million. In addition, at the year end, Banco di Napoli reached a settlement with SGA resolving a number of differences of interpretation and substance that had arisen between the parties; the cost of this settlement, € 125 million, was deducted from the loans.

As in the case of Isveimer, Law 588/96 provides for full restoration of the interventions carried out by Banco di Napoli to cover SGA's losses in accordance with the criteria mentioned above.

The following tables show details of the restoration procedure for 2000, with comparative figures for 1999, as published in the annual report of Banco di Napoli.

Advances received and securities purchased ex Law 588/96 ()*

	31/12/00 (€/mil)	31/12/99 (€/mil)
Advances received from the Bank of Italy ex Law 588/96	15,983	9,087
Securities lodged in guarantee for advances ex Law 588/96 (nominal value)	14,490	8,205
- securities of the Bank of Italy	13,841	8,094
- securities of Banco di Napoli	649	111

(*) These operations are included among memorandum accounts as authorised by the Bank of Italy. The advance of € 15,983 million, granted on December 27, 2000, will expire on December 27, 2001.

Changes in the loans to be restored ex Law 588/96 ()*

	31/12/00 (€/mil)	31/12/99 (€/mil)
a. Opening balance	1,264	447
b. Changes		
1. Coverage of SGA's losses (**)	714	890
2. Interest income on the securities purchased with the funds advanced by the Bank of Italy	-749	-187
3. Interest expense on advances from the Bank of Italy	97	36
4. Interest accrued on the "Loans to be restored" account	50	21
5. Interest expense accrued by Banco di Napoli on the Isveimer intervention on 7/30/99	-	-1
6. Deposit on an interest-bearing account with the Bank of Italy equal to the excess between the income and expenses involved in the Isveimer intervention.	-	58
Total	1,376	1,264

(*) The statement of income of Banco di Napoli only shows interest accrued on the "Loans to be restored" account.

(**) The amount refers for € 381 million to the loss for the second half of 1999, which was covered in April 2000 and for € 333 million to the loss as of June 30, 2000, covered in October 2000.

Financial flows accruing on advances and securities of the Bank of Italy lodged in guarantee ex Law 588/96 ()*

	31/12/00 (€/mil)	31/12/99 (€/mil)
Interest accrued on advances	-2	-2
Coupons maturing on securities of the Bank of Italy lodged in guarantee	254	180
Total	252	178

(*) *The amounts refer to the portions accruing in the respective years.*

Accrued income and prepaid expenses (caption 160)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Accrued income			
– income from derivative contracts	1,078	3,349	-67.8
– interest from loans to customers	774	636	+21.7
– interest on securities	377	291	+29.6
– bank interest	177	87	+103.4
– other	60	72	-16.7
Prepaid expenses			
– charges on derivative contracts	55	28	+96.4
– commission on placement of securities and mortgage loans	28	60	-53.3
– discounts on bond issues	27	8	n.s.
– other	85	118	-28.0
Total	2,661	4,649	-42.8

Other information

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Due from banks	41	33	+24.2
b) Loans to customers	33	38	-13.2
c) Bonds and other debt securities	114	99	+15.2
Total	188	170	+10.6

Subordinated loans to customers and amounts due from banks refer mainly to loans made to Group companies. Subordinated bonds and other debt securities refer mainly to issues by prime banking institutions.

SECTION 6 - PAYABLES

Total Group deposits and other sources of funds are detailed below

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due to banks (caption 10)	29,596	28,012	+5.7
<i>including the contribution of the Banco di Napoli Group</i>	2,498		
Due to customers (caption 20)	64,718	43,189	+49.8
<i>including the contribution of the Banco di Napoli Group</i>	17,120		
Securities issued (caption 30)	39,338	35,718	+10.1
<i>including the contribution of the Banco di Napoli Group</i>	7,413		
Public funds administered (caption 40)	88	50	+76.0
<i>including the contribution of the Banco di Napoli Group</i>	49		
Total	133,740	106,969	+25.0

Due to banks (caption 10)

Deposits taken from banks are analysed as follows:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due to central banks			
– repurchase agreements and securities borrowed	2,607	4,477	-41.8
– other deposits from central banks	1,081	558	+93.7
– other deposits from the Italian Exchange Office	54	35	+54.3
– advances	25	-	n.s.
Due to banks			
– deposits	16,541	13,661	+21.1
– medium and long-term loans from international bodies	4,542	4,278	+6.2
– repurchase agreements and securities borrowed	2,559	1,249	+104.9
– other	1,420	2,745	-48.3
– current accounts	767	1,009	-24.0
Total	29,596	28,012	+5.7

Detail of "Due to banks" (table 6.1 B.1.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Repurchase agreements	5,049	5,624	-10.2
b) Securities borrowed	117	102	+14.7

Loans from international bodies include loans used by the Group to finance investment projects in industrial sectors and in public utility services.

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due to customers			
– current accounts	38,531	31,344	+22.9
– deposits	14,865	4,752	n.s.
– repurchase agreements and securities borrowed	7,944	3,758	+111.4
– short-term payables relating to special management services carried out for the government	751	475	+58.1
– other (*)	2,627	2,860	-8.1
Securities issued			
– bonds	26,589	23,643	+12.5
– certificates of deposit	8,888	9,090	-2.2
– bankers' drafts	738	380	+94.2
– other securities	3,123	2,605	+19.9
Total	104,056	78,907	+31.9

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Repurchase agreements	7,665	3,748	+104.5
b) Securities borrowed	279	10	n.s.

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

Public funds administered (caption 40)

Public funds administered are provided by the State and other public agencies. These funds are analysed below:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Funds provided by the State	54	10	n.s.
Funds provided by regional public agencies	20	20	-
Other funds	14	20	-30.0
Total	88	50	+76.0
<i>including: funds with risk borne by the government under Law 19 of 2/6/87</i>	<i>13</i>	<i>16</i>	<i>-18.8</i>

Other information relating to payables

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

SECTION 7 - PROVISIONS

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Provisions for termination indemnities (caption 70)	743	438	+69.6
<i>including the contribution of the Banco di Napoli Group</i>	293		
Provisions for risks and charges (caption 80)	3,823	1,483	+157.8
<i>including the contribution of the Banco di Napoli Group</i>	2,011		
– pensions and similar commitments (caption 80a)	1,128	46	n.s.
<i>including the contribution of the Banco di Napoli Group</i>	1,085		
– taxation (caption 80b)	1,230	1,029	+19.5
<i>including the contribution of the Banco di Napoli Group</i>	63		
– other (caption 80c)	1,465	408	n.s.
<i>including the contribution of the Banco di Napoli Group</i>	863		
Reserve for possible loan losses (caption 90)	35	29	+20.7
Total	4,601	1,950	+135.9

Provisions for termination indemnities (caption 70)

<i>Changes in the reserve for termination indemnities during the year</i>	<i>(€/mil)</i>
Opening balance	438
Increases	
– provisions	42
– transfers	-
– other changes	295
Decreases	
– advances allowed under Law 297/82	8
– indemnities to employees leaving the Bank	21
– transfers	2
– other changes	1
Closing balance as per the restated balance sheet	743

Other increases include € 293 million of the contribution from the Banco di Napoli Group on its first-time consolidation.

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

<i>Changes in the reserve for pensions and similar commitments during the year "</i>		<i>(€/mil)</i>
Opening balance		46
Increases		
– provisions		1
– other		1,085
Decreases		
– utilisations		4
Closing balance		1,128

Other increases consist of the contribution by Banco di Napoli on its first-time consolidation.

As of December 31, 2000, the reserve is made up of provisions for supplementary pensions for the employees of the former IMI S.p.A. (€ 43 million) and for expenses to be incurred by Banco di Napoli (€ 1,085 million).

The balance as of December 31, 2000 attributable to Banco di Napoli corresponds to the mathematical reserve covering present and future commitments of the Company, deriving from the obligation to ensure additional benefits foreseen by the internal system as updated in accordance with Decree Law 503/92, Law 335/1995, and union agreements of July '96 as well as the Budget Law for 1998. Values have been calculated based on an actuarial study which estimated the expenses to be incurred for a closed group of recipients of the benefits, as provided for in Law 218/90, based on the following parameters: an estimated inflation rate of 2% and a nominal discounting rate of 5%.

In addition, it is worth noting that Banco di Napoli did not provide for any provision against possible additional charges, deriving from outstanding legal disputes presented by certain retired employees, aimed at keeping the link between pension increments and the salary rises of current personnel in the equivalent positions, instead of the automatic equalisation laid down by law, and paid by Banco di Napoli on the basis of Decree 503 of December 30, 1992. This because, according to the opinion expressed and recently confirmed by the legal advisor who is following these pending disputes, it is reasonable to expect that the court will decide in favour of the bank. This conclusion already looked more likely on the basis of Law 335/95, which confirms that the legal equalisation system is to be applied to all employees and retired employees, whenever they retired. This conclusion now appears to be definitively confirmed by Law 449/1997, which suppressed any so-called "Golden Clauses" that still existed and confirmed the previous legal interventions abolishing such clauses in individual pension plans and, therefore, also in the one managed by the bank. This valuation does not appear to have been overturned by the judgement of the Supreme Court of February 8, 2000, since it is valid only for one retired employee of the bank and, in any case, is founded on arguments which, according to the legal advisor, are not about to reverse the trend of interpretations inaugurated by the previous judgement of the same Court of July 10, 1998, already adopted by the court of Reggio Emilia in its judgement of January 21, 1999 and by the Milan court in its judgement of December 18, 1999. Again according to the bank's legal advisor, it is therefore likely that this trend will be confirmed by the joint Sections, which have already been appointed to resolve this disputed point of law.

The table below shows the valuables that Banco di Napoli has taken a commitment with the trade unions to lodge by way of a better guarantee for the supplementary pension fund:

Valuables lodged to better guarantee the supplementary pension fund of Banco di Napoli

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
- securities	1,023	901	+13.5
- property	37	45	-17.8
Total	1,060	946	+12.1

Taxation (caption 80.b)

Changes in the reserve for taxation during the year

	(€/mil)		
	Current tax liabilities	Deferred tax liabilities	Total
Opening balance	759	270	1,029
Increases			
- provision for current income taxes	749	63	812
- transfer from the reserve for deferred taxation	73	-	73
- other changes (*)	86	5	91
Decreases			
- payment of income taxes	649	-	649
- transfer to current taxes	-	73	73
- other changes	22	31	53
Closing balance	996	234	1,230

(*) Other increases are made up of € 63 million of the contribution by Banco di Napoli on its first-time consolidation and exchange differences for funds denominated in currencies other than the Euro.

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

The subsidiary Fideuram Vita is in dispute with the tax authorities regarding the years from 1985 to 1987. The years 1988, 1989 and 1990 have been settled thanks to the favourable verdict pronounced by the Regional Tax Commission regarding disputed items in those years. The verdict was deposited on July 27, 2000 and the tax authorities did not appeal against it before the legal deadline.

Regarding the years 1985, 1986 and 1987, the company obtained a favourable judgement in the first degree, but decisions that were substantially unfavourable in the subsequent two degrees. However, Fideuram Vita has appealed to the Supreme Court, as it is still confident that the case can be won. If, on the other hand, the current adverse trend is confirmed, the potential liability for the company would be minimal, but it would become significant (albeit covered by existing reserves) if subsequent open years (from 1995 onwards) were also contested for the same reason. Based on expert opinions, and taking into account the positive evolution of the dispute and the fact that the case involves a practice that is universally applied by the whole of the insurance industry, the subsidiary has not made any specific provision for this risk.

Deferred tax assets and liabilities recorded in the consolidated financial statements relate to timing differences between the accounting and fiscal value of assets and liabilities accrued in 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.

Detail of deferred tax liabilities

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Deferred tax liabilities charged to the statement of income:	81	73	+11.0
- on the earnings of subsidiary companies (*)	51	54	-5.6
- other	30	19	+57.9
Deferred tax liabilities charged to shareholders' equity:	153	197	-22.3
- on Parent Bank reserves:	143	149	-4.0
<i>Reserve for general banking risks</i>	114	120	-5.0
<i>Other reserves - Reserve ex Law 169/83</i>	4	4	-
<i>Other reserves - Reserve ex Legislative Decree 213/98</i>	25	25	-
- on reserves of foreign subsidiaries	10	48	-79.2
Total	234	270	-13.3

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

Changes in deferred tax liabilities charged to the statement of income

Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)

(€/mil)

1. Opening balance	73
2. Increases	
2.1 Deferred tax liabilities arising during the year	63
2.2 Other increases	5
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	59
3.2 Other decreases	1
4. Closing balance	81

Changes in deferred tax liabilities charged to shareholders' equity

Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)

(€/mil)

1. Opening balance	197
2. Increases	
2.1 Deferred tax liabilities arising during the year	
2.2 Other increases	
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	14
3.2 Other decreases	30
4. Closing balance	153

The deferred tax liabilities that reversed during the year relate for € 34 million to the release of the reserve set up in prior years for the distribution within the Group of subsidiaries' reserves with the related tax charge. Additional € 6 million are due to the utilisation by the Parent Bank of the reserve for deferred taxation on the reserve for general banking risks to cover loan losses incurred during the year, but which are not immediately deductible for tax purposes.

Detail of deferred tax assets

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Deferred tax assets credited to the statement of income:			
- adjustments to the value of loans	617	386	+59.8
- provisions to reserves, accumulated depreciation and amortization	485	134	n.s.
- adjustments to the value of securities, equity investments and property	48	31	+54.8
- other non-deductible items	-	-	n.s.
- other	120	7	n.s.
Total (*)	1,270	558	+127.6

(*) The contribution by the Banco di Napoli Group, amounting to € 642 million as of December 31, 2000, is made up of deferred tax assets on loan adjustments, € 300 million, on provisions, amortization and depreciation, € 243 million and on other items, € 99 million.

Changes in deferred tax assets credited to the statement of income

<i>Changes in deferred tax assets (Bank of Italy instructions dated 03.08.99)</i>		<i>(€/mil)</i>
1. Opening balance		558
2. Increases		
2.1 Deferred tax assets arising during the year		191
2.2 Other increases (*)		660
3. Decreases		
3.1 Deferred tax assets reversing during the year		129
3.2 Other decreases		10
4. Closing balance		1,270

(*) Increases include € 642 million of the contribution by the Banco di Napoli Group on its first-time consolidation.

Information pursuant to Consob Communication 1011405 dated February 15, 2001 – Par. A: preliminary observations by the European Commission concerning tax benefits under Decree Law 153 of 17/5/99 (Ciampi Law)

Decree Law 153 of May 17, 1999 –known as the "Ciampi Law" - on the concentration of banks and banking groups, provides for tax at a reduced rate of 12.50% on income allocated to a special reserve up to a maximum amount of 1.2% of the difference between receivables and payables of all of the banks taking part in such operations and the equivalent figures of the largest bank involved in the concentration. The resulting figure then has to be spread over five years.

In March 2000, the European Commission asked the Italian Government for explanations on the tax relief provided under the Ciampi Law, as it suspected that it might involve State aid not permitted under the Treaty of Rome; and in the meantime, the Commission asked for the benefits to be suspended.

In a letter dated October 25, 2000, the European Commission informed the Italian Government that it had launched a formal enquiry (currently in progress) and also published the news in the Official Gazette of the European Community on February 10, 2001.

In addition to the Italian Government, the main banks, including Sanpaolo IMI, also sent the European Commission their observations defending the "Ciampi Law", explaining why it does not involve illegal State aid and confirming that the tax measures introduced fully respect EC regulations.

When approving the 1999 financial statements, Sanpaolo IMI allocated to the "Ciampi" reserve income of € 260 million, which was the portion of income which could benefit from this law in connection with the merger between Sanpaolo and IMI in 1998.

In line with the above, when paying income taxes for that year, Sanpaolo IMI used the tax relief deriving from the "Ciampi Law" for € 260 million, thus lowering the tax burden by around € 60 million. However, this lower disbursement did not result in better results in the statement of income as under the prudence principle, given the uncertainty caused by the intervention of the European Commission, the Bank's 1999 annual report included a tax provision equal to the benefit received to cover any additional tax liability if the law turned out to be inapplicable.

As for the 2000 financial statements, Sanpaolo IMI allocated to the "Ciampi" reserve income of € 381 million, equal to the portion of income that can benefit from this law in connection with the merger between Sanpaolo and IMI, as well as the acquisition of Banco di Napoli during the course of 2000.

In line with the above, when paying income taxes for that year, Sanpaolo IMI will be able to use the tax relief deriving from the "Ciampi Law" on the amount of € 381 million, lowering the tax burden by around € 93 million.

However, as in the previous year, this lower payment of tax does not result in better results in the statement of income under the prudence principle, even if we are convinced that the Ciampi Law complies with EC principles, the Bank has made a provision of € 93 million to cover any additional tax liability if the law turned out to be inapplicable. Deferred taxes have been calculated using the average tax rate without considering the tax relief mentioned above.

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

<i>Analysis of caption 80c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.)</i>				(€/mil)
	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance - pro forma	40	231	137	408
Increases				
– provisions	13	237	18	268
– other (*)	6	738	123	867
Decreases				
– revaluation of guarantees	2			2
– coverage of charges deriving from legal disputes and other		24	12	36
– payments of long-service bonuses		2		2
– other	5	26	7	38
Closing balance	52	1,154	259	1,465

(*) Increases include € 863 million of the contribution from the Banco di Napoli Group on its first-time consolidation. The increase is split as follows: € 6 million against guarantees and commitments, € 734 million against other provisions for risks and charges and € 123 million against other personnel charges.

Provisions for guarantees and commitments, € 52 million, cover expected losses in respect of guarantees and, more generally, the contingencies associated with the Group's guarantees and commitments.

Other provisions for risks and charges amounting to € 1,154 million include:

- The Parent Bank:
 - € 105 million, provisions against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;

- € 207 million provided to cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Bank's commitment to support the Interbank Deposit Guarantee Fund and with other potential liabilities.
- Banco di Napoli:
 - € 409 million provided for restructuring costs and staff severance incentives (€ 382 million), as well as organisational improvements (€ 27 million);
 - € 232 million of provisions against estimated losses on legal disputes and, more specifically, on claims from bankruptcy liquidators;
 - € 20 million provisions as a specific reserve against potential expenses deriving from possible renegotiations of mortgage loans;
 - € 36 million of expenses provided against the insurance positions of employees no longer in force since January 1, 1991;
 - € 35 million of other expenses.
- € 110 million relating to provisions of the remaining subsidiaries (€ 97 million) mainly against commercial and operating risks connected with the placement and management of financial products geared to households.

The provisions for other personnel charges, € 259 million, include:

- € 105 million relating to provisions made by the Parent Bank, on the basis of independent actuarial appraisals, to cover the technical deficit of its supplementary pension fund, an independent entity, which integrates the compulsory pension fund;
- € 13 million provided to the technical reserves, determined on the basis of mathematical and actuarial criteria, designed to cover long-service bonuses to the Bank's employees;
- € 5 million relating to other provisions by the Parent Bank;
- € 123 million referring to provisions of Banco di Napoli S.p.A. , attributable for € 75 million to work disputes, for € 24 million to supplementary pensions and employees involved in tax collection, for 19 million to bonuses for employees and for € 5 million for leave still to be taken;
- € 13 million of provisions of other subsidiaries, essentially attributable to Banque Sanpaolo S.A. (€ 12 million).

Information as per Consob Communication 1011405 of February 15, 2001.

Point B. Law 133 of 13/5/99 and the Budget Law 2001 concerning the renegotiation of low-interest mortgage loans

In 1999, various regulations were issued which imposed a review of the interest rates, as requested by the borrowers or loan sponsoring entities, on mortgages paid totally or partially by the public sector; of these regulations, art. 29 of Law 133/99, concerning low-interest mortgage loans for housing, is the most important for the Group in terms of its potential effects (above all for the Parent Bank and, to a lesser extent, for Banco di Napoli). To implement this article, Ministerial Decree 110 of March 24, 2000 was issued, against which there is an appeal outstanding before the Regional Administrative Tribunal of Lazio, as well as before the equivalent tribunals in other regions that are involved.

For this rule to become applicable, an "actual global average rate" will have to be established for house mortgage loans being repaid, pursuant to art. 145. 62 of the Budget Law 2001. A specific Treasury Decree will have to be issued, putting this category into the classification of lending transactions for the purpose of determining the actual global average rates.

It should be noted that this rule seems to be in contrast with art. 102 of the EU Treaty, given that it imposes on banks that granted low-interest loans to accept a review of the interest rates applied, thus permitting a form of privileged access on the part of the State to financial institutions.

In accordance with Consob Communication 1011405 of February 15, 2001, it has to be noted that the rates on loans involved in this provision will be adjusted once the regulatory picture has been completed. As for the impact on the Group, we would point out that the measure was effective from July 1, 1999. Taking into account that the renegotiation rate has not yet been determined, the potential cost for the period July 1, 1999- December 31, 2000 has been prudently calculated at around € 121 million (of which € 100 million to be borne by the Parent Bank); this amount has been allocated to the provision for risks and charges.

Based on the same prudent criteria, the resulting decrease in interest income for 2001 has been put at about € 64 million (of which € 55 million attributable to the Parent Bank), which should be absorbed by the forecast trend in net interest income. In the years after 2001 the negative impact on the statement of income will progressively decline following the expiry of outstanding mortgage loans.

Other low-interest mortgage loans

In addition to the regulations mentioned above on the question of low-interest housing loans, other rules have been introduced concerning the renegotiation of low-interest mortgage loans which tend to impose a review of interest rates if requested by customers or loan sponsoring entities, albeit in different forms and for different reasons.

Of these we would point out art. 128 of Law 388/2000 (Budget Law 2001), relating to low-interest mortgage loans granted to farms. This rule, which has various aspects that appear to be clearly contrary to the European regulations on State aid, gives borrowers the right to renegotiate outstanding loans at current more favourable interest rates applicable to low-interest transactions. Application of this norm, which should affect the interest accruing from the date renegotiation is requested, has been postponed until another Ministerial Decree is issued. Lastly, other regulations have been introduced as part of the assistance to the Piedmontese flood victims, as per Law 226/99.

The potential cost for the Group, prudently calculated with reference to these various rules, comes to around € 24 million for 2001 (of which € 10 million attributable to the Parent Bank), which is likely to be absorbed by the forecast trend in net interest income.

Point C. Instructions contained in Law 394 of 29/12/00 concerning fixed-rate mortgage loans (usury)

On February 27, 2001, Decree Law 394 of 29/12/00 on usury was converted into law. This provision concerning fixed-rate mortgage loans, which is applicable to instalments expiring after January 2, 2001, laid down an obligation to renegotiate outstanding loans on the basis of a "substitute rate" set at 9.96% for mortgage loans of households and companies, reduced to 8% for mortgage loans up to 150 million for the purchase of the primary residence (provided it is not considered a luxury home).

In accordance with Consob Communication 1011405 of February 15, 2001, we should point out that the Group banks involved in this matter (Sanpaolo IMI and Banco di Napoli) are taking steps to adjust interest rates on mortgage loans in accordance with this provision. As for its impact on the Group, the costs for 2000 have been estimated at € 5 million and allocated to the reserve for risks and charges, while the reduction in interest income foreseen for 2001 has been put at € 24 million; though this is likely to be absorbed by the forecast trend in net interest income. For the years after 2001, the negative effects will progressively decline.

Point D. Judgement 425 of 9/10/00, by which the Constitutional Court declared article 25, c.3 D.Lgs. 342 of 4/8/99 illegitimate. This article relates to clauses that charge interest on accrued interest (anatocism).

Judgement 425 of the Constitutional Court of October 17, 2000 established that the transitional rule laid down by legislative decree 342/99 (which declared clauses in bank contracts signed before the adjustments introduced by the decree permitting the capitalization of interest "valid and effective") was unconstitutional. However, such judgement did not discuss the legitimacy of quarterly capitalization, merely stating that capitalization was unconstitutional for formal reasons

regarding the excess of power of attorney in contrast with art. 76 of the Constitution. In addition, the matter does not involve contracts stipulated after 22/4/2000, when the new instructions imposing the same calculation period for interest income and expense became effective.

In any event, the legal reasons of previously signed contracts remain unprejudiced, as fundamental for the legitimacy of the quarterly capitalization and aimed at contrasting the recent judgements of the Supreme Court which, by changing the previous consolidated law of the same Court, did not recognize the existence of a regulatory use in this matter, thus nullifying the clause in question.

The matter is still under debate and the outcome is uncertain: in fact, there are recent pronouncements which confirm the legality of quarterly capitalization clauses from various aspects, dissenting from the decisions of the Supreme Court.

Up to now, the dispute is immaterial in terms of absolute values, also with respect to prior years.

Reserve for possible loan losses (caption 90)

<i>Changes during the year in "Reserves for possible loan losses" (table 7.2 B.1.)</i>		<i>(€/mil)</i>
A. Opening balance		29
B. Increases		
B1. provisions		8
B2. other changes		-
C. Decreases		
C1. releases		1
C2. other changes		1
D. Closing balance		35

This caption reflects provisions made by certain subsidiaries to cover lending risks - including risks deriving from derivatives transactions; these risks are only potential, so the reserve is not set off against asset balances.

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

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

This section comments on the following balance sheet captions:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Shareholders' equity			
– capital (caption 150)	3,931	3,926	+0.1
– additional paid-in capital (caption 160)	18	-	n.s.
– reserves (caption 170)			
– legal reserve	793	792	+0.1
– reserve for own shares	739	357	+107.0
– other reserves	850	739	+15.0
– revaluation reserves (caption 180)	9	-	n.s.
– reserve for general banking risks (caption 100)	355	357	-0.6
– negative goodwill arising on consolidation (caption 120)	-	952	-100.0
– negative goodwill arising on application of the equity method (caption 130)	63	199	-68.3
– net income for the year (caption 200)	1,292	1,050	+23.0
Group interest in shareholders' equity	8,050	8,372	-3.8
Own shares (asset caption 140)	739	357	+107.0
<i>including: own shares held by the Parent Bank (*)</i>	697	336	+107.4
Minority interests (caption 140)	715	539	+32.7
Subordinated liabilities (caption 110)	5,158	1,524	n.s.

(*) In the reclassified consolidated balance sheet, the Parent Bank's own shares are shown as an adjustment to the consolidated shareholders' equity, while other own shares are included in the dealing portfolio.

Group interest in consolidated shareholders' equity

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

Capital, additional paid-in capital, the legal reserve reflect the amounts reported in the financial statements of the Parent Bank; "Other reserves" comprise the remaining reserves of the Bank changes during the year in the Group's interest in the shareholders' equity of consolidated companies.

As for the 1999/2001 stock option plan, during the year 1,833,250 options to subscribe to new shares were exercised. This brought about a capital increase of € 5 million, booking additional paid-in capital of € 18 million. As of December 31, 2000 the share capital amounts to € 3,931,250,954.4 made up by 1,404,018,198 ordinary shares with a par value of € 2.8 each.

The "Reserve for own shares" was established by the Parent Bank and the subsidiary Banca d'Intermediazione Mobiliare IMI S.p.A. in relation to the year-end stock of Sanpaolo IMI shares. More specifically, own shares of the Parent Bank held by said subsidiary is mainly in connection with dealing activities, essentially to hedge FIB 30 futures and options. The reserve, formed using the portion of reserves specifically destined for this purpose, is offset by a matching balance in asset caption 140 "Own shares".

The "Revaluation reserves" reflect property revaluation carried out during the year, pursuant to Law 342 of November 21, 2000, by the subsidiary Banca Fideuram, net of € 3 million attributed to minority interests and shown under "minority interests" (see Part B – Section 4). In addition "Negative goodwill arising on application of the equity method" includes the Group's portion (€ 3 million) of the revaluation carried out according to the same law by Fideuram Vita (see Part B – Section 3).

Reserve for general banking risks (caption 100)

The reserve for general banking risks reflects the reserve shown in the financial statements of the Bank, € 336 million, and the reserves set up by certain subsidiary companies, € 19 million.

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

Analysis of caption 120 "Negative goodwill arising on consolidation"

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Negative goodwill arising on first-time line-by-line consolidation	952	952	-
Goodwill arising on consolidation:	-952	-	n.s.
- Banco di Napoli Group	-854	-	n.s.
- Cassa di Risparmio di Firenze (*)	-98	-	n.s.
Total	-	952	-100.0

(*) to integrate the amount of € 75 million to offset all of the negative goodwill arising on first-time consolidation using the equity method (see the following table).

Analysis of caption 130 "Negative goodwill arising on application of the equity method"

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Negative goodwill arising on first-time consolidation using the equity method	75	78	-3.8
Goodwill arising on: Cassa di Risparmio di Firenze	-75	-	n.s.
Changes in the shareholders's equity after the first-time consolidation (*)	63	121	-47.9
Total	63	199	-68.3

(*) This caption represents the Group's portion of the increase in shareholders' equity of investments recorded after the first consolidation. It is mainly attributable to companies operating in the insurance segment.

The decrease in negative goodwill arising on first-time consolidation using the equity method, € 3 million, is due to the disposal of the shareholding in Crediop Overseas Bank Ltd.

Positive differences that arose during the year following the line-by-line consolidation of Banco di Napoli and the consolidation at equity of Cassa di Risparmio di Firenze have been deducted from total negative goodwill arising on first-time consolidation up to their full amount (see Explanatory notes to the financial statements – Introduction - Background information on the consolidated financial statements).

Asset captions "90. Goodwill arising on consolidation" and "100. Goodwill arising on application of the equity method" are commented on in Part B – Section 5 "Other assets"

Own shares (asset caption 140)

Own shares in portfolio are represented by securities of the Parent Bank held by itself and by other Group companies. More specifically as of December 31, 2000, Sanpaolo IMI S.p.A. had 39,345,982 own shares in portfolio (total par value of € 110 million carried at a cost of € 697 million). The valuation of this portfolio as of December 31, 2000 shows a net unrealized gain of € 24 million, taking into account securities to be received and the commitment to deliver 27,503,729 own shares

as part of the agreement to transfer them to Fondazione Cassa di Risparmio di Venezia in exchange for a 10.92% interest in Cardine Banca S.p.A..

At the year end, Banca IMI holds an additional € 42 million of Sanpaolo IMI S.p.A. shares for dealing purposes as already mentioned, and therefore carried at market value.

Deferred taxation on reserves in suspense for tax purposes

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

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

As regards the *Reserve for general banking risks*, deferred taxes have been recorded in connection with the probability of loan losses, which given the fiscal nature of the reserve, would not be immediately deductible. This reserve is an equity item that would be taxable however it is used.

Deferred taxes have been charged on the *Reserve ex Law 169/83* because of the various circumstances in which it can be taxed. This reserve is unrestricted for statutory purposes and would be taxed not only in the event of distribution, but also if used in certain other ways.

Deferred taxes have also been booked for the Reserve ex art. 21 of D.Lgs. 213/98. At the end of '98, deferred taxes were calculated on the net exchange differences that arose on translation of the equity investments expressed in Euro-participating currencies.

In addition, the consolidated financial statements include deferred taxes against foreign subsidiaries' reserves.

The deferred taxation on these equity items has been booked to specific reserves. Movements and balances are shown in Section 7 of these Explanatory Notes.

For completeness sake, we would also point out that the other items in the Bank's equity that are in suspense for tax purposes, namely the Share Capital (€ 631 million), the Legal Reserve (€ 268 million), the Reserve ex Law 218/90 (€ 80 million) and the Reserve ex D.Lgs. 124/93 (€ 2 million), are taxable solely if distributed. Given the extent to which these items are restricted, no deferred taxes have been calculated on them, as the events that might give rise to them being taxed are not expected to take place in the foreseeable future.

Minority interests (liability caption 140)

As of December 31, 2000, the portion of minority interests totalling € 715 million essentially relates to the quota attributable to minority shareholders of the Banca Fideuram, Nuova Holding Sanpaolo IMI and Banco di Napoli sub-groups (the latter, in particular, entailed the booking of minority interests of € 132 million)

A statement of changes in the Group's share of consolidated shareholders' equity is attached to these notes, together with a reconciliation of the Bank's 2000 net income and shareholders' equity and the corresponding consolidated amounts.

Shareholders' equity for supervisory purposes

In accordance with Bank of Italy instructions on disclosure, the composition of regulatory capital and an analysis of the prudent supervisory requirements are given in the table below. The final estimates will be relayed to the Supervisory Body on approval of these financial statements.

Category/value	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
A. Shareholders' equity for supervisory purposes			
A.1 Tier 1 capital	6,868	7,505	-8.5
A.2 Tier 2 capital	3,257	1,255	159.5
A.3 Items to be deducted	-1,259	-737	70.8
A.4 Shareholders' equity for supervisory purposes	8,866	8,023	10.5
B. Minimum regulatory requirements			
B.1 Lending risk	7,604	5,667	34.2
B.2 Market risk (*)	47	531	n.s.
<i>including:</i>			
- risks on dealing portfolio	607	505	20.2
- exchange risks	40	26	53.8
- concentration risks	-	-	-
B.3 Other minimum requirements	41	40	2.5
B.4 Total minimum requirements	7,692	6,238	23.3
C. Risk assets and capital-adequacy ratios			
C.1 Risk-weighted assets (**)	96,150	77,975	23.3
C.2 Tier 1 capital/risk weighted assets	7.1%	9.6%	
C.3 Regulatory capital/risk weighted assets	9.2%	10.3%	

(*) Market risks are covered by Tier 3 subordinated liabilities of the Parent Bank for € 601 million.

(**) Total regulatory requirements multiplied by the recovery of the minimum compulsory ratio for lending risk (12.5).

Subordinated liabilities (caption 110)

Loan	amount in the financial statements as of 31/12/00 (€/mil)	Amount in original currency (in millions)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 31/12/99 (€/mil)
Preferred Securities in Euro	1,000	1,000	8.126% (a)	10/11/2000	(b)	-
<i>Total innovative capital instruments (Tier 1)</i>	<i>1,000</i>					<i>-</i>
Notes in Luxembourg francs	-	1,000	7.75%	26/05/93	26/05/00	25
Notes in Luxembourg francs	25	1,000	7.63%	9/7/93	9/7/01	25
Notes in Luxembourg francs	-	1,000	9.00%	10/2/92	10/2/00	25
Notes in US dollars	178	165	floating	12/7/93	30/7/03	165
Notes in US dollars	86	79	floating	24/9/93	24/9/03	79
Notes in US dollars	101	94	floating	30/11/93	30/11/05	94
Notes in US dollars	-	32	floating	25/8/95	25/8/00	32
Notes in Canadian dollars	108	151	floating	10/11/93	10/11/03	104
Notes in Italian lire	356	690,000	10.40%	30/6/94	30/6/04	356
Notes in Italian lire	29	56,130	floating	15/6/93	15/6/03	-
Notes in Italian lire	36	69,790	floating	15/10/93	15/10/03	-
Notes in Euro	150	150	5.75%	15/9/99	15/9/09	-
Notes in Euro	-	198,000	floating	6/7/95	6/7/00	102
Notes in Euro	27	52,000	floating	30/12/96	20/1/02	27
Subordinated loan in US dollars	108	100	floating	15/9/93	15/9/03	-
Subordinated loan in US dollars	11	10	floating	25/3/91	25/3/01	-
Subordinated loan in Italian lire	39	75,000	5.10%	1/6/98	1/6/03	51
Subordinated loan in Italian lire	93	180,000	5.30%	1/1/98	1/1/03	124
Subordinated loan in Italian lire	87	168,000	floating	1/2/98	1/2/03	115
Subordinated loan in Euro	500	500	6.38%	6/4/00	6/4/10	-
Subordinated loan in Euro	350	350	floating	6/4/00	6/4/10	-
Subordinated loan in Euro	1,000	1,000	floating	27/9/00	27/9/10	-
Subordinated loan in Euro	200	200	floating	1/10/99	1/10/09	200
Subordinated loan in Euro	65	65	floating	12/10/99	12/10/09	-
Subordinated loan in Euro	8	8	floating	22/12/00	22/12/10	-
<i>Total subordinated liabilities (Tier 2)</i>	<i>3,557</i>					<i>1,524</i>
Subordinated loan in Euro	456	456	5.63%	3/10/00	3/10/03	-
Subordinated loan in Euro	145	145	floating	6/11/00	6/11/03	-
<i>Total Tier 3 subordinated liabilities</i>	<i>601</i>					<i>-</i>
Total	5,158					1,524

(a) The remuneration of the preferred securities is fixed at 8.126% up to November 10, 2010. After that date, a floating coupon will be paid at 12 months Euribor increased by 350 b.p.

(b) The securities cannot be redeemed. Only Sanpaolo IMI has the right to redeem the Notes, totally or partially, and this right can be exercised after November 10, 2010.

During the year, the Group issued new subordinated loans and non redeemable capital instruments for € 3,459 million (net of changes in intercompany positions) of which:

- € 1,000 million in the form of innovative capital instruments represented by the issuance of *Preferred Securities*, to finance the acquisition of Banco di Napoli, while maintaining an adequate level of capital ratios . These securities were issued by Sanpaolo IMI Capital Company I LLC, a vehicle created specifically for this purpose in the USA;
- € 1,858 million in the form of Tier 2 subordinated loans;
- € 601 million in the form of Tier 3 subordinated loans, to hedge the Group's market risks, according to the current rules of the Bank of Italy;

It has to be noted that, subordinated liabilities not included in the calculation of regulatory capital amount to € 256 million.

The technical characteristics of these innovative capital instruments and of the Group's outstanding subordinated loans are reported below.

Preferred Securities, which are attributable to Tier 1 capital, satisfy the following requirements:

- the securities are not redeemable, the issuer's redemption right, if any, cannot be exercised during the first 10 years after issuance; redemption has to be authorized in advance by the Bank of Italy;
- the contract provides for the possibility of suspending interest payments on the securities, even partially, if the Parent Company directly controlling the issuer did not distribute dividends during the previous year;
- dividends cannot be accumulated in subsequent years;
- in the event of the liquidation of Sanpaolo IMI, the holders of securities can only be reimbursed after all other subordinated and non-subordinated creditors have been paid.

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts lay down that:

- early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the duration exceeds 5 years;
- in the event that the issuer is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

The Tier 3 subordinated loans, which are deducted from the capital requirements for market risks, meet the following conditions:

- the original duration is less than 2 years;
- the payment of interest and principal is suspended if the capital requirements of Sanpaolo IMI should fall below 7% on an individual basis or 8% on a consolidated basis.
- in the event that the issuer is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Other information on subordinated liabilities

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 :

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Other liabilities (caption 50)	17,420	15,715	+10.8
<i>including the contribution of the Banco di Napoli Group</i>	2,520		
Accrued expenses and deferred income (caption 60)	3,114	5,154	-39.6
<i>including the contribution of the Banco di Napoli Group</i>	462		
Total	20,534	20,869	-1.6

Other liabilities (caption 50)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	3,967	9,676	-59.0
Amounts available for third parties	3,024	1,134	+166.7
Unprocessed transactions	2,890	1,462	+97.7
Tax payments accounts	1,231	107	n.s.
Amounts in transit with branches and subsidiaries	986	584	+68.8
Counterparty of valuations of foreign currency derivatives contracts	714	-	n.s.
Amounts payable due to settlement value date	367	127	+189.0
Due to the tax authorities	340	276	+23.2
Premiums collected on options sold	322	318	+1.3
Amounts due to employees	241	300	-19.7
Transactions by foreign branches	47	324	-85.5
Deposits guaranteeing agricultural and construction loans	37	35	+5.7
Items relating to securities transactions	17	23	-26.1
Non-liquid balances from portfolio transactions	13	334	-96.1
Other	3,224	1,015	n.s.
Total	17,420	15,715	+10.8

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Accrued expenses			
– interest on securities issued	989	1,188	-16.8
– charges on derivative contracts	977	3,266	-70.1
– interest on amounts due to banks	253	157	+61.1
– interest on amounts due to customers	184	119	+54.6
– payroll and other operating costs	81	40	+102.5
– other	271	57	n.s.
Deferred income			
– income from derivative contracts	147	114	+28.9
– interest on discounted notes	60	49	+22.4
– other	152	164	-7.3
Total	3,114	5,154	-39.6

SECTION 10 - GUARANTEES AND COMMITMENTS

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Guarantees given (caption 10)	15,670	11,045	+41.9
<i>including the contribution of the Banco di Napoli Group</i>	1,428		
Commitments (caption 20)	26,518	18,028	+47.1
<i>including the contribution of the Banco di Napoli Group</i>	4,439		
Total	42,188	29,073	+45.1

Guarantees given in favour of third parties comprise:

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Commercial guarantees	12,173	9,437	+29.0
b) Financial guarantees	3,174	1,416	+124.2
c) Assets lodged in guarantee	323	192	+68.2
Total	15,670	11,045	+41.9

Commitments outstanding at year end are as follows:

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Commitments to grant finance (certain to be called on)	8,260	2,287	n.s.
b) Commitments to grant finance (not certain to be called on)	18,258	15,741	+16.0
Total	26,518	18,028	+47.1

Firm commitments are detailed below:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Undrawn lines of credit granted	13,537	11,548	+17.2
Purchase of securities not yet settled	3,918	741	n.s.
Mortgage loans to be disbursed	2,609	861	n.s.
Other commitments certain to be called on	2,424	1,548	+56.6
Put options issued	2,226	2,252	-1.2
Deposits and loans to be made	1,141	354	n.s.
Membership of Interbank Deposit Guarantee Fund	105	70	+50.0
Other commitments not certain to be called on	558	654	-14.7
Total	26,518	18,028	+47.1

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Portfolio securities lodged with third parties to guarantee repurchase agreements	10,119	9,372	+8.0
Securities lodged with the clearing-house for transactions on the derivatives market	702	58	n.s.
Securities lodged with central banks to guarantee advances	607	205	+196.1
Securities lodged with the Bank of Italy to guarantee bankers' drafts	142	70	+102.9
Securities lodged to guarantee promissory notes	51	-	n.s.
Total	11,621	9,705	+19.7

Unused lines of credit

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

(table 10.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Central banks	38	41	-7.3
b) Other banks	71	641	-88.9
Total	109	682	-84.0

Forward transactions

Forward transactions, excluding those on behalf of third parties, show the following amounts:

(table 10.5 B.I.)

	(€/mil)			
	Hedging transactions	Dealing transactions (*)	Other transactions	Total
1. Purchase/sale of				
1.1 securities				
– purchases	-	3,828	-	3,828
– sales	-	2,851	-	2,851
1.2 currency				
– currency against currency	2,707	3,949	-	6,656
– purchases against euro	8,984	5,691	-	14,675
– sales against euro	6,592	5,546	-	12,138
2. Deposits and loans				
– to be disbursed	-	-	2,947	2,947
– to be received	-	-	1,317	1,317
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	4,541	-	4,541
– sales	1,303	5,994	-	7,297
b) currency				
– currency against currency	412	614	-	1,026
– purchases against euro	1,717	972	-	2,689
– sales against euro	971	1,282	-	2,253
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	3	-	3
– purchases against euro	295	-	-	295
– sales against euro	28	-	-	28
b) other instruments				
– purchases	22,253	108,598	-	130,851
– sales	20,116	105,576	3,481	129,173
Total (**)	65,378	249,445	7,745	322,568

(*) Including derivative contracts hedging the dealing portfolio € 1.107 million

(**) Includes basis swaps both in purchases, € 15,070 million, and in sales € 15,070 million

At year end, hedging contracts, entered into as part of credit intermediation activities by the parent bank, show an unrecognized net loss of € 324 million. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivatives contracts in question is to hedge interest and exchange rate risks with regard to funding activities (particularly deposit-taking transactions made via the issue of bonds with a structured yield) or lending activities.

The above-mentioned contracts are in fact recorded on a consistent basis with those adopted for hedging transactions, with the identification of accruals in the financial statements. Had the assets and liabilities being hedged been valued in the same way, this would have led to a gain which would have offset the above loss.

Derivatives contracts included under structured financial instruments amount to € 3,481 million, at nominal value. Forward transactions outstanding as of December 31, 2000, presented in the table above, essentially reflect the activities of the Bank and those subsidiaries operating in the stockbroking and credit intermediation sector.

See part C, section 3 on profits and losses on financial transactions for the results of the valuation of derivative contracts.

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

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basle Committee for Bank Supervision, together with the International Organization of Securities Commissions (IOSCO).

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

<i>Notional amounts</i>	<i>(€/mil)</i>				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	2,768	9,574	-	-	12,342
- Swap (b)	167,145	1,521	-	-	168,666
- Options purchased	11,959	480	969	-	13,408
- Options sold	12,930	567	754	-	14,251
- Other derivative contracts	-	285	1,278	-	1,563
Exchange traded contracts					
- Futures purchased	6,117	-	-	-	6,117
- Futures sold	2,388	-	298	-	2,686
- Options purchased	1,434	-	506	-	1,940
- Options sold	2,921	-	617	-	3,538
- Other derivative contracts	-	-	1	-	1
Total trading contracts	207,662	12,427	4,423	-	224,512
Total non-trading contracts	39,411	21,356	5,088	207	66,062
Total contracts (c)	247,073	33,783	9,511	207	290,574
- including OTC contracts	233,315	33,783	8,089	207	275,394

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

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

(c) Includes basis swaps amounting to € 15,070 million and does not include forward transactions on currency with original duration of less than 2 days which total € 5,981 million.

The table below shows the residual duration of the above OTC transactions.

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>				(€/mil)
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	94,330	87,859	51,126	233,315
Exchange rate related	29,152	4,112	519	33,783
Stockmarket index related	2,271	5,538	280	8,089
Other contracts	-	207	-	207

The table below reports the credit risk equivalent related to OTC contracts broken down into their various components: positive market value and add on.

<i>Notional amounts, market values and similar add on</i>					(€/mil)
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	233,315	33,783	8,089	207	275,394
A. Market value of OTC trading contracts					
A .1 positive market value	3,688	446	120	-	4,254
A .2 negative market value	3,420	423	161	-	n.s.
B. Add on	870	171	152	-	1,193
C. Market value of OTC non-trading contracts					
C.1 positive market value	646	894	591	-	2,131
C .2 negative market value	865	958	308	-	n.s.
D. Add on	216	299	412	19	946
Credit risk equivalent (A.1+B+C.1+D)	5,420	1,810	1,275	19	8,524

Market values of hedging and dealing derivatives contracts arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the credit risk of off-balance sheet items for solvency ratio purposes. The market values identified in the table above derive from applying such criteria. In particular, such market values include the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

Lastly, the table below shows the breakdown of credit risk equivalent on OTC contracts by type of counterparty.

<i>Credit quality of OTC derivative contracts, by counterparty</i>				(€/mil)
	Positive market value	Add on	Credit risk equivalent (a) (current value)	
Governments and central banks	7	-	7	
Banks	6,015	1,793	7,808	
Other operators	363	346	709	
Total	6,385	2,139	8,524	

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

The transactions above are not supported by real or personal guarantees. No losses on derivatives have been recorded during the year nor are there any derivative contracts expired and not settled.

Derivative contracts on loans

Transactions in derivatives on loans carried out by the Group as of December 31, 2000 are analysed below:

(Table 10.6 B.1.)

Categories of operations	Negotiation	Other transactions	Total
<i>(€/mil)</i>			
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	-	166	166
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	-	931	931
2.2 Without exchange of capital			
– credit default swap	-	54	54
Total	-	1,151	1,151

Other information relating to guarantees

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

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as "significant exposures" by the Bank of Italy in compliance with EC guidelines. For this purpose, the positions are considered significant if the overall exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Bank's regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk, which takes into account the nature of the counterparty and the guarantees received.

(Table 11.1 B.I.)

	31/12/00
a) Amount (€/mil)	10,318
b) Number	6

Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

(Table 11.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Governments	10,028	4,471	+124.3
b) Other public entities	4,901	5,469	-10.4
c) Non-financial businesses	50,228	40,762	+23.2
d) Financial institutions	14,871	6,751	+120.3
e) Family businesses	3,388	2,498	+35.6
f) Other operators	15,290	13,223	+15.6
Total	98,706	73,174	+34.9

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:

(Table 11.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Other services for sale	7,318	5,490	+33.3
b) Commerce, salvage and repairs	6,267	5,412	+15.8
c) Construction and public works	3,810	3,711	+2.7
d) Energy products	3,459	2,847	+21.5
e) Transport	2,589	2,840	-8.8
f) Other sectors	19,995	15,691	+27.4
Total	43,438	35,991	+20.7

Distribution of guarantees given, by category of counterparty

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

(Table 11.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Governments	6	20	-70.0
b) Other public entities	132	13	n.s.
c) Banks	800	795	+0.6
d) Non-financial businesses	12,820	8,860	+44.7
e) Financial institutions	1,455	971	+49.8
f) Family businesses	115	95	+21.1
g) Other operators	342	291	+17.5
Total	15,670	11,045	+41.9

Geographical distribution of assets and liabilities

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

(table 11.5 B.I.)

	31/12/00 (€/mil)				31/12/99 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	9,861	6,826	2,432	19,119	10,131	8,772	3,241	22,144
1.2 loans to customers	81,607	10,210	6,889	98,706	60,999	7,679	4,496	73,174
1.3 securities	16,794	3,772	4,392	24,958	12,608	4,110	1,662	18,380
Total	108,262	20,808	13,713	142,783	83,738	20,561	9,399	113,698
2. Liabilities								
2.1 due to banks	7,406	10,451	11,739	29,596	9,722	7,173	11,117	28,012
2.2 due to customers	49,967	9,312	5,439	64,718	31,958	8,283	2,948	43,189
2.3 securities issued	27,808	7,392	4,138	39,338	25,081	6,459	4,178	35,718
2.4 other accounts	3,222	1,023	1,000	5,245	527	1,047	-	1,574
Total	88,403	28,178	22,316	138,897	67,288	22,962	18,243	108,493
3. Guarantees and commitments	19,345	8,802	14,041	42,188	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:

(Table 11.6 B.I.)

	(€/mil)								Total	
	On demand	Up to 3 months	Specified duration				Unspecified duration			
			Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years				
				Fixed rate	Indexed rate	Fixed rate	Indexed rate			
1. Assets										
1.1 Treasury bonds eligible for refinancing	111	474	1,588	1,652	3,218	1,039	886	-	8,968	
1.2 due from banks	3,687	11,778	2,696	209	289	125	42	293	19,119	
1.3 loans to customers	14,824	20,594	13,291	13,063	15,345	8,464	11,522	1,603	98,706	
1.4 bonds and other debt securities	54	1,255	1,546	2,587	4,227	2,733	1,585	-	13,987	
1.5 off-balance sheet transactions	11,862	108,529	74,436	43,927	3,225	30,151	1,532	-	273,662	
Total assets	30,538	142,630	93,557	61,438	26,304	42,512	15,567	1,896	414,442	
2. Liabilities										
2.1 due to banks	4,839	15,614	4,232	990	1,687	405	1,829	-	29,596	
2.2 due to customers	44,794	13,613	3,852	928	539	773	219	-	64,718	
2.3 securities issued:										
– bonds	355	1,437	2,606	8,678	6,655	4,307	2,551	-	26,589	
– certificates of deposit	146	4,450	2,783	870	623	-	16	-	8,888	
– other securities	753	2,600	439	69	-	-	-	-	3,861	
2.4 subordinated liabilities	-	71	57	650	1,122	1,650	1,608	-	5,158	
2.5 off-balance sheet transactions	11,549	108,088	72,596	45,937	2,290	32,205	927	-	273,592	
Total liabilities	62,436	145,873	86,565	58,122	12,916	39,340	7,150	-	412,402	

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the Euro-zone as of December 31, 2000 are broken down as follows. Figures as of December 31, 1999, reported for comparison purposes, relate to all transactions made in currencies other than the Lire. These include asset and liability balances pertaining to currencies that are part of the Euro-zone for € 17,781 million and € 22,337 million respectively.

(Table 11.7 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Assets			
1. due from banks	5,547	6,453	-14.0
2. loans to customers	11,543	7,956	+45.1
3. securities	5,247	3,196	+64.2
4. equity investments	147	125	+17.6
5. other accounts	33	51	-35.3
Total assets	22,517	17,781	+26.6
b) Liabilities			
1. due to banks	11,333	8,949	+26.6
2. due to customers	10,034	5,626	+78.4
3. securities issued	5,771	7,288	-20.8
4. other accounts	616	474	+30.0
Total liabilities	27,754	22,337	+24.3

Taking into consideration the effects of currency swap transactions for specific and generic hedging of transactions in foreign currency, the currency short position shown above is substantially offset.

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales of securities on behalf of third parties during the year are summarized below:

(Table 12.1 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Purchases			
1. settled	153,776	42,964	n.s.
2. not settled	116	163	-28.8
Total purchases	153,892	43,127	n.s.
b) Sales			
1. settled	146,355	32,641	n.s.
2. not settled	359	34	n.s.
Total sales	146,714	32,675	n.s.

Transactions on behalf of third parties include € 80,496 million of purchases and € 80,548 million of sales involving derivative contracts.

Portfolio management

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

(Table 12.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Asset management (*)	34,392	23,953	+43.6

(*) Pursuant to specific Bank of Italy instructions the information refers solely to personalized management of customers' assets, excluding group mutual funds, € 79,727 million, and technical reserves of insurance subsidiaries for € 14,794 million.

Custody and administration of securities

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

(Table 12.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Third-party securities held on deposit	211,964	209,672	+1.1
b) Third-party securities deposited with third parties	134,350	128,231	+4.8
c) Portfolio securities deposited with third parties (a)	22,259	14,087	+58.0

(a) Excluding securities deposited with third parties to secure repurchase agreements which, as required, are already included in table 10.3 B.I - Assets lodged to guarantee the Group's liabilities.

Collection of receivables on behalf of third parties debit and credit adjustments

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

(Table 12.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Debit adjustments			
1. current accounts	741	690	+7.4
2. central portfolio	102	97	+5.2
3. cash	-	-	-
4. other accounts	19	-	-
b) Credit adjustments			
1. current accounts	90	97	-7.2
2. transferors of notes and documents	757	693	+9.2
3. other accounts	15	-	n.s.

Other transactions

Reserve for Research Grants

Starting from January 2000, the Ministry of University and Scientific and Technological Research directly manages the Reserve for Applied Research, now called "Reserve for Research Grants" and authorized 10 banks, among which Sanpaolo IMI, to carry out the technical and economic valuation of research and development projects and of training programs for researchers, as well as control over their implementation.

In 2000, 403 applications arrived for total investments of € 1,156 million, representing around 45% of global applications for industrial research grants (the other 55% is shared among the other 9 authorized banks). 487 preliminary inquiries were carried out (+6% versus 1999) 411 contracts drawn up (+9%), assisted loans amounting to € 431 million were drawn on public funds and € 117 million were drawn on the Bank's funds, taking advantage of interest subsidies provided by the government under Law 346/88 (totalling € 548 million, + 6%).

Management activities carried out on behalf of the Ministry were recompensed with commission totalling € 12 million.

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

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

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

As of December 31, 2000, 4,048 requests had received for a total of € 1,820 million, broken down as follows:

- € 1,467 million relating to the consolidation of short-term debt (of which € 1,455 million already being paid and € 12 million waiting for the final documentation);
- € 353 million for participating loans;

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

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totalled € 901 million at year end (€ 857 million in 1999).

Notes for collection and tax collection services

The nominal value of third parties' receivables for which the Group was appointed to handle collection as part of portfolio transactions amounts to € 9,375 million.

In addition, through Banco di Napoli subsidiaries, Sanpaolo Riscossioni Genova and Sanpaolo Riscossioni Prato, the Group manages the collection of tax rolls with or without the obligation to advance amounts not collected for a total of € 12,946 million.

Asset management services rendered by third parties

The amount of asset management services offered to customers through Group companies as of December 31, 2000 came to € 4,006 million broken down as follows: € 351 million of mutual funds and fund-based portfolio management schemes, € 1,279 million of portfolio management schemes and € 2,376 million of insurance policies.

Part C - Consolidated statement of income

SECTION 1 - INTEREST

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Interest income and similar revenues (caption 10)	7,622	6,679	5,966
Interest expense and similar charges (caption 20)	5,123	4,584	3,934

Interest income and similar revenues (caption 10)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On amounts due from banks	991	930	715
<i>including on:</i>			
– deposits with central banks	50	42	24
b) On loans to customers	5,501	4,861	4,324
<i>including on:</i>			
– loans using public funds	-	-	-
c) On debt securities	1,006	794	915
d) Other interest income	87	48	12
e) Net differential on hedging transactions (*)	37	46	-
Total	7,622	6,679	5,966

(*) This balance represents the net effect of hedging derivative differentials.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On assets denominated in foreign currency	552	412	870

"Interest income and similar revenue" on assets denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On amounts due to banks	1,522	1,423	992
b) On amounts due to customers	1,401	1,149	892
c) On securities issued	2,117	1,939	1,834
<i>including on:</i> <i>- certificates of deposit</i>	436	411	480
d) On public funds administered	-	-	-
e) On subordinated liabilities	83	73	81
f) Net differential on hedging transactions (*)	-	-	135
Total	5,123	4,584	3,934

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On liabilities denominated in foreign currency	762	636	839

"Interest expense and similar charges" on liabilities denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

SECTION 2 - COMMISSION

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Commission income (caption 40)	3,452	3,270	2,587
Commission expense (caption 50)	817	808	530

Commission income (caption 40)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) Guarantees given	46	43	44
b) Collection and payment services	247	207	177
c) Management, dealing and advisory services			
1. dealing in securities	153	152	106
2. dealing in currency	36	33	31
3. portfolio management	180	173	123
4. custody and administration of securities	40	39	39
5. placement of securities	113	101	199
6. advisory services	40	40	36
7. "door-to-door" sales of securities and financial products and services	120	120	108
8. acceptance of instructions	186	179	110
9. management of mutual funds	1,683	1,653	1,107
d) Tax collection services	52	27	32
e) Other services	556	503	475
Total	3,452	3,270	2,587

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Deposits and current account overdrafts	172	143	109
Loans granted	145	135	143
Banking functions in relation to mutual funds deposited	127	124	108
Current accounts	66	57	61
Loan-arrangement activities	3	2	1
Other services	43	42	53
Total	556	503	475

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) Collection and payment services	60	56	50
b) Management and dealing services			
1. dealing in securities	44	43	42
2. dealing in currency	1	1	1
3. portfolio management	2	1	-
4. custody and administration of securities	29	29	16
5. placement of securities	8	8	1
6. "door-to-door" sales of securities and financial products and services	582	580	369
7. management of mutual funds	36	36	18
c) Other services	55	54	33
Total	817	808	530

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Loan-arrangement activities	9	9	2
Intermediation on financing transactions	7	6	12
Guarantees received	5	5	1
Loans obtained	1	1	8
Other services	33	33	10
Total	55	54	33

SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Profits (losses) on financial transactions (caption 60)	165	156	103

Profits (losses) on financial transactions (caption 60)

Profits and losses in the official (non-restated) statement of income comprise:

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

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	476	-	6,515	6,991
A2. Writedowns	-426	-	-8,384	-8,810
B. Other profits and losses	100	57	1,827	1,984
Total	150	57	-42	165
<i>including:</i>				
1. on government securities	13			
2. on other debt securities	30			
3. on equities	114			
4. on security derivatives	-7			

Profits and losses in the restated statement of income comprise:

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

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	468	-	6,514	6,982
A2. Writedowns	-421	-	-8,381	-8,802
B. Other profits and losses	96	55	1,825	1,976
Total	143	55	-42	156
<i>including:</i>				
1. on government securities	10			
2. on other debt securities	30			
3. on equities	112			
4. on security derivatives	-9			

Current legislation on financial statements requires separate identification of the effects of an integrated, hedged treasury portfolio, comprising shares and other securities (in lire and foreign currencies, sensitive to interest rate flotation) and derivatives (futures, options, IRS, interest rate/cross currency and other instruments). The result of the caption "profits and losses from financial transactions" should therefore be read together with the effects shown under dividends on shares as part of net interest and other banking income.

SECTION 4 - ADMINISTRATIVE COSTS

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Payroll costs (caption 80.a)	1,929	1,620	1,534
Other administrative costs (caption 80.b)	1,147	1,032	932
Total	3,076	2,652	2,466

Payroll costs (caption 80.a)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Wages and salaries	1,380	1,167	1,097
Social security charges	425	369	365
Termination indemnities	97	81	69
Pensions and similar commitments	27	3	3
Total	1,929	1,620	1,534

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

	31/12/00	31/12/00 restated	31/12/99
a) Executives	439	353	338
b) Managers	5,046	4,488	4,388
c) Other employees	24,339	19,663	19,490
Total	29,824	24,504	24,216

The average number of employees in 2000 includes half of the Banco di Napoli Group employees as of December 31, 2000, as laid down by law.

Other administrative costs (caption 80.b)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Rental of premises	117	106	88
Consultancy services	112	109	84
Software maintenance and upgrades	71	71	83
Other expenses for personnel training, travel and assignments	52	45	37
Maintenance of operating assets	50	43	41
External data processing	48	36	25
Postage and telegraph charges	41	36	38
Data transmission charges	41	32	28
Advertising and entertainment	41	40	24
Telephone	36	33	32
Energy	33	28	26
Legal and judiciary expenses	31	26	24
Security services	30	24	24
Maintenance of properties owned by the Bank	27	20	18
Cleaning of premises	23	19	20
Office supplies	21	19	16
Investigation/commercial information costs	16	14	11
Insurance premiums - banks and customers	12	10	11
Database access charges	11	17	16
Transport and counting of valuables	11	10	11
Courier and transport services	11	10	10
Maintenance of leasehold premises	8	8	7
Lease instalments payable	7	7	14
Contributions and membership fees to trades unions and business associations	6	6	6
Other expenses	102	90	69
Total	958	859	763
Indirect duties and taxes			
– stamp duties	133	122	120
– substitute tax (Pres. Decree 601/73)	18	16	13
– local property taxes	8	7	10
– non-recoverable VAT on purchases	6	6	11
– tax on stock exchange contracts	5	5	-
– other	19	17	15
Total	189	173	169
Total other administration costs	1,147	1,032	932

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the consolidated statement of income, and writebacks, reported in captions 130 and 160, are detailed below:

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Adjustments to intangible and tangible fixed assets (caption 90)	389	326	293
Provisions for risks and charges (caption 100)	323	249	81
Adjustments to loans and provisions for guarantees and commitments (caption 120)	647	580	664
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	417	403	361
Provisions to reserves for possible loan losses (caption 140)	8	8	10
Adjustments to financial fixed assets (caption 150)	36	35	89
Writebacks of adjustments to financial fixed assets (caption 160)	15	15	2

Adjustments to intangible and tangible fixed assets (caption 90)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Adjustments to intangible fixed assets			
– amortization of software costs	114	88	47
– amortization of goodwill arising on application of the equity method	32	32	25
– amortization of merger differences	27	27	37
– amortization of goodwill	18	17	18
– amortization of other deferred charges	17	14	29
– amortization of goodwill arising on consolidation	13	13	4
– amortization of start-up and capital increase expenses	1	1	1
Adjustments to tangible fixed assets			
– depreciation of property	59	45	59
– depreciation of furniture and installations	108	89	73
Total	389	326	293

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the provision of accelerated depreciation.

Provisions for risks and charges (caption 100)

Provisions for risks and charges, € 323 million, made during the year reflect the consolidation of the corresponding provision of the Bank (€ 201 million) and provisions made by subsidiary Banco di Napoli (€ 74 million). The remainder refers essentially to provisions made by the subsidiaries operating in the placement and management of financial products against the risks involved in such activities.

The provision made by the Parent Bank is allocated as follows:

- € 188 million for lawsuits, above all claims from bankruptcy liquidators and other potential liabilities;
- € 13 million designed to increase the coverage of the reserve for other payroll costs, pension and similar commitments, including € 6 million to cover long-service bonuses to the Bank's employees, € 6 to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund and € 1 million to cover other potential pension charges.

The provision made by Banco di Napoli in the second half of the year is split as follows:

- € 21 million to increase the reserve for other payroll costs;
- € 18 million to strengthen the reserve for risks involved in potential disputes on the renegotiation of interest rates and conditions;
- € 15 million to increase the reserve for other risks and charges against lawsuits, above all claims from bankruptcy liquidators and other potential liabilities;
- € 13 million against costs in connection with the renegotiation of mortgage loans;
- € 7 million for other risks and charges.

The provisions made by other subsidiaries relate to prudent provisions made by subsidiaries operating in the area of financial services for households for risks involved in the marketing financial products.

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

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) Adjustments to loans	634	567	663
<i>including:</i>			
– general adjustments for country risk	16	16	56
– other general adjustments	114	114	11
b) Provisions for guarantees and commitments	13	13	1
<i>including:</i>			
– general provisions for country risk	-	-	-
– other general provisions	8	8	-
Total	647	580	664

In addition to the above adjustments, default interest of € 142 million due during the year has been reversed from interest income.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Revaluation of loans previously written down	107	106	134
Revaluation of loans previously written off	1	1	3
Revaluation of provisions for guarantees and commitments	2	2	1
Collection of loan principal previously written down	200	199	116
Collection of loan principal and interest previously written off	46	45	65
Collection of default interest previously written down	61	50	42
Total	417	403	361

Provisions to reserves for possible loan losses (caption 140)

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

Adjustments to financial fixed assets (caption 150)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Adjustments to investment securities	16	16	14
Adjustments to equity investments	20	19	75
Total	36	35	89

Adjustments to investment securities refer to the writedown made by the Parent Bank of debt securities issued by "Countries at risk", to take account of market trends, in compliance with art. 18 of D.Lgs 87/92.

Adjustments to equity investments, € 20 million, relate to the writedown of holdings in the following companies:

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Beni Stabili S.p.A.	-	-	58
Elsacom N.V.	8	8	-
Blixer S.p.A.	4	4	-
Inter Europa Bank Rt	-	-	4
Banca Popolare di Lodi S.C.R.L.	3	3	-
Milano Assicurazioni S.p.A.	-	-	3
Filos S.p.A.	2	2	-
Other	3	2	10
Total	20	19	75

Writebacks of adjustments to financial fixed assets (€ 15 million) mainly refer to writebacks to the investment in Montedison S.p.A. (€ 14 million) by NHS - Nuova Holding Sanpaolo IMI S.p.A.

SECTION 6 - OTHER CONSOLIDATED STATEMENT OF INCOME CAPTIONS

Dividends and other revenues (caption 30)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Shares, quotas and other equities			
– dividends	107	106	94
– tax credits	62	62	54
Equity investments, other than those consolidated on a line-by-line basis or carried at equity			
– dividends	48	48	69
– tax credits	14	11	33
Total	231	227	250

Other operating income (caption 70)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Expenses recovered from customers			
– stamp duties	122	116	115
– other taxes	20	19	16
– other recoveries	19	18	15
– legal costs	14	14	14
Income from merchant banking activities	11	11	28
Reimbursement of services rendered to third parties	7	2	14
Rent and other income from property	4	3	5
Other income from leasing activities	2	2	3
Other income	51	34	14
Total	250	219	224

Other operating expenses (caption 110)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Other charges on leasing transactions	17	17	16
Real estate leasing charges	3	3	3
Losses from merchant banking activities	-	-	2
Other expenses	11	5	19
Total	31	25	40

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Out-of-period income			
– release of surplus provisions	6	6	1
– other out-of-period income	75	40	33
Amounts not payable	5	5	2
Gains on:			
– equity investments (*)	259	259	327
– Own shares in portfolio	83	83	-
– investment securities	14	12	1
– tangible fixed assets	9	8	3
Total	451	413	367

(*) the detail of gains on investments is shown in Part B - Section 3 of these notes.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Severance bonus incentive for voluntary redundancy	7	5	22
Amounts not collectible	5	5	1
Losses on:			
– investment securities	5	5	-
– equity investments	2	2	4
– tangible fixed assets	1	1	1
Other out-of-period expenses	35	26	45
Total	55	44	73

Income taxes for the year (caption 240)*Breakdown of caption 240 Income taxes for the year" (Bank of Italy instructions dated 03.08.99)*

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
1. Current income taxes	883	867	696
2. Change in deferred tax assets	-88	-62	-28
3. Change in deferred tax liabilities	-10	-10	17
4. Income taxes	785	795	685

SECTION 7 - OTHER INFORMATION REGARDING THE CONSOLIDATED STATEMENT OF INCOME

Geographical distribution of revenues

The geographical distribution of revenues, based on the location of the Bank's branches and of consolidated companies, is as follows (as shown in the official (non-restated) financial statements):

(table 7.1 B.I.)

	31/12/00 (€/mil)				31/12/99 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income & similar revenues	5,840	922	823	7,585	4,708	894	364	5,966
Dividends and other revenues	216	15	-	231	220	30	-	250
Commission income	2,349	1,077	26	3,452	1,958	611	18	2,587
Profits (losses) on financial transactions	138	27	-	165	98	-12	17	103
Other operating income	349	-209	110	250	194	30	-	224
Total revenues	8,892	1,832	959	11,683	7,178	1,553	399	9,130

The geographical distribution of revenues, based on the location of the Bank's branches and of consolidated companies, is as follows (as shown in the restated financial statements):

(table 7.1 B.I.)

	31/12/00 restated (€/mil)				31/12/99 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income & similar revenues	5,053	882	698	6,633	4,708	894	364	5,966
Dividends and other revenues	212	15	-	227	220	30	-	250
Commission income	2,164	1,102	4	3,270	1,958	611	18	2,587
Profits (losses) on financial transactions	129	29	-2	156	98	-12	17	103
Other operating income	319	-209	109	219	194	30	-	224
Total revenues	7,877	1,819	809	10,505	7,178	1,553	399	9,130

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

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

Remuneration (table 1.1 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Directors	4	3	+33.3
Statutory Auditors	1	1	-

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

Stock option plans are described in the consolidated report on operations and in the explanatory notes to the statutory financial statements – Part D – Section 1 – Directors and Statutory Auditors.

Loans and guarantees given

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Directors	6	10	-40.0
Statutory Auditors	1	1	-

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors, € 0,2 million, and to companies and banks identified pursuant to article 136 of the Consolidated Banking Act, € 6,6 million, including the drawdown against credit lines granted to the latter.

Attachments

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CONSOLIDATED CASH FLOWS

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

LIST OF SHAREHOLDINGS OF MORE THAN 10% IN UNQUOTED
AND LIMITED LIABILITY COMPANIES

PRO FORMA CONSOLIDATED STATEMENT OF INCOME FOR 2000

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	(€/mil)					
	Capital	Reserves and retained earnings	Reserve for general banking risks	Goodwill arising on consolidation and on application of the equity method	Net income	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 shareholders	-	-	-	-	(724)	(724)
Reclassifications between reserves	-	64	-	(64)	-	-
Change in the reserve for general banking risks	-	-	(2)	-	-	(2)
Offsetting of goodwill on consolidation (1)	-	-	-	(1,027)	-	(1,027)
Exercise of stock options	5	18	-	-	-	23
Undistributed dividends on own shares held by the Parent Bank	-	2	-	-	-	2
Cancellation of reserves for deferred taxes and other tax effects on reserves	-	98	-	-	-	98
Revaluation ex L. 342 21.11.2000	-	9	-	3	-	12
Differences arising on the translation of foreign currency financial statements and other adjustments	-	4	-	-	-	4
Net income	-	-	-	-	1,292	1,292
Shareholders' equity as of December 31, 2000	3,931	2,409	355	63	1,292	8,050
Own shares in portfolio - Parent Bank	-	(697)	-	-	-	(697)
Shareholders' equity as per reclassified balance sheet as of 31/12/00	3,931	1,712	355	63	1,292	7,353

(1) The offsetting concerns positive differences arising from the consolidation for the first time of the Cassa di Risparmio di Firenze S.p.A. (€ 173 million), al "net equity" and Banco di Napoli S.p.A. (€ 854 million), consolidated "line by line". The offsetting was made using the opportunity provided for in current regulations (see Explanatory Notes, Introduction - Background information on the Consolidated Financial Statements, paragraph Principles of consolidation).

STATEMENT OF CONSOLIDATED CASH FLOWS

(€/mil)

APPLICATION OF FUNDS

Use of funds generated by operations	835
Dividends paid	724
Use of reserve for termination indemnities	32
Use of provisions for risks and charges	77
Use of reserve for general banking risks	2
Increase in funds applied	11,919
Loans to customers	7,028
Acquisition of shareholding in Banco Napoli	2,922
Own shares	382
Dealing securities	210
Goodwill arising on consolidation and on application of the equity method	1,021
Tangible fixed assets	140
Intangible fixed assets	216
Decrease in funds taken	4,231
Due to banks	914
Other liability items	3,317
Total	16,985

(€/mil)

SOURCES OF FUNDS

Funds generated by operations	2,487
Net income	1,292
Provision for termination indemnities	44
Net adjustments to loans and provisions for guarantees and commitments	177
Provisions for risks and charges	274
Adjustments to tangible fixed assets	134
Adjustments to intangible fixed assets	192
Adjustments to financial fixed assets	21
Adjustments to goodwill arising on consolidation and on application of the equity method	90
Exchange differences on translating the net equity of consolidated companies and other adjustments	115
Net changes in the reserve for taxation	140
Provision to the reserve for possible loan losses	8
Increase in funds taken	3,981
Minority interests	43
Due to customers and securities issued	605
Subordinated liabilities	3,310
Exercise of stock options	23
Decrease in funds applied	10,517
Cash and deposits with central banks	3
Due from banks:	5,542
Investment securities	287
Equity investments	547
Other assets	4,138
Total	16,985

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

	(€/mil)				
	Net income	Capital and reserves	Shareholders' net equity	Provision for loan losses	Total
FINANCIAL STATEMENTS OF THE PARENT BANK	1,198	6,501	7,699	-	7,699
Balance of companies consolidated line by line	1,231	6,981	8,212	41	8,253
Consolidation adjustments:					
- carrying value of shareholdings consolidated line by line	-	-5,847	-5,847	-	-5,847
- dividends from consolidated companies	-1,190	843	-347	-	-347
- compensation of positive consolidation differences	-	-1,263	-1,263	-	-1,263
- amortization of positive consolidation differences	-45	-132	-177	-	-177
- reversal of income from sales of shareholdings	-114	90	-24	-	-24
- shareholdings valued at net equity	88	138	226	-	226
- writedowns on shareholdings	168	-	168	-	168
- minority interests	-94	-621	-715	1	-714
- other adjustments	50	68	118	-6	112
CONSOLIDATED FINANCIAL STATEMENTS	1,292	6,758	8,050	36	8,086

LIST OF SHAREHOLDINGS AT DECEMBER 31, 2000 OF MORE THAN 10% IN VOTING SHARES IN UNQUOTED COMPANIES OR IN LIMITED LIABILITY COMPANIES (CONSOB RULING 11715 OF NOVEMBER 24, 1998) (1)

Name	Shareholder	%
S.C.I. BOISSY GRISELLE 7	SOCIETE' FONCIERE D'INVESTISSEMENT	99.00
	SOCIETE' IMMOBILIARE D'INVESTISSEMENT	1.00
	TOTAL	100.00
UNO BROKER in liquidation	SOFIR'S	100.00
LEASARTE	SOFIR'S	100.00
SOFIR'S	HOLDING 21 (EX UNO HOLDING in liq.)	100.00
GIACINTO in liquidation	APOKE' TWO	100.00
S.C.I. BOISSY RER 5	SOCIETE' FONCIERE D'INVESTISSEMENT	90.00
RECEIVABLES SERVICING COMPANY	LACKENSTAR LTD	15.76
WOBCO HOLDING	GED, I, T, - GEDEAM INVESTISSEMENTS	100.00
S.A. IMMOBILIARE DE CONSTRUCTION DE MONTECLIN in liquidation	BANQUE SANPAOLO S.A.	11.30
CIFRALI 8	BANQUE SANPAOLO S.A.	18.30
CIFRALI 9	BANQUE SANPAOLO S.A.	14.09
SOGEPI ET CIE LE FOURNAS SNC	BANQUE SANPAOLO S.A.	12.50
SCI LES BALCONS DU DRAC	BANQUE SANPAOLO S.A.	15.41
SCI LE CLOS DE NOYER en liquidation	BANQUE SANPAOLO S.A.	15.00
SCI BALCONS SAINTE MARIE	BANQUE SANPAOLO S.A.	18.00
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
CHATEAU BOLIDES	IMMOBILIARE 21 (EX UNO IMMOBILIARE)	49.00
FINDIRAMA in liquidation	SOFIR'S	100.00
FATA GROUP	NHS - NUOVA HOLDING SANPAOLO IMI	13.17
HOLDING 21 (EX UNO HOLDING)	APOKE' TWO	100.00
SOCIETA' NAZIONALE FINANZIARIA	SOFIR'S	15.25
CIVE	SANPAOLO IMI	69.97
INTEGRATED SHIPPING COMPANY - I.S.CO.	SANPAOLO IMI	100.00
FEIC	SANPAOLO IMI	17.24
CENTRALE DEI BILANCI	SANPAOLO IMI	7.22
	BANCO DI NAPOLI	3.33
	ISVEIMER	0.83
	TOTAL	11.38
FONTI DI GAVERINA	SANPAOLO IMI	51.04
SOCIETA' PER I SERVIZI BANCARI - SSB	BANCO DI NAPOLI	7.01
	BANCA FIDEURAM	0.02
	SANPAOLO IMI	7.24
	TOTAL	14.27
IMMOBILIARE DELL'ISOLA CATTANEO	SANPAOLO IMI	48.57
ITTICA UGENTO	SANPAOLO IMI	26.96

Name	Shareholder	%
LO.SE.RI.	SANPAOLO IMI	18.40
DULEVO	SANPAOLO IMI	16.30
CELEASING SRL	SANPAOLO IMI	100.00
BIESSEFIN in liquidation	SANPAOLO IMI	36.10
IMMOBILIARE 21 (EX UNO IMMOBILIARE)	STARE in liquidation	10.00
	APOKE' TWO	90.00
	TOTAL	100.00
FINLOMBARDA LEASING	SANPAOLO IMI	14.00
SAGO (2)	SANPAOLO IMI	26.67
TECNOFARMACI (2)	SANPAOLO IMI	20.50
TECNOBIOMEDICA (2)	SANPAOLO IMI	26.32
TECNOALIMENTI (2)	SANPAOLO IMI	30.00
TECNOGEN (2)	SANPAOLO IMI	29.96
IAM PIAGGIO	SANPAOLO IMI	10.00
	SVILUPPI IMMOBILIARI	3.86
	TOTAL	13.86
LILLO	SANPAOLO IMI	50.00
HERMES	NHS - NUOVA HOLDING SANPAOLO IMI	15.00
BN COMMERCIO E FINANZA	ISVEIMER in liq.	100.00
BN FINPROGET	BN COMMERCIO E FINANZA	100.00
BN FINRETE	BN COMMERCIO E FINANZA	1.00
SOFIMER - SOCIETA' FINANZIARIA MERIDIONALE	BANCO DI NAPOLI	20.00
	ISVEIMER in liq.	20.00
	TOTAL	40.00
S.E.R.I.T. NAPOLI	BANCO DI NAPOLI	18.64
ISVEIMER in liq.	BANCO DI NAPOLI	65.23
KYLE RECEIVABLES CPMPANY	TUSHINGHAM LIMITED	11.11
NEWGRANGE FINANCIAL SERVICES COMPANY	BONEC LTD	14.79
ELVETIA EDILE	SANPAOLO IMI	100.00
SCI LES JARDIN DE FARNESE en liquidation	UNI INVEST (EX SANPAOLO GESTION IMMOBILIERE)	11.11
S.C.I. BOISSY SAINT LEGER 94	SOCIETE' FONCIERE D'INVESTISSEMENT	99.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	1.00
	TOTAL	100.00
SOC. D'AMENAGEMENTS DE ZONES IND. ET COMM. - SAZIC	SOCIETE' FONCIERE D'INVESTISSEMENT	99.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	1.00
	TOTAL	100.00
S.C.I. ROGNAC - NORD	SOCIETE' FONCIERE D'INVESTISSEMENT	50.00
S.C.I. LA SOURCE DE SAINT HILARIE	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	98.00
BOISSY R.E.R. 8	SOCIETE' FONCIERE D'INVESTISSEMENT	99.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	1.00
	TOTAL	100.00
GENIA SRL	SANPAOLO IMI	100.00
INTERBANK ONLINE SYSTEM LIMITED	SANPAOLO IMI	12.50
IMPIANTI	SANPAOLO IMI	14.16
	ISVEIMER in liq.	5.25
	TOTAL	19.41

Name	Shareholder	%
IMMOBILIARE PEONIA ROSA	SANPAOLO IMI	57.00
KONIG	SANPAOLO IMI	20.00
GUINNESS PEAT AVIATION A.T.R. LTD	SANPAOLO BANK IRELAND PLC	12.50
KISH RECEIVABLES COMPANY	TOBUK LIMITED	19.70
NUOVA VALVOTECNIC	SANPAOLO IMI INTERNATIONAL S.A.	16.67
PANTECNA in failure	SANPAOLO IMI	15.50
SCI LE CHEVALIER	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	99.00
	SOCIETE' FONCIERE D'INVESTISSEMENT	1.00
	TOTAL	100.00
RIMOLDI NECCHI srl	NHS - NUOVA HOLDING SANPAOLO IMI	16.92
TECNOCITTA' srl	SANPAOLO IMI	12.00
TECNOTESSILE (2)	SANPAOLO IMI	40.00
TORSYL S.A. in liq.	SANPAOLO IMI INTERNATIONAL S.A.	15.79
1650 MISSION ASSOCIATES LP	SANPAOLO IMI	13.75
1650 MISSION CORPORATION GP	SANPAOLO IMI	13.89
BRUMMEL INTERNATIONAL LIMITED	WOBCO HOLDING	100.00
ZWHALEN & MAYR S.A.	SANPAOLO IMI INTERNATIONAL S.A.	12.96
CHIARI & FORTI S.p.A.	ISVEIMER S.p.A.	10.53
FIDES S.p.A. (FAILED)	ISVEIMER S.p.A.	20.00

(1) Shareholdings already listed in Part B - Section 3 of the consolidated Explanatory Notes are not included in the list.

(2) Shareholdings derived from transactions pursuant to Law 1089 of October 25, 1968, (Applied Research Fund) see, Section 12 - consolidated and company Explanatory Notes.

PRO FORMA CONSOLIDATED STATEMENT OF INCOME FOR 2000

	2000 pro forma (1) (€/mil)
NET INTEREST INCOME	2,874
Net commissions and other dealing revenues	2,804
Profits and losses from financial transactions and dividends on shares	291
Profits from companies carried at equity and dividends from shareholdings	147
NET INTEREST AND OTHER BANKING INCOME	6,116
Administrative costs	-3,528
- <i>personnel</i>	-2,234
- <i>other administrative costs</i>	-1,087
- <i>indirect duties and taxes</i>	-207
Other operating income, net	247
Adjustments to tangible and intangible fixed assets	-329
OPERATING INCOME	2,506
Value adjustments on goodwill, merger differences and consolidation	-168
Provisions and net adjustments to loans and financial fixed assets	-640
INCOME BEFORE EXTRAORDINARY ITEMS	1,698
Net extraordinary income	401
INCOME BEFORE TAXES	2,099
Income taxes for the year	-768
Change in reserves for general banking risks	2
Income attributable to minority interests	-100
PRO FORMA NET INCOME	1,233
Adjustments for alignment to net income	59
NET INCOME	1,292

(1) The pro forma consolidated statement of income for 2000 has been prepared, according to the criteria detailed in the Explanatory Notes, on the basis of the acquisition of control of Banco di Napoli from 1/1/2000. The pro forma consolidated statement of income has been prepared in order to provide a representation of the Group's statement of income following the acquisition of Banco di Napoli; it will be used as the basis of comparison for Group income statements in future years.

The Bank's Financial Statements and Reports

PARENT BANK RECLASSIFIED STATEMENT OF INCOME

PARENT BANK RECLASSIFIED BALANCE SHEET

REPORT ON OPERATIONS

PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS
AND ALLOCATION OF NET INCOME FOR THE YEAR

REPORT OF THE BOARD OF STATUTORY AUDITORS

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

ATTACHMENTS

Parent Bank reclassified statement of income

	2000 (1) (€/mil)	2000 restated (2) (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
NET INTEREST INCOME	1,759	1,821	1,729	+5.3
Net commission and other dealing revenues	1,550	1,550	1,348	+15.0
Profits and losses from financial transactions and dividends on shares	86	86	78	+10.3
Dividends from shareholdings	737	737	531	+38.8
NET INTEREST AND OTHER BANKING INCOME	4,132	4,194	3,686	+13.8
Administrative costs	-1,987	-1,992	-1,950	+2.2
- <i>personnel</i>	-1,280	-1,284	-1,260	+1.9
- <i>other administrative costs</i>	-569	-570	-550	+3.6
- <i>indirect duties and taxes</i>	-138	-138	-140	-1.4
Other operating income, net	167	167	168	-0.6
Adjustments to tangible and intangible fixed assets	-153	-153	-145	+5.5
OPERATING INCOME	2,159	2,216	1,759	+26.0
Value adjustments on goodwill and merger differences	-27	-27	-37	-27.0
Provisions and net adjustments to loans and financial fixed assets	-570	-578	-419	+37.9
INCOME BEFORE EXTRAORDINARY ITEMS	1,562	1,611	1,303	+23.6
Net extraordinary income	348	348	354	-1.7
INCOME BEFORE TAXES	1,910	1,959	1,657	+18.2
Income taxes for the year	-712	-733	-639	+14.7
RESTATED NET INCOME	1,198	1,226	1,018	+20.4
Adjustment for alignment to net income		-28		n.s.
NET INCOME	1,198	1,198	1,018	+17.7

(1) The 2000 statement of income of the Parent Bank is not directly comparable with 1999 because of the transfer of the public works and infrastructure business to Banca OPI on 1 July 2000.

(2) The "restated" statement of income for the year 2000 has been prepared to permit better comparison with 1999. It includes the second half of 2000 results of the business transferred to Banca OPI on 1 July 2000.

Parent Bank reclassified balance sheet

	31/12/2000 (1) (€/mil)	31/12/2000 restated (2) (€/mil)	31/12/1999 (€/mil)	Change 31/12/00 restated - 31/12/99 (%)
ASSETS				
Cash and deposits with central banks and post offices	443	443	421	+5.2
Loans	75,771	87,823	82,072	+7.0
- due from banks	14,011	14,202	14,810	-4.1
- loans to customers	61,760	73,621	67,262	+9.5
Dealing securities	5,457	5,618	6,635	-15.3
Fixed assets	9,236	9,236	6,360	+45.2
- investment securities	629	629	738	-14.8
- equity investments	7,549	7,549	4,544	+66.1
- intangible fixed assets	177	177	167	+6.0
- tangible fixed assets	881	881	911	-3.3
Other assets	8,629	8,629	12,813	-32.7
Total assets	99,536	111,749	108,301	+3.2
LIABILITIES				
Payables	75,969	87,706	85,562	+2.5
- due to banks	21,706	28,441	24,203	+17.5
- due to customers and securities issued	54,263	59,265	61,359	-3.4
Provisions	1,870	1,891	1,564	+20.9
- for taxation	948	969	821	+18.0
- for termination indemnities	408	408	401	+1.7
- for risks and charges	471	471	296	+59.1
- for pensions and similar	43	43	46	-6.5
Other liabilities	10,114	10,569	12,972	-18.5
Subordinated liabilities	4,581	4,581	1,339	n.s.
Shareholders' equity (3)	7,002	7,002	6,864	+2.0
- capital	3,931	3,931	3,926	+0.1
- reserves (4)	1,873	1,873	1,920	-2.4
- net income for the year	1,198	1,198	1,018	+17.7
Total liabilities	99,536	111,749	108,301	+3.2
GUARANTEES AND COMMITMENTS				
Guarantees given	21,219	21,219	16,506	+28.6
Commitments	13,005	13,005	13,311	-2.3

(1) The balance sheet of the Parent Bank at 31/12/2000 is not directly comparable with that at 31/12/1999 because of the transfer of the public works and infrastructure business to Banca OPI on 1 July 2000.

(2) The "restated" balance sheet as of 31/12/2000 has been prepared to permit better comparison with the prior year figures. It includes the figures at 31/12/2000 of the business transferred to Banca OPI on 1 July 2000.

(3) Movements in shareholders' equity during 2000 are detailed in the appropriate section of the Report on Operations.

(4) Reserves are shown net of the own shares held by the Parent Bank, namely 27,431,500 shares with a carrying value of 336 million Euro as of 31 December 1999, and 39,345,982 with a carrying value of 697 million Euro as of 31 December 2000.

Report on Operations

FINANCIAL RESULTS

OPERATING VOLUMES AND ORGANIZATION

EQUITY CAPITAL

SUPPLEMENTARY INFORMATION

SIGNIFICANT EVENTS AFTER THE YEAR END

Financial results

In 2000 the Bank enjoyed an upturn in statement of income results. For the sake of comparison with 1999, the figures discussed below are based on the “restated” statement of income, which includes the second half results of the business that was transferred to Banca OPI halfway through the year.

Net interest income

The Bank's net interest income as restated amounted to 1,821 million Euro, up 5.3% on 1999.

Several factors were responsible for the rise in net interest income: the growth of volumes (especially those related to customers); the rise in market interest rates, which had declined in 1999; the widening of the spreads, also with respect to the narrowing of the previous year.

Net interest and other banking income

Net interest and other banking income in 2000 came to 4,194 million Euro, a 13.8% increase on the previous year.

The main contribution for this growth came from a considerable increase in commissions on services, which rose by

Net interest income

	2000 (€/mil)	2000 restated (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
Interest income and similar revenues	5,232	5,592	4,976	+12.4
Interest expense and similar charges	-3,473	-3,771	-3,247	+16.1
Net interest income	1,759	1,821	1,729	+5.3

Net interest and other banking income

	2000 (€/mil)	2000 restated (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
Net interest income	1,759	1,821	1,729	+5.3
Net commissions and other dealing revenues	1,550	1,550	1,348	+15.0
- Management, dealing and advisory services	1,068	1,068	899	+18.8
- <i>asset management</i>	921	921	762	+20.9
- <i>brokerage/custody of securities and currency</i>	147	147	137	+7.3
- Loans and guarantees	161	161	166	-3.0
- Collection and payment services	112	112	102	+9.8
- Deposit and current accounts	186	186	162	+14.8
- Other services	23	23	19	+21.1
Profits and losses from financial transactions and dividends on shares	86	86	78	+10.3
Dividends from shareholdings	737	737	531	+38.8
Net interest and other banking income	4,132	4,194	3,686	+13.8

15% to 1,550 million Euro. Within this item, there was an increase in asset management commissions, thanks to the favorable trend in net flow and the increased weight of equity funds, balanced funds, and unit- and index-linked insurance policies.

Profits on financial transactions gained 10.3%, to 86 million Euro. The Bank's policy was to limit financial risk and that increase was attributable to 16.5 million Euro in exchange gains when it sold the Mexican government bonds that were issued in 1990 as part of the country's debt restructuring programme.

Dividends from shareholdings amounted to 737 million Euro, an increase of 38.8%, thanks to improved earnings by the subsidiaries as well as an increase in the Bank's holdings.

Operating income

Operating income went up by 26% on an annual basis, coming in at 2,216 million Euro.

Operating costs totalled 1,978 million Euro, an increase of 2.6%. The limited rise in functioning costs made it

Operating income

	2000 (€/mil)	2000 restated (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
Net interest and other banking income	4,132	4,194	3,686	+13.8
Operating costs	-1,973	-1,978	-1,927	+2.6
- administrative costs	-1,987	-1,992	-1,950	+2.2
- <i>personnel</i>	-1,280	-1,284	-1,260	+1.9
- <i>other administrative costs</i>	-569	-570	-550	+3.6
- <i>indirect duties and taxes</i>	-138	-138	-140	-1.4
- other operating income, net	167	167	168	-0.6
- adjustments to tangible fixed assets	-95	-95	-100	-5.0
- adjustments to intangible fixed assets	-58	-58	-45	+28.9
Operating income	2,159	2,216	1,759	+26.0

Income before extraordinary items

	2000 (€/mil)	2000 restated (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
Operating income	2,159	2,216	1,759	+26.0
Value adjustments on goodwill and merger differences	-27	-27	-37	-27.0
Provisions and net adjustments to loans and financial fixed assets	-570	-578	-419	+37.9
- provisions for risks and charges	-201	-201	-57	n.s.
- adjustments to loans and provisions for guarantees and commitments	-139	-147	-278	-47.1
- <i>net writedowns and losses</i>	-419	-427	-464	-8.0
- <i>net provisions for guarantees and commitments</i>	-8	-8	-	n.s.
- <i>recoveries</i>	288	288	186	+54.8
- net adjustments to financial fixed assets	-230	-230	-84	+173.8
- <i>net writedowns of equity investments</i>	-214	-214	-71	n.s.
- <i>net writedowns of investment securities</i>	-16	-16	-13	+23.1
Income before extraordinary items	1,562	1,611	1,303	+23.6

possible to offset some of the significant amounts invested in the distribution network and the new electronic channels.

Income before extraordinary items

Income before extraordinary items was 1,611 million Euro, up by 23.6% compared to 1999.

Provisions and net adjustments to loans and financial fixed assets came to 578 million Euro.

The increase of 37.9% on 1999 was caused by the provision of 105 million Euro against risks generated by the renegotiation of mortgage loans, and by the decision to write down some equity investments for tax purposes. These tax-related writedowns, which were reversed in the consolidated financial statements, concerned the investments in Cassa di Risparmio di Firenze and Banco di Napoli. Their carrying values were adjusted to their average market prices over the last six months, deter-

mining writedowns of 189 million Euro and 19 million Euro, respectively.

The improvement in asset quality and the recoveries achieved during the year resulted in a 47.1% drop in net adjustments and provisions to loans, which fell to 147 million Euro. That item includes 114 million Euro in general writedowns against performing loans.

Net income

Net income for the year includes 348 million Euro of net extraordinary income, of which:

- 223 million Euro in connection with sale of the residual 40% stake in Crediop;
- 83 million Euro from the sale of own shares.

Income taxes were calculated on a prudent basis, without considering the tax benefits provided under the Ciampi Law for the merger of San Paolo and IMI and the acquisition of Banco di Napoli.

Net income

	2000 (€/mil)	2000 restated (€/mil)	1999 (€/mil)	Change 2000 restated / 1999 (%)
Income before extraordinary items	1,562	1,611	1,303	+23.6
Net extraordinary income	348	348	354	-1.7
- net gains on disposal of equity investments	255	255	371	-31.3
- other net extraordinary items	93	93	-17	n.s.
Income before taxes	1,910	1,959	1,657	+18.2
Income taxes for the year	-712	-733	-639	+14.7
Restated net income	1,198	1,226	1,018	+20.4
Adjustment for alignment to net income		-28		n.s.
Net income	1,198	1,198	1,018	+17.7

Operating volumes and organization

Total financial assets

On a comparable basis, the financial assets of the Bank's customers grew 0.2% during the year, to 182.3 billion Euro.

Asset management volumes reached 65.4 billion Euro, rising 4.6% on 1999. The inflow for the year came to 2.9 billion Euro, which was generated by net inflow of 6.2 billion Euro, partially offset by a negative performance effect caused by the downward trend in share prices of 3.3 billion Euro. Within the asset management business, life insurance policies were up approximately 31%, from 4.5 to 5.9 billion Euro; for mutual funds and fund-based portfolio management the most significant increase concerned equity and balanced funds, the former rising from 23.8% to 28% of the total and the latter from 23.1% to 31%.

The Bank further improved its share of the asset management market in Italy, which rose from 7.3% at the end of 1999 to 7.4% a year later. More specifically, its share of the

mutual fund and fund-based portfolio management market came to 10.4%, and life insurance technical reserves amount to 3.4%.

Direct deposits totalled 59.3 billion Euro at year end, 3.4% less than at the end of 1999. At the Italian branches, there was a shift toward short-term component; current accounts and deposits rose by 1.3% and repurchase agreements by 44.5%, whereas certificates of deposit and bonds fell respectively by 54.1% and 10.1%. At the end of 2000, the Bank's market share for direct funding on the whole Italian banking system was 5.5%.

Customer loan portfolio

In 2000, customer loans, excluding non-performing loans, showed a positive trend rising 11.1%. The increase reflects the rising demand from businesses, due to the general economic recovery, and the funding requirements of corporate customers involved in extraordinary finance operations.

Most of the increase concerned short-term loans, which gained 21.3%. The rise for medium- and long-term loans was more limited at 4.7%.

Total financial assets

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Asset management	65,424	36.5	65,424	35.9	62,524	34.4	+4.6
- Mutual funds and fund-based portfolio management	55,237	30.8	55,237	30.3	54,052	29.7	+2.2
- Portfolio management	4,249	2.4	4,249	2.3	3,936	2.2	+8.0
- Life insurance technical reserves	5,938	3.3	5,938	3.3	4,536	2.5	+30.9
Asset administration	59,568	33.2	57,635	31.6	58,113	31.9	-0.8
Direct deposits	54,263	30.3	59,265	32.5	61,359	33.7	-3.4
- Domestic network	45,137	25.2	50,139	27.5	52,477	28.8	-4.5
- Current accounts and deposits	25,933	14.5	25,933	14.2	25,590	14.1	+1.3
- Certificates of deposit	1,838	1.0	1,838	1.0	4,008	2.2	-54.1
- Bonds	12,414	6.9	17,416	9.6	19,372	10.6	-10.1
- Repurchase agreements and securities lending	3,516	2.0	3,516	1.9	2,434	1.3	+44.5
- Other deposits	1,436	0.8	1,436	0.8	1,073	0.6	+33.8
- Foreign network	9,126	5.1	9,126	5.0	8,882	4.9	+2.7
Total financial assets	179,255	100.0	182,324	100.0	181,996	100.0	+0.2

It is worth highlighting the performance of mortgage loans to households granted by the Italian branch network, which rose 8.6% to 9.4 billion Euro. The Bank's

foreign branches also lent 55% more than in 1999, although part of the increase can be ascribed to the exchange effect.

Loans to customers

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Short-term loans	30,613	49.6	30,613	41.6	25,239	37.5	+21.3
Medium/long-term loans	30,517	49.4	42,378	57.5	40,487	60.2	+4.7
Loans to customers excluding NPLs	61,130	99.0	72,991	99.1	65,726	97.7	+11.1
Non-performing loans	630	1.0	630	0.9	1,536	2.3	-59.0
Customer loan portfolio	61,760	100.0	73,621	100.0	67,262	100.0	+9.5

Loans to customers by counterparty

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	10,992	17.8	10,992	14.9	10,555	15.7	+4.1
Loans to family business and non-financial companies	39,563	64.1	39,563	53.7	39,458	58.7	+0.3
Loans to financial companies	10,009	16.2	10,009	13.6	7,045	10.5	+42.1
Loans to governments and public bodies	1,062	1.7	12,923	17.6	9,630	14.3	+34.2
Other	134	0.2	134	0.2	574	0.8	-76.7
Customer loan portfolio	61,760	100.0	73,621	100.0	67,262	100.0	+9.5

Loans to customers by type of lending

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	10,992	17.8	10,992	14.9	10,555	15.7	+4.1
- Domestic network	10,991	17.8	10,991	14.9	10,555	15.7	+4.1
- overdrafts	717	1.2	717	1.0	699	1.1	+2.6
- personal loans	571	0.9	571	0.8	556	0.8	+2.7
- mortgage loans	9,354	15.1	9,354	12.7	8,613	12.8	+8.6
- other	349	0.6	349	0.4	687	1.0	-49.2
- Foreign network	1	0.0	1	0.0	0	0.0	n.s.
Loans to family businesses, companies, governments, public bodies and others	50,768	82.2	62,629	85.1	56,707	84.3	+10.4
- Domestic network	41,733	67.6	53,594	72.8	50,903	75.7	+5.3
- overdrafts	8,446	13.7	8,446	11.5	8,477	12.6	-0.4
- repurchase agreements	857	1.4	857	1.2	426	0.6	+101.2
- import/export financing	1,905	3.1	1,905	2.6	1,290	1.9	+47.7
- mortgage loans	17,239	27.9	29,100	39.5	28,235	42.0	+3.1
- other	13,286	21.5	13,286	18.0	12,475	18.5	+6.5
- Foreign network	9,035	14.6	9,035	12.3	5,804	8.6	+55.7
Customer loan portfolio	61,760	100.0	73,621	100.0	67,262	100.0	+9.5

At year end the Bank had a 7.3% share of the domestic market for customer loans. Specifically, its share was 5.4% with regard to short-term loans and 9.2% with regard to the medium- and long-term components.

Doubtful loans

The total of non-performing and other problem loans fell by 1,256 million Euro during the year, to 1,444 million Euro. In detail:

- net non-performing loans to customers were down 906 million Euro, to 630 million Euro, and fell from 2.3% to 0.9% of total customer loans. Total coverage in the form of writedowns and write-offs was increased from 71.3% to over 82%;

- net problem loans, restructured loans and loans being restructured were down 393 million Euro, totalling 726 million Euro, and as a percentage of total customer loans they fell from 1.7% to 1%. Coverage, including write-offs, was essentially stable at 40%;
- net loans to customers subject to country-risk rose from 45 million Euro to 88 million Euro.

The significant improvement in loan quality was achieved thanks to the use of strict loan granting criteria in accordance with the Group's new loan policy; dynamic loan recovery; the conclusion of non-recourse sales of non-performing loans. These factoring operations involved construction loans and industrial loans with a net book value of 756 million Euro, and gave rise to recoveries of 92 million Euro which were booked to the statement of income.

Analysis of loan portfolio

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Non-performing loans	630	1.0	630	0.9	1,536	2.3	-59.0
Problem, restructured and loans in course of restructuring	726	1.2	726	1.0	1,119	1.7	-35.1
Loans to countries at risk - customers	88	0.1	88	0.1	45	0.1	+95.6
Performing loans	60,316	97.7	72,177	98.0	64,562	95.9	+11.8
Customer loan portfolio	61,760	100.0	73,621	100.0	67,262	100.0	+9.5
Non-performing and problem loans - banks	1		1		0		n.s.
Loans to countries at risk - banks	53		53		85		-37.6

Securities, interbank position and derivatives

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Investment securities	629	10.3	629	10.1	738	10.0	-14.8
Dealing securities	5,457	89.7	5,618	89.9	6,635	90.0	-15.3
Total portfolio	6,086	100.0	6,247	100.0	7,373	100.0	-15.3
Loans to banks	14,011		14,202		14,810		-4.1
Funding from institutional banking organizations	3,356		3,744		4,278		-12.5
Funding from other banks	18,350		24,697		19,925		+23.9
Derivatives and forward transactions in foreign currencies (at nominal value)	86,768		86,768		228,327		-62.0

Activities on financial markets

The Bank's securities portfolio at the end of 2000 came to 6.2 billion Euro, a decrease of 15.3% on the previous year. Investment securities were down by over 100 million Euro, and still make up 10% of the entire portfolio. Treasury securities - made up 60% of CCTs, while the remainder consists of securities with maturities of less than one year - amounted to 4.6 billion Euro at year end.

Equity investments

The Bank's equity investment portfolio increased by a net 3 billion Euro during the year. The most significant operations, described in greater detail in the Group report on operations, were as follows:

- the acquisition of 97.6% of Banco di Napoli's ordinary share capital, for an investment of around 3 billion Euro;
- the acquisition of a 19.1% interest in Cassa di Risparmio di Firenze: 15% from the bank's Foundation

and the remaining 4.1% transferred from the subsidiary NHS. This entailed an outlay by the Bank of about 440 million Euro;

- the sale to the Franco-Belgian Dexia Group of the remaining 40% interest in Crediop, which had a book value of 180 million Euro. The sale brought in a pre-tax gain of 223 million Euro.

The following operations are also worth noting:

- the sale of a 4% stake in Beni Stabili, with a book value of 23 million Euro, for a pre-tax gain of 15 million Euro;
- the trading of Banca Fideuram shares: purchases for 57 million Euro and sales for 34 million Euro, the latter generating pre-tax gains of 4 million Euro;
- the sale of Tecnost shares for 32 million Euro, entailing a pre-tax gain of 5 million Euro.

After the close of the year, the Bank acquired 10.9% of Banca Cardine, valued at 516 million Euro. As part of the operation, it granted 27.5 million own shares to Fondazione Cassa di Risparmio di Venezia.

Equity investments

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	Amount (€/mil)	%	
Investments	7,549	100.0	7,549	100.0	4,544	100.0	+66.1
- in Group companies	6,335	83.9	6,335	83.9	2,530	55.7	+150.4
- others	1,214	16.1	1,214	16.1	2,014	44.3	-39.7

The distribution network

The most important initiative in 2000 was the conclusion of the first phase of the project to create a multichannel distribution system, which uses the Internet as a supplementary vehicle for the offer of services to private individuals and as a development platform in commercial relations with companies. With completion of the first stage, the Bank was able to offer customers Internet and mobile banking tools and services in early 2001.

Meanwhile, the Bank reinforced its domestic network with an increase of 40 outlets, raising the total to 1,332. Early in 2001 it opened 15 additional outlets, bringing the total number of Italian branches to 1,347.

The Bank continued to specialize its network by market segment and to increase the productivity of its outlets. During the year it opened eight new private banking units, and began to split the network into retail branches and business centers.

Personnel

At year end the Bank had a workforce of 20,283, including the staff of the activities transferred to Banca OPI, for an increase of 271 during the year. The rise in the headcount, which follows a reduction of about 1,300 in 1998-1999, relates to the development plans in the sectors with highest potential for the creation of value.

Distribution network

	31/12/2000	31/12/2000 restated	31/12/1999	Change 31/12/00 restated - 31/12/99 (%)
Banking branches and area offices	1,342	1,342	1,303	+2.9
- Italy	1,332	1,332	1,292	+3.1
- Abroad	10	10	11	-10.0
Representative offices	13	13	11	+15.4

Personnel

	31/12/2000		31/12/2000 restated		31/12/1999		Change 31/12/00 restated - 31/12/99 (%)
		%		%		%	
Year-end headcount	20,219	100.0	20,283	100.0	20,012	100.0	+1.4
- Executives	198	1.0	202	1.0	206	1.0	-1.9
- Managers	3,347	16.5	3,369	16.6	3,342	16.7	+0.8
- Other employees	16,674	82.5	16,712	82.4	16,464	82.3	+1.5

Equity Capital

Net shareholders' equity

Shareholders' equity in the Bank at the end of 2000 amounted to 7,002 million Euro, net of own shares. The year's movements are summarized below:

<i>Movements in shareholders' equity</i>	<i>€/mil</i>
Net shareholders' equity at 1 January 2000	6,864
Decreases	-1,085
- Dividends	-724
- Increase in own shares	-361
Increases	1,223
- Capital	5
- Share premium reserve	18
- Exchange differences and other adjustments	2
- Net income for the year	1,198
Net shareholders' equity at 31 December 2000	7,002

The increase in capital (5 million Euro) and share premium reserve (18 million Euro) is the result of Group executives subscribing to 1,833,250 shares at a price of 12.396 Euro each, as part of a stock option plan described in the Group Report on Operations.

Own shares

The Bank held 27,431,500 of its own shares at the end of 1999 (nominal value of 76.8 million Euro with a carrying value of 335.6 million Euro). In 2000 it bought 54,195,250 own shares (nominal value of 151.7 million Euro for a total outlay of 891.4 million Euro) and sold 42,280,768 own shares (nominal value of 118.4 million Euro for proceeds of 612 million Euro). At the end of 2000, the Bank held 39,345,982 own shares (nominal value of 110 million Euro with a carrying value of 697 million Euro).

In January 2001, as part of the operation to acquire a 10.9% holding in the Cardine Group, the Bank sold about 27.5 million own shares to Fondazione Cassa di Risparmio di Venezia for 516 million Euro. As of 15 March 2001, the Bank held 16,483,503 own shares, equal to 1.17% of capital, with a carrying value of 285.6 million Euro.

Regulatory capital and capital adequacy

At the end of 2000, the ratio between the Bank's regulatory capital and its total assets weighted for lending and market risk gave an overall solvency ratio of 12.8%. The ratio of the Bank's Tier 1 capital to total risk-weighted assets came to 9.6%. Market risks, amounting to 1 billion Euro, were fully covered by Tier 3 subordinated debt.

Given that own shares were used to acquire the 10.9% stake in the Cardine Group in January 2001, the overall solvency ratio should still be the same as what it was at the end of December, while the Tier 1 ratio should have risen to 10.9%.

Regulatory capital and capital adequacy

	31/12/2000	31/12/1999
Regulatory capital (€/mil)		
Tier 1 capital	7,027	5,973
Tier 2 capital	2,659	1,065
less: prescribed deductions	-297	-290
Total capital	9,389	6,748
Weighted assets (€/mil)		
Lending risk	73,433	65,549
Market risk		1,710
Other requirements		
Total assets	73,433	67,259
Capital adequacy ratios (%)		
Tier 1 ratio	9.6	8.9
Total capital ratio	12.8	10.0

Supplementary information

The Board of Directors, Executive Committee and Management

The following information is provided in compliance with a Consob Recommendation published on 20 February 1997. Under Art. 15 of the Articles of Association, the Board of Directors appoints an Executive Committee from among its number, fixing the size of the Committee, the relevant levels of authority and term in office, as well as its working rules and powers. It also appoints, and decides the terms of reference of, one or more Managing Directors. In addition, the Board is empowered, under Art. 20 of the Articles, to appoint one or more General Managers and one or more Deputy General Managers.

The Executive Committee exercises powers conferred by the Board in connection with operations, shareholdings, personnel and expenditure, as well as the authority in urgent cases to take any measures needed to protect the Bank's interests; such action is reported to the Board at its next meeting.

Powers with reference to lending operations have also been attributed to special Committees made up of the Managing Directors and the heads of the pertinent units.

The powers of the Managing Directors, also fixed by the Board, refer to operations, control and management of risk, shareholdings, personnel, organization and expenditure, together - in general or as part of specific mandates - with the levels of authority required for the purposes of day to day management of the business of the Bank. In some cases, the latter authority levels are partially restricted by the Articles of Association and other Board resolutions that assign sole responsibility for particular functions elsewhere.

Under Art. 20 of the Articles of Association, the General Manager's functions also include:

- implementing the decisions of the Board, its Executive Committee, the Chairman and the Managing Directors,

together with the management of day to day operations;

- supervising the Bank's organization and the functioning of the services;
- deciding the departments and functions of personnel, other than executives.

Under delegation arrangements made by the Managing Directors, the Deputy General Managers have special powers in relation to their respective areas of responsibility.

Intercompany transactions and transactions with related parties

Transactions between the Bank, subsidiary companies and associated companies take place in accordance with current legislation and are arranged on a mutually equitable basis. Transactions with related parties as defined in the Consob Communications dated 20 February 1997 and 27 February 1998 - including those with personnel and officers of the SANPAOLO IMI Group and any companies they control - similarly comply with current legislation and are conducted on an arm's-length basis. Investments in the Bank and in the companies it controls held by the Directors, Statutory Auditors and General Managers of the Bank are detailed in the Group Report on Operations.

The year's intercompany transactions between the Bank and other members of the SANPAOLO IMI Banking Group are summarized in the Explanatory Notes.

Stock option plans

The Bank has developed two stock option plans for its managers. The plans are explained in the Group Report on Operations.

The Euro

Please see the Group Report on Operations for information about the Euro project.

Significant events after the year end

In January and February 2001, the Bank turned in positive net inflows to its asset management activities for 339 million Euro. The decline in the equity markets has penalized the asset management stock, which fell by 1.4 billion Euro since the start of the year to total 64.1 billion Euro at the end of February.

This contraction in the asset management stock has led to a lower flow of net commissions compared with the same period in 2000. To compensate, the other revenue items

are on the rise. The Bank has also continued to limit operating costs, and to reduce provisions and adjustments by improving the quality of its loan portfolio.

The Bank's accounts for the first three months of 2001 will also be conditioned by the comparison with the first quarter of 2000, which saw the highest revenue flow of the year. The action points planned, both to improve income through active management in various business sectors and to contain costs, should show a recovery in profit margins in future quarters.

Turin, 27 March 2001

The Board of Directors

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

Shareholders,

We submit the 2000 financial statements of SANPAOLO IMI for your approval.

Given that the legal Reserve exceeds the maximum amount provided for in art. 2430.1 of the Italian Civil Code (20% of share capital), which means that there is no longer any need to allocate 10% of net income to the legal reserve, in accordance with the law and art. 22 of the Articles of Association, we propose the following allocation of net income for the year available for distribution amounting to Euro 1,198,612,088.86 (the equivalent of Lire 2,320,836,629,306):

- Euro 797,626,373.28 (equal to Lire 1,544,420,017,800) to the Shareholders, by means of a dividend of L. 1,100 (Euro 0.568) for each of the 1,404,018,198 ordinary shares making up the share capital, to be distributed to the shares in circulation, transferring to the extraordinary Reserve any dividends referring to any own shares that the Bank may hold on May 21, 2001, the date that the shares go ex-dividend. Because the stock option plan for 1999-2001 allows options on new shares to be exercised for a certain period prior to when the shares go ex-dividend, the number of shares in circulation on May 21, 2001 could be higher than the current 1,404,018,198. In that instance, as the amount of the unit dividend will remain Euro 0.568, the greater portion of net income paid out will require a corresponding reduction in the portion of net income allocated to the extraordinary Reserve;
- Euro 381,000,000 (equal to Lire 737,718,870,000) to the Reserve ex D.Lgs. 153/99 to take advantage of the lower tax rate of 12.5% applicable to earnings posted to this Reserve in the event of bank concentrations;
- Euro 995,217.75 (equal to Lire 1,927,010,273) to the Reserve ex art. 13.c.6. of D.Lgs. 124/93 to take advantage of the tax deductibility deriving from the possibility to set up such a reserve in suspense for tax purposes, for an amount equal to 3% of the portions of employee termination indemnities applied to supplementary pension schemes;
- Euro 18,990,497.83 (equal to Lire 36,770,731,233) to the extraordinary Reserve.

Dividends will have a full tax credit (58.73%) in accordance with D.Lgs. 467/97 and will be available for collection from May 24, 2001.

The proposed distribution is in line with the positive trends that the Bank is seeing in the early months of 2001, without affecting the adequacy of the Bank and the Group's regulatory capital and solvency ratios.

If this proposal is approved, the shareholders' equity of SANPAOLO IMI – after the allocation of net income and without considering the possible issue of new shares due to the exercise of stock options or any change in own shares held by the Bank - will be as follows:

	€
Composition of shareholders' equity of SANPAOLO IMI after allocation of 2000 net income	
Capital	3,931,250,954.40
Legal reserve	792,561,421.30
Share premium reserve	17,591,867.00
Other reserves:	1,825,053,729.17
<i>Reserve ex D. Lgs. 153/99</i>	<i>641,000,000.00</i>
<i>Reserve art. 7.3 Law 218/90</i>	<i>80,359,536.66</i>
<i>Reserve Law 169/83</i>	<i>11,514,113.06</i>
<i>Reserve art. 21 D. Lgs. 213/98</i>	<i>41,859,974.96</i>
<i>Reserve art. 13.6 21 D. Lgs. 124/93</i>	<i>2,746,088.70</i>
<i>Residual merger difference</i>	<i>13,737,262.06</i>
<i>Reserve for purchase of own shares</i>	<i>980,000,000.00</i>
<i>Extraordinary reserve</i>	<i>53,836,753.73</i>
Reserve for general banking risks	335,696,984.41
	6,902,154,956.28

Turin, 27 March 2001

The Board of Directors

Report of the Board of Statutory Auditors pursuant to Article 153 of Legislative Decree 58 of 24 February 1998 and Article 2429, paragraph 3, of the Italian Civil Code

Shareholders,

The Board wishes first to recall that Legislative Decree 58 of 24 February 1998, concerning the reform of financial markets and corporate governance, sets out new regulations for the responsibilities of the Boards of Statutory Auditors of companies with shares quoted on regulated markets.

These regulations assign to the Independent Auditors those activities formerly undertaken by the Board concerning accounting and financial statements, while the Board of Statutory Auditors has other responsibilities concerned with corporate governance and, in particular, supervision and inspection of corporate affairs.

The financial statements for 2000, put before you for your approval, as well as the consolidated financial statements for 2000 which are available to you, have been sent to us as required by law and are presented in accordance with 87 of January 27, 1992, as well as Banca d'Italia instructions of July 30, 1992 and subsequent revisions.

The reports on operations prepared by the Board of Directors show fully and completely the income statement, balance sheet and financial statements of the Bank and of the Group and the performance during 2000 as well as developments after the end of the year.

As noted in the consolidated Report on Operations, the Company has accepted the Selfdisciplinary Code for Quoted Companies issued by Borsa Italiana S.p.A.. This established, among other things, Technical Consultative Committees, composed of executive directors and others, with the task of monitoring questions of specific interest to minorities and market interests, such as the systems of internal control, remuneration of directors and senior management and the completeness of the information provided to the Board of Directors.

The Company has established, in addition to the Committees expressly envisaged by the Code, such as the Audit Committee and Remuneration

Committee, other technical consultative committees: the Technical Committee for Company Social Security and for Personnel Policies and the Technical Shareholdings Committee. In following the recommendations of the Selfdisciplinary Code for Quoted Companies, at the Shareholders' Meeting to approve the financial statements, the Board of Directors of the Company proposes the approval of the Regulation for the meeting prepared to take account of the structure proposed jointly by ABI and Assonime.

The Reports on Operations, of the Bank and at consolidated level, and the Explanatory Notes, of the Bank and at consolidated level, contain the information required by the regulations of Consob and Banca d'Italia. The Board has, in particular, noted that the information required by Consob (Communication 1011405 of 15 February 2001 to banks quoted on regulated markets) concerning tax incentives pursuant to the Ciampi Law and the renegotiation of subsidized mortgages and those associated with usury, as well as timing mismatches on interest payments, has been inserted in the Explanatory Notes to the Bank's and consolidated financial statements.

Information required by Article 10 of Law 72/83 is provided in the sections of the explanatory notes concerning assets revalued.

Relationships within the group and with associated parties, appropriately described in the Reports on Operations, are all conducted within the terms of current legislation, on the basis of valuations at mutual financial interest.

The reports on the performance of operations, of the Bank and at consolidated level, in the first six months of 2000, given to us as per legal requirements by the Board of Directors, have been prepared and published as prescribed by Consob. The quarterly reports have been published as required.

In the course of the year closed on 31 December 2000, we have undertaken our supervisory activity as prescribed by law taking account, among other things, of the principles concerning the Board of Statutory Auditors as set out by the National Accounting Standards Board. In particular:

- we attended 15 meetings of the Board of Directors and 24 of the Executive Committee held in 2000. In the same period, we met 17 times for examination and received from the managing directors, pursuant to Article 150 of Legislative Decree 58/98, on a quarterly basis, information on activities conducted in the year as mandated within the Parent Bank and the most important operations in economic, financial and balance sheet terms made by the Company (and subsidiary companies), checking that the actions approved and made conform to legal requirements and the company's articles and by-laws and were not manifestly imprudent, of risk, in potential conflict of interest or against motions taken by the Shareholders' Meeting;
- we have noted and checked, as within our remit, the proper organizational structure of the company and in respect of the principle of proper management, through direct observation, collection of information from executives responsi-

ble for organization and meetings with the Independent Auditors to provide a mutual exchange of relevant data and news. In particular, in 2000, specific checks on the most important foreign branches in terms of operating volumes (New York, London, Singapore and Tokyo) were made together with the Internal Auditing function; these checks covered principally organizational structure, authority for loans and costs, local regulations and the functioning of internal control systems;

- we have examined and checked the adequacy of internal controls and of the administrative and accounting systems of the Company, as well as their suitability to provide correctly the information on operations, through information obtained from executives, the examination of company documents and the analysis of the results of the work undertaken by the independent auditors. Within the organizational structure of the Bank, it should be noted that the Internal Auditing function checks that the systems are suitable to guarantee in every respect the management of risks and that operations are conducted according to set procedures and internal and external regulations; it is also responsible for evaluating the working of the complete system of internal controls and for identifying any anomalies. For activities concerning the Parent Bank, including the foreign branches and Group companies, Internal Auditing reports on a quarterly basis to the Board of Directors and provides information to the Board of Statutory Auditors, Managing Directors and Technical Audit Committee for those issues where they have responsibility;
- we have checked the observance of the legal requirements concerning the preparation, the presentation of the financial statements and report on operations, through direct checks and information drawn from the Independent Auditors.

From the activity undertaken, no significant facts have emerged which would require notification to the Regulatory Authorities or deserve mention in the present report.

Given the above, and having examined the contents of the reports prepared by the independent auditors Arthur Andersen S.p.A., we recommend the proposal to approve the financial statements for 2000, and note that the consequent proposal for the distribution of income by the Board of Directors conforms to legal requirements and with the articles and by-laws and is correctly justified in terms of the financial and balance sheet condition of the Company.

For the request for authorization for the purchase of own shares, it is noted that the motion conforms with the requirements pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, Article 132 of Legislative Decree 58 of 24 February 1998 and Consob requirements.

In accordance with the Consob Recommendation of 20 February 1997, we also inform you that your Company, in 2000, has conferred, for total fees of L. 1,980 million and with the prior agreement of the Board of Statutory Auditors, mandates to Arthur Andersen S.p.A. in addition to the audit of the annual and half-yearly financial statements, for the following:

- audit of the "Form 20-F" prepared by the Group in relation to the quotation of SANPAOLO IMI shares on the New York Stock Exchange;
- release of the Comfort Letter for the issue of the Offering Memorandum connected to the placement of Trust Preferred Securities, made by the Bank in November 2000 and the Euro Medium Term Notes Offering Circular.

These mandates are included among the activities for which foreign market participants and authorities require auditing by the Independent Auditors of the annual financial statements.

Torino, 10 April 2001

The Board of Statutory Auditors



**Report of the Independent Auditors
pursuant to art. 156 of Legislative Decree
no. 58 of February 24, 1998
(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 audited the financial statements of Sanpaolo IMI S.p.A. (the Bank) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the Directors of Sanpaolo IMI S.p.A. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in Italy as recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the adequacy and the fairness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries and of certain enterprises in which Sanpaolo IMI S.p.A. has a significant influence have been examined by other auditing firms, who have provided us with their reports. Our opinion expressed in this report, insofar as it relates to the amounts included for such companies, amounting to 36.8% of total investments and 2.8% of total assets, is also based upon the audits of other auditing firms.

For our opinion on the prior year's financial statements, which are presented for comparative purposes as required by law, reference should be made to the our auditors' report dated April 10, 2000.

3. In our opinion, the financial statements of Sanpaolo IMI S.p.A. as of and for the year ended December 31, 2000, comply with the Italian statutory provisions related to financial statements; therefore they give a true and fair view of the financial position and results of operations of Sanpaolo IMI S.p.A..



Page 2

4. For a better understanding of the financial statements, attention is drawn to the following information which is more fully described in the Report on Operations and in the explanatory notes:
- In the course of the year, the Bank has acquired significant investments in the Banco di Napoli Group and in Cassa di Risparmio di Firenze S.p.A.; as of December 31, 2000, such investments were written down in accordance with art. 15 of Legislative Decree 87/92, which allows valuation adjustments to be made solely in pursuance of fiscal provisions. The effects on the statement of income and on shareholders' equity are outlined in Part A, Section 2 of the explanatory notes.
 - In the course of the year, the Bank has conferred credit activities related to public works to a dedicated corporate entity (Banca Opi S.p.A.). The Bank has prepared a "pro-forma" statement of income for the year 2000, not subject to audit, adjusting the economic results of the Bank for items related to public works and infrastructure.
 - The Bank has allocated a share of the net income for the years 1999 and 2000 to the reserve as provided for and in accordance to Law 461/98 and Legislative Decree 153/99 (the so-called "Ciampi reserve") in relation to the merger with IMI and the acquisition of the Banco di Napoli Group. In the 2000 financial statements, following the request of suspension of the incentives and in line with the accounting treatment of the previous year, the Bank has, for reason of prudence, appropriated to the tax provision the whole amount of the benefit rising out of the application of these incentives. As required by CONSOB Recommendation dated February 15, 2001, the Bank has disclosed in the explanatory notes the effects on the statement of income and on shareholders' equity of such incentives.

Turin, Italy
April 2, 2001

Arthur Andersen SpA
s/Giulio Lubatti - Partner s/Mario M. Busso - Partner

Financial Statements

BALANCE SHEET

STATEMENT OF INCOME

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

BALANCE SHEET

(in Euro)

ASSETS		31/12/00	31/12/99
10	Cash and deposits with central banks and post offices	442,495,988	421,444,374
20	Treasury bills and similar bills eligible for refinancing with central banks	788,672,699	1,404,125,988
30	Due from banks	14,011,333,447	14,809,788,319
	a) repayable on demand	577,796,973	1,765,058,484
	b) other deposits	13,433,536,474	13,044,729,835
40	Loans to customers	61,759,856,289	67,262,285,646
	<i>of which:</i>		
	- <i>loans using public funds</i>	37,872,695	47,451,295
50	Bonds and other debt securities	5,285,551,932	5,948,110,330
	a) public entities	2,477,082,377	2,547,067,911
	b) banks	2,007,175,171	2,622,644,261
	<i>of which:</i>		
	- <i>own bonds</i>	430,337,610	850,606,925
	c) financial institutions	145,057,000	172,064,462
	<i>of which:</i>		
	- <i>own bonds</i>	-	-
	d) other issuers	656,237,384	606,333,696
60	Shares, quotas and other equities	11,118,991	20,694,036
70	Equity investments	1,214,306,342	2,013,668,438
80	Investments in Group companies	6,335,401,554	2,530,426,361
90	Intangible fixed assets	177,303,857	167,274,269
	<i>of which:</i>		
	- <i>start-up costs</i>	-	-
	- <i>goodwill</i>	-	-
100	Tangible fixed assets	880,650,514	910,955,249
120	Own shares (nominal value € 110,168,750)	697,321,064	335,630,924
130	Other assets	6,837,506,399	8,685,243,475
140	Accrued income and prepaid expenses	1,791,439,436	4,127,937,338
	a) accrued income	1,721,744,067	3,957,988,424
	b) prepaid expenses	69,695,369	169,948,914
	<i>of which:</i>		
	- <i>discounts on bond issues</i>	7,374,924	2,629,919
Total assets		100,232,958,512	108,637,584,747

		(in Euro)	
LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/00	31/12/99
10	Due to banks	21,705,486,596	24,203,135,654
	a) repayable on demand	2,112,952,543	519,392,584
	b) time deposits or with notice period	19,592,534,053	23,683,743,070
20	Due to customers	37,608,980,630	34,192,170,111
	a) repayable on demand	26,274,055,703	25,458,289,736
	b) time deposits or with notice period	11,334,924,927	8,733,880,375
30	Securities issued	16,596,884,648	27,117,109,672
	a) bonds	12,413,740,279	19,372,461,223
	b) certificates of deposit	3,679,072,349	7,358,472,456
	c) other	504,072,020	386,175,993
40	Other funds administered	39,320,020	50,457,312
50	Other liabilities	8,068,600,744	8,321,644,432
60	Accrued expense and deferred income	2,062,742,749	4,649,246,270
	a) accrued expense	1,848,787,456	4,462,210,556
	b) deferred income	213,955,293	187,035,714
70	Provision for termination indemnities	407,683,583	400,961,920
80	Provisions for risks and charges	1,462,765,715	1,163,481,860
	a) pensions and similar commitments	43,338,262	45,926,205
	b) taxation	947,975,345	821,717,557
	c) other	471,452,108	295,838,098
100	Reserve for general banking risks	335,696,984	335,696,984
110	Subordinated liabilities	4,580,712,498	1,338,925,566
120	Capital	3,931,250,954	3,926,117,854
130	Share premium	17,591,867	-
140	Reserves	2,216,629,435	1,920,943,709
	a) legal reserve	792,561,422	792,561,421
	b) reserve for own shares	697,321,064	335,630,924
	c) statutory reserves	-	-
	d) other reserves	726,746,949	792,751,364
160	Retained earnings	-	142,346
170	Net income for the year	1,198,612,089	1,017,551,057
Total liabilities and shareholders' equity		100,232,958,512	108,637,584,747
GUARANTEES AND COMMITMENTS		31/12/00	31/12/99
10	Guarantees given:	21,219,009,169	16,505,842,479
	<i>of which:</i>		
	- acceptances	153,174,321	131,381,542
	- other guarantees	21,065,834,848	16,374,460,937
20	Commitments	13,005,317,113	13,310,528,849
	<i>of which:</i>		
	- for sales with obligation to repurchase	-	-

STATEMENT OF INCOME

(in Euro)

	2000	1999
10. Interest income and similar revenues	5,232,693,996	4,975,656,141
<i>of which:</i>		
– loans to customers	4,076,343,587	3,953,468,679
– debt securities	375,658,729	546,266,646
20. Interest expense and similar charges	-3,476,887,951	-3,262,027,241
<i>of which:</i>		
– deposits from customers	-889,154,886	-599,120,532
– debt securities	-1,313,473,240	-1,523,441,708
30. Dividends and other revenues	746,306,729	574,426,198
a) from shares, quotas and other equities	384,184	28,340,995
b) from equity investments	108,596,278	94,826,532
c) from investments in Group companies	637,326,267	451,258,671
40. Commission income	1,643,579,509	1,432,634,008
50. Commission expense	-93,614,072	-87,975,414
60. Profits (losses) on financial transactions	85,600,439	49,696,253
70. Other operating income	172,212,773	180,582,909
80. Administrative costs	-1,987,521,242	-1,950,322,718
a) personnel	-1,280,598,310	-1,260,343,803
<i>of which:</i>		
– wages and salaries	-917,545,159	-901,705,912
– social security charges	-295,522,325	-296,677,780
– termination indemnities	-67,530,826	-61,908,466
– pensions and similar commitments	-	-51,646
b) other	-706,922,932	-689,978,915
90. Adjustments to intangible and tangible fixed assets	-179,580,858	-182,178,245
100. Provisions for risks and charges	-200,774,931	-57,333,507
110. Other operating expenses	-5,040,373	-8,047,851
120. Adjustments to loans and provisions for guarantees and commitments	-494,479,028	-590,357,594
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	354,528,717	312,157,861
140. Provisions to the reserve for possible loan losses	-	-
150. Adjustments to financial fixed assets	-229,829,831	-85,160,945
160. Writebacks of adjustments to financial fixed assets	236,408	841,056
170. Income from operating activities	1,567,430,285	1,302,590,911
180. Extraordinary income	374,247,806	406,124,961
190. Extraordinary expenses	-32,042,652	-51,790,731
200. Extraordinary net income	342,205,154	354,334,230
220. Income taxes	-711,023,350	-639,374,084
230. Net income for the year	1,198,612,089	1,017,551,057

Explanatory Notes to the financial statements

Introduction – Background information

- Form and content of the financial statements
- Restatement of the 2000 reclassified financial statements
- 2000 pro forma statement of income
- Audit of the financial statements
- Half-year report

Part A - Accounting policies

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

Part B - Balance sheet

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

Part C - Statement of income

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

Part D - Other information

- Section 1 – Directors and statutory auditors
- Section 2 – Parent bank

Introduction - Background information on the statutory financial statements

Form and content of financial statements

The Bank's statutory financial statements for 2000 have been prepared pursuant to Decree 87 of January 27, 1992, which implemented EEC Directive 86/635. They also take account of the requirements contained in the Bank of Italy regulations dated July 30, 1992, and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

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

The financial statements are consistent with the underlying accounting records, which reflect all of the transactions carried out during the year.

Pursuant to art. 16, para. 3 of Legislative Decree 213/98, effective from December 31, 1999 the Bank has opted for the Euro as its reporting currency, for the preparation of all compulsory accounting documents for publication.

The financial statements for 2000 have therefore been prepared in Euro. More specifically, in line with the regulations issued by the Bank of Italy and by Consob, the accounting tables are presented in Euro, whereas the explanatory notes are expressed in millions of Euro.

The explanatory notes are presented with comparative figures as of December 31, 1999. These notes provide all the information required by law, including any additional data considered necessary to give a true and fair view of the financial and operating situation. The tables required by the Bank of Italy are numbered in accordance with Bank of Italy instructions or based on the date of the Instructions.

The following schedules are attached to the financial statements:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- List of properties owned by the Bank;
- 2000 pro forma statement of income

The financial statements will be lodged at the Bank's registered offices by the legal deadline, together with the latest approved financial statements of subsidiary companies. Draft 2000 financial statements of subsidiaries prepared by the respective Boards of Directors for subsequent approval by the respective Shareholders' Meetings will also be lodged at the registered offices. In compliance with Consob regulations (Art. 77 Resolution 11971/98), the consolidated financial statements, the auditors' report and the statement of key data of affiliated companies will also be lodged at the company's registered offices.

It should also be mentioned that Part B - Section 7 - Provisions contain the information required by Consob (Communication 1011405 of February 15, 2001) from banks quoted on regulated markets.

Restatement of the 2000 reclassified financial statements

On July 1, 2000 the Bank finalized the transfer of the public works and infrastructure business to the subsidiary Banca OPI SpA. For ease of comparison of the results for the two years, the Bank has prepared as part of the report on operations reclassified restated situations for 2000 which compensate the effects on net income with an appropriate adjustment.

2000 pro forma statement of income

In addition to the 2000 financial statements there is a pro forma statement of income for 2000 that will be used as a basis of comparison for future statements of income. This document has been prepared adjusting the results of those elements attributable to the public works and infrastructure business transferred to Banca OPI SpA in 2000, together with the financial effects of hypothetically anticipating the acquisition of Banco di Napoli to 1/1/2000 for the purpose of the consolidated financial statements. The effects on net income have been offset by an adjustment.

Audit of the financial statements

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

Half-year report

SANPAOLO IMI prepared and published a half-year report on operations during the first six months of 2000 as required by law and in the format prescribed by Consob.

Arthur Andersen S.p.A. carried out a limited audit on SANPAOLO IMI's half-year report, in accordance with Consob Recommendations 97001574 of February 20, 1997 and 10867 of July 31, 1997 and the shareholders' resolution of April 30, 1998.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The financial statements as of December 31, 2000, have been prepared using the accounting policies adopted in relation to the financial statements as of December 31, 1999.

Loans, guarantees and commitments

Loans

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

In particular:

- non-performing loans: being loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans: being loans to borrowers in temporary difficulties likely to be resolved within a reasonable period of time; are valued on a case-by-case basis;
- restructured loans: being loans for which a syndicate of banks (or a single bank) reschedules the repayment of principal or re-negotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured: being loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk": being loans to borrowers resident in countries with debt-servicing difficulties, are normally adjusted on a general basis by applying writedown percentages not lower than those specified by the banking association. They do not include specific positions which are assessed on a case-by-case basis, using objective criteria, with reference to the category of risk concerned;
- Performing loans being loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. In 2000 a new trading activity on the secondary loan market was commenced by the New York and London branches; performing loans purchased as part of this activity form part of a separate homogeneous portfolio, which is valued globally at the lower of cost and market. General adjustments to other performing loans are calculated on a statistical basis with the following stages:
 1. at the year-end, the bank estimates the performing loans which, based on the movements in the last four years, are likely to become doubtful loans during the next year;

2. the bank then calculates the potential losses likely to be incurred on the amount mentioned in point 1, assuming that the loss percentage is the same as the average loss on performing loans transferred to doubtful loans in the last four years.

As regards the method of calculating writedowns by means of discounting, note that they are equal to the difference between:

- estimated realizable value;
- and the 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 at December 31, 2000, the Bank has used a reference rate of 6.9%. This rate is deemed to reflect the best approximation of the original average yield on the problem loan portfolio – considering the contractual rates currently applied by the Bank on medium-long term loans (fixed and floating rate) and on short term ones (floating rate).

For the purpose of classifying loans as non-performing, problem, restructured or exposed to country-risk, the Bank has made reference to current Bank of Italy regulations on the subject. These have been supplemented by specific and detailed internal instructions regarding, in particular, aspects of implementation and the introduction of rules for the automatic transfer of loans between the various risk categories. Doubtful loans are classified in the various risk categories (non-performing, problem, restructured and being restructured) by the operating structures, working together with the central functions responsible for credit control.

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

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

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

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

Loans for which the Group acquired protection against the risk of non-performance as part of derivative contracts ("buyer protection") continue to be booked in the financial statements among loans secured by personal guarantees.

Loans deriving from financing and deposit contracts

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

Reverse repurchase agreements on securities

Reverse repurchase agreements that require the holder to resell securities when the agreement matures are treated as lending transactions. 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 debtors underlying loan derivatives in which the Bank has taken over the lending risk ("seller protection").

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

Investment securities

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

Such securities are written down to reflect any lasting deterioration in the solvency of the issuers and the ability of the related nations to repay debt. Investment securities can also be written down to take account of market trends (art. 18 of D.Lgs. 87/92). The original value of investment securities is reinstated when the reasons for any writedowns cease to apply.

Dealing securities

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

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

Any transfers between the investment and dealing portfolios are made on the basis of the book value of the securities transferred at the time of the transaction; book value is determined using the method applicable to the originating portfolio. Securities transferred and still held at year-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, among others, any reductions in the equity of the companies concerned. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Equity investments can also be written down to take account of market trends pursuant to art. 18.1 of D.Lgs 87/92, or solely for fiscal purposes as allowed by art. 15.3 of D.Lgs 87/92.

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 from investments are booked together with the related tax credit when the tax credit becomes collectible, which is usually in the year that the dividends are approved and paid.

Own shares

Own shares acquired by the Bank, essentially for use in strategic deals that require the availability of own shares (e.g. share exchanges as part of the acquisition of equity investments, cooperation agreements and other extraordinary financial operations) are valued at "average daily cost".

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

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

Assets and liabilities denominated in foreign currency

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

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

Unsettled spot and forward currency transactions

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

Transactions not carried out for hedging purposes are valued:

- at year-end spot exchange rates, in the case of spot transactions still to be settled;
- at year-end forward exchange rates for the maturity dates concerned, in the case of forward transactions.

The effect of these valuations is debited or credited to the statement of income.

Tangible fixed assets

Tangible fixed assets are stated at purchase cost, including related charges and the cost of improvements. In certain cases, purchase cost may have been restated on transformation of the Bank at the time of mergers or as a result of applying monetary revaluation laws.

Operating assets are depreciated on a straight-line basis over their residual useful lives. Tangible fixed assets are written down in cases where there is a permanent loss in value, regardless of how much depreciation has already been accumulated. The value of such assets is reinstated in future accounting periods if the reasons for any writedowns no longer apply.

Ordinary maintenance and repairs are expensed in the year they are incurred.

Intangible fixed assets

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

- Formation and capital increase expenses and other deferred charges are 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, net of the portion allocated to more closely reflect the value of the related assets, are amortized on a straight-line basis. Amortization is provided over a period of ten years. These amortization periods are justifiable in view of the durability of the goodwill accumulated by the merged banks, as assessed in expert appraisals prepared for the respective mergers.

Payables

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

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 year-end or at the time the financial statements are prepared.

Pensions and similar commitments

This qualifies as an "internal" pension fund made up of provisions for supplementary pensions due to retired employees of the former IMI S.p.A. with rights to such benefits. The contingency arising in this connection is assessed on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions.

Taxation

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

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

Deferred taxation, determined according to the so called "balance sheet liability" method, reflects the tax effect of timing differences between the book value of assets and liabilities and their value for tax purposes, which will lead to taxable and deductible amounts in future years when there is reasonable probability that such differences will reversal. To this end, taxable timing differences are defined as those which will give rise to taxable income in future years (deferred capital gains, for example); while deductible timing differences are defined as those which will give rise to deductible amounts in future years (such as provisions and costs that can be deducted for tax purposes over a period of years, e.g. general loan write-downs in excess of the fiscally deductible amount).

Deferred tax liabilities are calculated by applying the average tax rate taking into account standard rates of tax and special tax benefits established by law 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; possible charges in connection with guarantees given on the sale of equity investments; possible charges in connection with the Bank's commitment to support the Interbank Deposit Guarantee Fund; possible charges in connection with the renegotiation of low-interest housing mortgage loans (Law 133/99 and provisions dictated by Budget Law 2001) and fixed-rate mortgage loans without special interest terms (Decree Law 394 of December 29, 2000, converted into Law 24 of February 28, 2001); charges in connection with other potential liabilities.

The provision for other personnel charges comprises:

- provisions made 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 recognized in accordance with the matching principle.

Other aspects

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

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

The values determined are recorded separately in the balance sheet without 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 derivative 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 the interest margin on an accruals basis. In this case, the related differentials and margins are allocated either to interest income or to interest expense, depending on their nature. If, on the other hand, the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated are treated as "Profits (losses) on financial transactions". More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest, if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits (losses) on financial transactions, if they relate to single-flow contracts where the duration of the underlying asset is more than one year (e.g. futures and options).

Non-hedging derivative 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 year. Contracts linked to reference indicators subject to official observation are stated on the basis of their financial value (replacement cost), determined with reference to the market quotations for those indicators on the last day of the year. Other contracts are valued with reference to other elements determined on an objective and consistent basis.

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

The related procedures for presentation in the financial statements are summarized below:

Balance sheet: the amounts determined from the valuation of non-hedging contracts are classified as Other assets or Other liabilities.

Statement of income: the economic effects of non-hedging derivative contracts are classified as "Profits (losses) on financial transactions". This caption is analyzed in a specific table within the explanatory notes with regard to the portfolios in which the transactions took place (securities, currency, other financial instruments) and to the nature of the income / costs arising (from valuations or elsewhere).

Internal deals

The Bank has adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is inspired mainly by the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives (and sometimes securities); they have their own books of account and established limits on net risk, and they are responsible for their own results.

The desks serve as counterparties to other desks (which are also autonomous from an accounting point of view) that are not authorized to deal in the market, by means of internal deals in derivatives at market prices. The non-specialized desks initiate these internal deals mainly for hedging purposes.

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

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

Settlement date

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

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

With regard to the investment acquired during the year in Cassa di Risparmio di Firenze S.p.A. and in Banco di Napoli S.p.A., the Bank applied the last paragraph of art. 15 of D.Lgs 87/92 which permits value adjustments solely for fiscal purposes. Since the tax regulations allow quoted equity investments to be written down to the average market price for the last six months of the year, this treatment involved a writedown of € 189 million for Carifirenze and € 19 million for Banco di Napoli, reducing income taxes for the year by € 77 million.

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:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due from central banks			
– compulsory reserve	135	597	-77.4
– other	30	35	-14.3
Due from other banks			
– repurchase agreements and securities	2,393	2,389	+0.2
– current accounts	246	374	-34.2
– deposits	9,963	9,936	+0.3
– loans	1,091	1,392	-21.6
– subordinated loans	147	69	+113.0
– other	6	18	-66.7
Total	14,011	14,810	-5.4

The compulsory reserve with the Bank of Italy identified above reflects the year-end position.

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) deposits with central banks	165	632	-73.9
b) bills eligible for refinancing with central banks	-	-	-
c) repurchase agreements	2,393	2,389	+0.2
d) securities loaned	-	-	-

Loans to customers (caption 40)

Loans to customers are analyzed below, by technical form:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Mortgage loans	26,281	36,874	-28.7
Other forms of finance not flowing through current accounts – Italian branches	10,016	7,462	+34.2
Current accounts	9,229	9,239	-0.1
Other forms of finance not flowing through current accounts – foreign branches	7,986	5,040	+58.5
Import-export loans	1,910	1,292	+47.8
Advances with recourse	1,689	2,178	-22.5
Repurchase agreements and securities loaned	1,609	924	+74.1
Risk on portfolio	712	853	-16.5
Loans	707	721	-1.9
Non-performing loans	630	1,536	-59.0
Personal loans	601	588	+2.2
Other loans to customers	390	555	-29.7
Total	61,760	67,262	-8.2

The reduction in "Mortgage loans" is mainly attributable to the transfer of the public works and infrastructure business to Banca OPI S.p.A. on July 1, 2000.

Detail of caption 40 "Loans to customers" (table 1.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Bills eligible for refinancing with central banks	-	-	-
b) Repurchase agreements	1,609	924	+74.1
c) Securities loaned	-	-	-

The detail of "secured loans to customers" excluding those granted directly to State or public entities for 1,062 million Euro (€ 9,630 million at December 31, 1999), is the following:

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Mortgages	16,844	16,245	+3.7
b) Pledged assets:			
1. cash deposits	103	108	-4.6
2. securities (*)	2,999	1,996	+50.3
3. other instruments	110	152	-27.6
c) Guarantees given by:			
1. Governments	1,703	3,677	-53.7
2. other public entities	124	32	n.s.
3. banks	1,350	866	+55.9
4. other operators	8,031	5,618	+43.0
Total	31,264	28,694	+9.0

(*) These include € 1,609 million at 31/12/00 and € 924 million at 31/12/99 of repurchase agreements and similar operations guaranteed by securities.

Loans to customers guaranteed by banks and other operators include € 166 million of positions for which the Bank bought buyer protection against the risk of non-performance, by means of derivative contracts.

Secured loans to customers and those granted directly to Governments or other public entities represent 52% of total loans to customers (57% as of December 31, 1999). The decrease is related to the already mentioned conferral to Banca OPI S.p.A..

Degree of risk in loan portfolio

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in part A, section 1 of these notes. The related writedowns are effected via direct reduction of the balance sheet asset value of the loans concerned.

The estimated realizable value of problem loans takes into account not only the likelihood of recovery, but also their total or partial lack of income generation and late repayment. Total adjustments as of December 31, 2000 for discounting purposes total € 162 million.

Analysis of loans to customers

(Bank of Italy instructions dated 12.17.98)

	31/12/00 (€/mil)			31/12/99 (€/mil)		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	3,430	1,986	1,444	5,382	2,682	2,700
A.1 Non-performing loans	2,201	1,571	630	3,673	2,137	1,536
A.2 Problem loans	988	355	633	1,531	493	1,038
A.3 Loans currently being restructured	16	5	11	25	6	19
A.4 Restructured loans	111	29	82	85	23	62
A.5 Unsecured loans exposed to country risk	114	26	88	68	23	45
B. Performing loans	60,656	340	60,316	64,780	218	64,562
Total loans to customers	64,086	2,326	61,760	70,162	2,900	67,262

Non-performing loans, problem loans and restructured loans include unsecured loans to residents of nations exposed to country risk held in portfolio by the Bank for a total of € 4 million (almost totally secured by guarantees given by a subsidiary), € 8 million and € 3 million respectively. Value adjustments made to these loans amount to € 1 million for non-performing loans, € 7 million for problem loans and € 2 million for restructured loans.

The percentage of coverage on non-performing loans, gross of write-offs, was 82.9% while the equivalent figure for problem loans rose to 40%. As regards the various types of loan, the highest level of coverage is for ordinary loans, while the percentages on agricultural loans are lower given the existence of mortgage guarantees on these positions.

Analysis of loans to banks

(Bank of Italy instructions dated 12.17.98)

	31/12/00 (€/mil)			31/12/99 (€/mil)		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	69	15	54	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	58	5	53	241	156	85
B. Performing loans	13,957	-	13,957	14,725	-	14,725
Total loans to banks	14,026	15	14,011	14,976	166	14,810

Non-performing loans are essentially unsecured loans to residents in nations subject to country risk.

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Non-performing loans (net amount, including default interest)	631	1,536	-58.9

Movements during the year in gross doubtful loans to customer

(Bank of Italy instructions dated 12.17.98) €/mil

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of January 1, 2000	3,673	1,531	25	85	68
<i>A.1 including: for default interest</i>	804	46	3	-	-
B. Increases	531	507	-	41	59
B.1 inflows from performing loans	52	331	-	1	-
B.2 default interest	128	9	-	-	-
B.3 transfer from other categories of doubtful loans	275	40	-	34	-
B.4 other increases	76	127	-	6	59
C. Decreases	2,003	1,050	9	15	13
C.1 outflows to performing loans	15	65	-	2	-
C.2 write-offs	813	106	-	-	-
C.3 collections	300	467	1	10	6
C.4 disposals	848	106	-	-	-
C.5 transfers to other categories of doubtful loans	25	306	8	3	7
C.6 other decreases	2	-	-	-	-
D. Gross value as of December 31, 2000	2,201	988	16	111	114
<i>D.1 including: for default interest</i>	554	33	3	-	-

The decrease in non-performing loans can be attributed mainly to the completion of three sales without recourse of loans involving 16,282 mortgage loans, 20,391 short-term loans and 935 industrial loans. These loans, recorded for a gross value of € 1,554 million and a net value of € 756 million, were sold for € 848 million.

Movements during the year in gross doubtful amounts due from banks

(Bank of Italy instructions dated 12.17.98) €/mil

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of January 1, 2000	10	-	-	-	241
<i>A.1 including: for default interest</i>	-	-	-	-	-
B. Increases	2	-	-	-	8
B.1 inflows from performing loans	-	-	-	-	7
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	2	-	-	-	1
C. Decreases	1	-	-	-	191
C.1 outflows to performing loans	-	-	-	-	3
C.2 write-offs	-	-	-	-	143
C.3 collections	1	-	-	-	45
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross value as of December 31, 2000	11	-	-	-	58
<i>D.1 including: for default interest</i>	-	-	-	-	-

The reduction in unsecured loans exposed to country risk derives mainly from the participation of the Bank to the agreement for the restructuring of the payable by Russia (the London Club), entailing the decline in the total exposure to a gross amount of € 173 million (through a waiver of loans and an exchange of quoted securities, subsequently sold) and a net positive effect of € 18 million booked to the statement of income.

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

(Bank of Italy instructions dated 12.17.98)

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans	€/mil
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	444	120	2	12	16	134	
B.1 adjustments	378	94	2	3	15	132	
<i>B.1.1 including: for default interest</i>	128	9	-	-	-	2	
B.2 use of reserves for possible loan losses	-	-	-	-	-	-	
B.3 transfer from other categories of doubtful loans	65	19	-	9	-	1	
B.4 other increases	1	7	-	-	1	1	
C. Decreases	1,010	258	3	6	13	12	
C.1 writebacks from valuations	24	22	-	6	7	1	
<i>C1.1 including: for default interest</i>	-	-	-	-	-	-	
C.2 writebacks of collections	162	58	-	-	-	2	
<i>C2.1 including: for default interest</i>	30	17	-	-	-	2	
C.3 write-offs	813	106	-	-	-	7	
C.4 transfers to other categories of doubtful loans	11	72	3	-	6	2	
C.5 other decreases	-	-	-	-	-	-	
D. Total adjustments as of December 31, 2000	1,571	355	5	29	26	340	
<i>D.1 including: for default interest</i>	554	33	3	-	-	4	

As already discussed, total adjustments include € 162 million relating to the adoption of a policy of actualizing doubtful loans. Writedowns for discounting purposes total € 112 million on non-performing loans, € 40 million on problem loans and € 10 million on restructured loans and loans being restructured.

Performing loans include € 205 million, specifically under observation, covered by writedowns totalling € 26 million. The inherent risk associated with other performing loans is covered by a general writedown of € 310 million.

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

(Bank of Italy instructions dated 12.17.98)

Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of January 1, 2000	10	-	-	-	156	-
<i>A.1 including: for default interest</i>	-	-	-	-	-	-
B. Increases	-	-	-	-	20	-
B.1 adjustments	-	-	-	-	1	-
<i>B.1.1 including: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-	-
B.4 other increases	-	-	-	-	19	-
C. Decreases	-	-	-	-	171	-
C.1 writebacks from valuations	-	-	-	-	6	-
<i>C1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	22	-
<i>C2.1 including: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	-	-	-	-	143	-
C.4 transfers to other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	-	-	-	-	-	-
D. Total adjustments as of December 31, 2000	10	-	-	-	5	-
<i>D.1 including: for default interest</i>	-	-	-	-	-	-

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

Country	€/mil		
	Total	Gross value	
		of which: unsecured book value	weighted value
Brazil	78	58	10
Argentina	51	51	51
Qatar	47	14	14
Venezuela	16	13	13
Tunisia	8	8	2
Egypt	9	6	6
Philippines	5	5	5
Morocco	9	4	4
Cameroon	3	3	3
Russia	374	2	2
Algeria	2	2	2
Croatia	2	2	2
Other countries	12	4	4
Total gross exposure	616	172	118
Total adjustments	31	31	
Net exposure as of December 31, 2000	585	141	

For the purposes of these notes, the countries considered are those listed by the Italian Banking Association, for which, in the absence of specific guarantees, general adjustments have to be made. Adjustments to unsecured loans exposed to country risk have been made by applying the weighting criteria and the writedown percentages agreed industry-wide by the Italian Bankers' Association, as mentioned above. Such writedowns are to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans amount to € 444 million, of which € 149 million are insured by SACE or equivalent entities and by sureties from banking operators in the OECD area. The remaining 295 million Euro refer to loans granted to a prime customer resident in Russia that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the lending risk. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

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:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	789	1,404	-43.8
Bonds and other debt securities (caption 50)	5,286	5,948	-11.1
Shares, quotas and other equities (caption 60)	11	21	-47.6
Total	6,086	7,373	-17.5
<i>of which:</i>			
– investment securities	629	738	-14.8
– dealing securities	5,457	6,635	-17.8

"Treasury bills and similar bills eligible for refinancing" represent securities which may be used for refinancing purposes; at the balance sheet date, securities had not been used for this purpose.

Investment securities

Investment securities, totalling € 629 million, are held for the long term as a stable investment and, as such, are generally held through to redemption. The allocation to the investment portfolio is made on the basis of criteria defined in a specific framework resolution approved by the Board of Directors in the following circumstances:

- when there are related forms of funding;
- when there are specific control regulations;
- the securities are not readily marketable.

Investment securities (table 2.1 B.I.)

	31/12/00 (€/mil)		31/12/99 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	414	428	416	438
– unquoted	-	-	-	-
1.2 other securities				
– quoted	47	49	132	112
– unquoted	168	167	190	184
2. Equities				
– quoted	-	-	-	-
– unquoted	-	-	-	-
Total	629	644	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 € 6 million on securities hedged by interest rate swaps. The valuation of these derivatives reveals an unrealized loss of € 7 million.

A comparison between the market value and book value reveals losses of € 10 million (issue and dealing discounts) which will be recorded in the statement of income on an accrual basis.

<i>Changes in investment securities during the year (table 2.2 B.I.)</i>		<i>€/mil</i>
A. Opening balance		738
B. Increases		
B1. purchases		-
B2. writebacks		-
B3. transfers from dealing portfolio		-
B4. other changes		32
C. Decreases		
C1. sales		44
C2. redemptions		70
C3. adjustments		16
<i>of which:</i>		
<i>permanent writedowns</i>		-
C4. transfers to dealing portfolio		-
C5. other changes		11
D. Closing balance		629

No transfers were made from the investment portfolio to the dealing portfolio during the year, or viceversa.

Subcaptions B4. "Increases - other changes" and C5. "Decreases - other changes" reflect exchange differences on securities denominated in foreign currency, € 20 million, gains on disposals, € 6 million, and accrued issue and dealing discounts, € 5 million.

The sales reported in subcaption C1. refer to the factoring of Interest Arrears Notes issued by the Russian Federation and to the participation to the restructuring of payables by Mexico and Ecuador. These operations resulted in a net gain of around € 6 million.

The adjustments reported in subcaption C3., totalling € 16 million, relate to the writedown of unsecured securities issued by residents in nations subject to "country risk" made by the Bank, to take market trends into consideration, pursuant to Art. 18 of D.Lgs 87/92.

It is worth remembering that by board resolution the maximum size of the investment securities portfolio is the lower of:

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

Dealing securities

These securities, held for treasury and dealing purposes, amount to € 5,457 million, and comprise:

- € 809 million linked to derivative contracts;
- € 4,648 million not linked to derivative contracts.

Dealing securities (table 2.3 B.I.)

	31/12/00 (€/mil)		31/12/99 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	2,378	2,378	2,930	2,930
– unquoted	227	227	220	220
1.2 other securities				
– quoted	580	580	867	867
– unquoted	2,261	2,263	2,597	2,601
2. Equities				
– quoted	11	11	20	20
– unquoted	-	-	1	1
Total	5,457	5,459	6,635	6,639

Unquoted dealing securities not linked to derivative contracts, valued at the lower of cost and market, have led to writedowns amounting to € 11 million.

<i>Changes in dealing securities during the year (table 2.4 B.I.)</i>		<i>€/mil</i>
A. Opening balance		6,635
B. Increases		
B1. purchases		
– debt securities		
– government securities	14,931	
– other securities	8,958	
– equities	1,653	
B2. writebacks and revaluations	9	
B3. transfers from investment portfolio	-	
B4. other changes	222	
C. Decreases		
C1. sales and redemptions		
– debt securities		
– government securities	15,525	
– other securities	9,699	
– equities	1,663	
C2. adjustments	32	
C3. transfers to investment portfolio	-	
C5. other changes	32	
D. Closing balance	5,457	

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

<i>B.4 "Increases - other changes"</i>		<i>€/mil</i>
Exchange differences	118	
Capitalization of accrued interest on treasury bills (BOT) and zero coupon bonds	39	
Accrued issue discounts	2	
Other	63	
Total other changes	222	

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:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Equity investments (caption 70)	1,214	2,014	-39.7
Investments in Group companies (caption 80)	6,335	2,530	+150.4
Total	7,549	4,544	+66.1
<i>of which:</i>			
– significant investments	6,648	2,787	+138.6
– other holdings	901	1,757	-48.7

Significant investments

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

Significant investments (table 3.1 B.I.)

Name of company	Registered offices	Activity	Shareholders' equity (a)	Income / Loss	Percentage ownership	Book value
A. Subsidiary companies						
Apoké Two S.p.A.	Milan	holding company	4	3	100.00	2
Banca Fideuram S.p.A.	Milan	banking	703	410	74.19	83
Banca IMI S.p.A.	Milan	banking	352	49	100.00	305
Banca OPI S.p.A.	Rome	banking	342	72	100.00	239
Banca Sanpaolo Invest S.p.A.	Rome	banking	91	16	100.00	61
Banco di Napoli S.p.A (b)	Naples	banking	1,356	92	38.89	1,169
Banque Sanpaolo S.A.	Paris	banking	400	40	100.00	386
BNH S.p.A. (former Gruppo B.N. S.p.A.)	Turin	finance	307	1	100.00	1,734
Consorzio Studi e Ricerche Fiscali	Rome	tax consultancy	-	-	50.00	-
Finconsumo S.p.A.	Turin	finance	43	7	50.00	17
Gedit S.A.	Luxembourg	holding company	-	-	90.00	-
NHS - Nuova Holding Sanpaolo IMI S.p.A.	Turin	finance	748	84	51.00	374
Prospettive 2001 S.p.A.	Turin	non-finance	13	-	100.00	13
Sanpaolo Bank S.A.	Luxembourg	banking	74	50	100.00	76
Sanpaolo Fiduciaria S.p.A.	Turin	trust management	2	-	100.00	1
Sanpaolo Gestion Internationale S.A.	Luxembourg	finance	2	37	99.98	3
Sanpaolo Imi Asset Management Sgr S.p.A. (former Sp Fondi)	Milan	asset management	33	16	100.00	58
Sanpaolo Imi Bank (International) S.A.	Madeira	banking	182	7	69.01	95
Sanpaolo Imi Bank Ireland P.l.c.	Dublin	banking	446	29	100.00	437
Sanpaolo IMI Capital Company I L.L.c. (c)	Wilmington	finance	1,045	-	4.31	45
Sanpaolo Imi International S.A.	Luxembourg	finance	1,105	57	100.00	987
Sanpaolo Imi Us Financial Co.	Wilmington	finance	-	-	100.00	-
Sanpaolo Immobiliare S.p.A.	Turin	finance	6	1	100.00	3
Sanpaolo Leasing S.p.A.	Milan	leasing	52	7	100.00	54
Sanpaolo Riscossioni Genova S.p.A.	Genoa	tax collection	4	2	100.00	4
Sanpaolo Riscossioni Prato S.p.A.	Prato	tax collection	2	1	100.00	3
Sanpaolo Services Luxembourg S.A.	Luxembourg	operating	2	2	99.60	-
Sanpaolo Vita S.p.A.	Milan	insurance	118	21	100.00	198
Sep - Servizi e Progetti S.p.A.	Turin	operating	2	1	100.00	2
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	3	-	100.00	3
Stare S.r.l. - in liquidation	Milan	non-finance	-	-	100.00	-
Total						6,352

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

(b) The percentage ownership refers to the total capital. The ownership percentage of ordinary capital amounts to 41.57%.

(c) The percentage ownership refers to the total capital. The percentage ownership of ordinary capital amounts to 100%.

Significant investments (table 3.1 B.I.)

						€/mil
Name of company	Registered offices	Activity	Shareholders' equity (a)	Income / Loss	Percentage ownership	Book value
B. Companies subject to significant influence						
Cassa di Risparmio di Firenze S.p.A	Florence	banking	764	80	19.09	244
CBE Service S.p.r.l.	Brussels	non-finance	-	-	20.00	-
CR Firenze Gestion Internationale S.A	Luxembourg	finance	-	-	20.00	-
Esatri S.p.A.	Milan	tax collection	40	17	31.50	4
Finnat Investments S.p.A. (b)	Rome	finance	1	-	20.00	-
HDI Assicurazioni S.p.A. (former BNC Ass. S.p.A)	Rome	insurance	138	-17	28.32	39
Inter-Europa Bank RT	Budapest	banking	36	3	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	Rome	finance	-	-	25.00	-
Finexpance S.p.A. - in liquidation (b)	Chiavari	non-finance	-8	-	30.00	-
Galileo Holding S.p.A. - in liquidation (b)	Venice	holding company	-19	-	31.52	-
Total						296

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

(b) Financial statements as of December 31, 1999.

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:

- as regards the investment in BNH, the higher book value, equal to € 1,427 million, is attributable to goodwill paid for the controlling interest in Banco di Napoli S.p.A.;
- the difference of € 642 million, relating to Banco di Napoli S.p.A., acquired after an obligatory take-over bid, reflects the goodwill inherent in the difference between the bid price and the company's net equity held;
- the difference of € 98 million, relating to Cassa di Risparmio di Firenze, is justified by the goodwill paid. This company was admitted to listing on the Milan Stock Exchange on July 17, 2000; the relative book value has been written down by € 189 million in application of fiscal laws on the basis of the average market price between July 17, 2000 and the year-end;
- the differences relating to Sanpaolo Bank, Sanpaolo Gestion Internationale, Sanpaolo Imi Asset Management SGR, Sanpaolo Leasint, Sanpaolo Riscossioni Prato and Sanpaolo Vita reflect purchased goodwill representing the earning potential of the individual companies. The controlling interest in Sanpaolo Vita was acquired during 1996; the higher book value with respect to shareholders' equity reflects goodwill determined with reference to independent appraisals;
- as regards the investment in Galileo Holding, acquired as part of the restructuring of that group, the company's equity deficit should be offset on completion of the debt restructuring, which entails the shareholder banks' waiving their due loans (SANPAOLO IMI portion for 2000 was € 6 million).

Other equity investments

The remaining major equity investments of the Bank are:

Name and location of registered offices	Activity	Percentage ownership	Book value
Banco Santander Central Hispano S.A. - Santander	banking	1.17	458
Banca Agricola Mantovana S.p.A. - Mantua (a)	banking	9.57	206
Beni Stabili S.p.A. - Rome	non-finance	14.17	80
Tecnost S.p.A. - Ivrea	non-finance	0.38	57
Banca d'Italia - Rome	banking	2.00	55
Other			45
Total			901

(a) Financial investment made in 1999 related to the placing of 19% of the company by the SANPAOLO IMI Group.

Composition of investment portfolio

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Investment in banks			
1. quoted	1,252	57	n.s.
2. unquoted	1,598	1,247	+28.1
b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	3,269	1,013	n.s.
c) other			
1. quoted	-	-	-
2. unquoted	216	213	+1.4
Total	6,335	2,530	+150.4

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Investment in banks			
1. quoted	923	680	+35.7
2. unquoted	80	261	-69.3
b) Investment in financial institutions			
1. quoted	-	-	-
2. unquoted	29	29	-
c) other			
1. quoted	138	989	-86.0
2. unquoted	44	55	-20.0
Total	1,214	2,014	-39.7

Changes during the year in the equity investment portfolio

<i>Investments in Group companies (table 3.6.1 B.1.)</i>		<i>€/mil</i>
A. Opening balance		2,530
B. Increases		
B1. purchases		2,979
B2. writebacks		-
B3. revaluations		-
B4. other changes		893
C. Decreases		
C1. sales		35
C2. adjustments		19
<i>of which:</i>		
<i>permanent writedowns</i>		-
C3. other changes		13
D. Closing balance		6,335
E. Total revaluations		43
F. Total adjustments		367

The subcaption B1. "Purchases" is made up of the following transactions:

- the acquisition of 49% of the capital of BNH SpA, from BNL SpA, as part of the procedures to gain control of Banco di Napoli SpA, for € 874 million;
- the acquisition of 41.57% of the ordinary capital of Banco di Napoli SpA through the acceptances of the take-over bid for the outstanding ordinary shares which ended on November 28, 2000, for € 1,188 million; taking into account the participation held indirectly through BNH SpA, the Bank reached 97.6% of the ordinary capital of Banco di Napoli SpA;
- the subscription of a capital increase in Sanpaolo IMI International Sa, for € 700 million, with a view to increasing the equity investments in BSCH Sa and Royal Bank of Scotland;
- the purchase of 3,612,250 shares of Banca Fideuram SpA, corresponding to 0.4% of its capital, with a disbursement of € 57 million;
- the subscription of the capital increase in Banca OPI SpA (former "Imi Lease SpA"), as part of the transfer of the public works and infrastructure business, for € 47 million;
- the subscription of 100% of the ordinary capital and 100% of the capital made up of Class A preference shares of Sanpaolo IMI Capital Company I LLC, for € 45 million. The company has been set up as part of a plan to issue hybrid capital instruments ("preferred shares") for € 1 billion;
- the subscription of a capital increase in Sanpaolo Bank SA, for € 35 million, to support the direct and indirect development of the company;
- the subscription of a capital increase, in various tranches, of Banca Sanpaolo Invest SpA, for € 31 million; this increase is aimed at ensuring adequate support for the company's expansion plan and its expected quotation.

The subcaption C1. "Sales" refers mainly to the following transactions:

- the sale of 1,948,500 shares of Banca Fideuram SpA (0.21% of capital) for € 34 million, generating a gain of € 4 million.

The subcaption C2. "Adjustments" reflects the writedown of the investment in Banco di Napoli SpA, carried out solely for fiscal purposes, by aligning its book value to the average market price for the last six months.

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

<i>B.4 "Increases - other changes"</i>	<i>€/mil</i>
Acquisition of the investment in BNH resulting from the partial spin-off of INA (*)	860
Translation effect	29
Gains on disposals	4
Total	893

<i>C.3 "Decreases - other changes"</i>	<i>€/mil</i>
Reimbursement of a capital contribution of Sanpaolo Imi Bank Ireland P.l.c.	12
Other	1
Total	13

(*) The amount comprises: € 818 million relating to the cancellation of the investment in INA, € 57 million as the value of the own shares assigned and of the reimbursements recognized to INA shareholders, less € 15 million as consideration to SANPAOLO IMI by Generali.

<i>Other equity investments (table 3.6.2 B.I.)</i>	<i>€/mil</i>
A. Opening balance	2,014
B. Increases	
B1. purchases	470
B2. writebacks	-
B3. revaluations	-
B4. other changes	252
C. Decreases	
C1. sales	499
C2. adjustments	195
<i>of which:</i>	
<i>permanent writedowns</i>	195
C3. other changes	828
D. Closing balance	1,214
E. Total revaluations	107
F. Total adjustments	498

The subcaption B1. "Purchases" is made up of the following transactions:

- a 19.09% equity investment in the capital of Cassa di Risparmio di Firenze SpA: 15% from Ente CR Firenze, for € 388 million; this purchase aims to create a strategic and industrial partnership, also by setting up a stable controlling nucleus in the Florentine bank formed by Ente CRFI, Sanpaolo IMI and Paribas; 4.09% from NHS SpA for € 53 million;
- the purchase of 6,486,300 Tecnost SpA shares (0.11% of capital) for € 24 million.

The subcaption C1. "Sales" refers mainly to the following transactions:

- the disposal to Dexia Crédit Local de France of the remaining investment in Crediop SpA (40%) for € 403 million, resulting in a gain of € 223 million;

- the sale of 66,690,500 shares of Beni Stabili SpA (3.99% of capital) for € 38 million with a gain of € 15 million;
- the sale of 7,846,800 shares of Tecnost SpA (0.13% of capital) for € 32 million with a gain of € 5 million;
- the sale to the Generali Group of 2,500,000 INA SpA shares for € 6 million resulting in a loss of € 1 million.

Subcaption B4. "Increases - other changes" refers entirely to gains on disposals. C3. "Decreases - other changes" is detailed as follows:

<i>C3. "Decreases - other changes"</i>	<i>€/mil</i>
Transfer of the book value of INA to the BN Group due to a partial spin-off	818
Distribution of capital reserves of Cassa di Risparmio di Firenze	8
Other	2
Total	828

Amounts due to and from Group companies and non-Group companies

The following table sets out the amounts due to and from companies belonging to the Group as of 31/12/00, as defined pursuant to article 4 of Decree 87/92, and the amounts due to and from investments subject to significant influence:

Group companies	€/mil				
	Assets (a)	Liabilities	Guarantees and commitments	Revenues (b)	Charges
@IMIWeb Bank S.p.A.	1	1	7	-	-
Apoké Two S.p.A.	18	-	2	-	-
Banca Fideuram S.p.A.	21	50	-	2	3
Banca IMI S.p.A.	431	64	358	54	87
Banca OPI S.p.A.	4,711	139	848	100	2
Banco di Napoli S.p.A.	531	71	-	5	2
Banque Sanpaolo S.A.	265	82	1	12	1
Consorzio Studi e Ricerche Fiscali	-	-	-	-	1
Fideuram Bank S.A.	-	31	-	-	1
Imi Bank (Lux) S.A.	36	1	-	4	3
Imi Capital Markets USA Co.	161	-	-	7	-
Ldv Holding B.V.	-	2	-	-	-
NHS - Nuova Holding Sanpaolo IMI S.p.A.	82	35	2	2	9
Sanpaolo Bank S.A.	80	1,073	11	4	30
Sanpaolo Fiduciaria	-	1	-	-	-
Sanpaolo Gestion Internationale S.A.	-	-	-	112	-
Sanpaolo Imi Asset Management Sgr S.p.A.	2	116	-	733	4
Sanpaolo Imi Bank (International) S.A.	1	3,504	4,704	3	221
Sanpaolo Imi Bank Ireland P.I.c.	65	10	-	9	2
Sanpaolo IMI Capital Company I L.I.c.	-	1,000	-	-	11
Sanpaolo IMI Institutional Asset Management Sgr S.p.A.	-	7	-	-	-
Sanpaolo Imi Us Financial Co.	-	2,484	2,484	-	99
Sanpaolo Immobiliare S.p.A.	51	2	-	-	1
Sanpaolo Invest Banca S.p.A.	-	53	-	10	2
Sanpaolo Leasint GmbH	3	1	-	-	-
Sanpaolo Leasint S.p.A.	1,599	3	117	41	2
Sanpaolo Riscossioni Genova S.p.A.	82	-	-	2	1
Sanpaolo Riscossioni Prato S.p.A.	13	-	8	1	-
Sanpaolo U.S. Holding Co.	-	5	3	-	-
Sanpaolo Vita S.p.A.	90	2	1	30	1
Sep - Servizi e Progetti S.p.A.	-	1	-	1	8
Turis A.G.	-	-	10	-	-
Total Group companies	8,243	8,738	8,556	1,132	491
Jointly-held subsidiaries					
Fc Factor S.r.l.	1	-	-	-	-
Finconsumo S.p.A.	52	10	44	4	-
Total	8,296	8,748	8,600	1,136	491

(a) Excluding the book value of the investment

(b) Excluding dividends received

	€/mil				
Other significant investments	Assets (a)	Liabilities	Guarantees and commitments	Revenues (b)	Charges
HDI Assicurazioni S.p.A.	-	18	1	-	1
Cassa di Risparmio di Firenze S.p.A	63	-	-	2	-
Esatri S.p.A.	235	-	168	4	-
Inter-Europa Bank RT	39	-	32	2	1
Total	337	18	201	8	2

(a) Excluding the book value of the investment

(b) Excluding dividends received

Amounts due to and from Group companies (table 3.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Assets			
1. due from banks	5,939	1,170	n.s.
<i>of which:</i>			
– subordinated	118	35	n.s.
2. due from financial institutions	1,996	1,367	+46.0
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	108	76	+42.1
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	200	150	+33.3
<i>of which:</i>			
– subordinated	85	148	-42.6
Total assets	8,243	2,763	+198.3
b) Liabilities			
1. due to banks	5,078	5,066	+0.2
2. due to financial institutions	2,657	1,956	+35.8
3. due to other customers	3	25	-88.0
4. securities issued	-	-	-
5. subordinated liabilities	1,000	2	n.s.
Total liabilities	8,738	7,049	+24.0
c) Guarantees and commitments			
1. guarantees given	8,525	6,140	+38.8
2. commitments	31	80	-61.3
Total guarantees and commitments	8,556	6,220	+37.6

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Assets			
1. due from banks (*)	448	1,059	-57.7
<i>of which:</i>			
– subordinated	20	20	-
2. due from financial institutions	660	522	+26.4
<i>of which:</i>			
– subordinated	17	-	n.s.
3. due from other customers	44	111	-60.4
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	3	275	-98.9
<i>of which:</i>			
– subordinated	-	-	-
Total assets	1,155	1,967	-41.3
b) Liabilities			
1. due to banks	1,089	1,899	-42.7
2. due to financial institutions	85	85	-
3. due to other customers	28	28	-
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
Total liabilities	1,202	2,012	-40.3
c) Guarantees and commitments			
1. guarantees given	332	260	+27.7
2. commitments	25	-	n.s.
Total guarantees and commitments	357	260	+37.3

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

Details of revenues and expenses arising from transactions with Group companies, and with investments that are not part of the Group, are included in part C, section 7 of these notes.

Other information relating to equity investments

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Historical cost	7,400	4,395	+68.4
Law 72/83	43	43	-
Law 218/90	76	76	-
Merger of Crediop S.p.A.	30	30	-
Total revaluations	149	149	-
Gross book value	7,549	4,544	+66.1

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets (caption 100)

They comprise the following:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Property			
– operating	763	817	-6.6
– non-operating	33	35	-5.7
Furniture and installations			
– office furniture and machines	10	11	-9.1
– electronic equipment	59	34	+73.5
– general and specific installations	16	14	+14.3
Total	881	911	-3.3

Changes in tangible fixed assets during the year (table 4.1 B.1.)

€/mil

A. Opening balance	911
B. Increases	
B1. purchases	84
B2. writebacks	-
B3. revaluations	-
B4. other changes	9
C. Decreases	
C1. sales	27
C2. adjustments	
a) accumulated depreciation	95
b) permanent writedowns	-
C3. other changes	1
D. Closing balance	881
E. Total revaluations	893
F. Total adjustments	
a) accumulated depreciation	1,127
b) permanent writedowns	1

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

	€/mil	
	Property	Furniture and installations
Opening balance	852	59
Increases		
– purchases	-	84
– other changes		
– incremental costs	1	-
– gains on disposals	7	1
– exchange differences	-	-
Decreases		
– sales	26	1
– adjustments		
– accumulated depreciation	37	58
– permanent writedowns	-	-
– other changes		
– losses on disposals	1	-
– exchange differences	-	-
Closing balance	796	85
Total revaluations	893	-
Total adjustments		
– accumulated depreciation	451	676
– permanent writedowns	1	-

The table attached shows the list of properties, with indication of dimensions and book values.

Disposal of properties during the year mainly refer to the sale of operating properties no longer used by the Bank. These disposals resulted in net gains of around € 6 million.

Intangible fixed assets (caption 90)

They comprise the following:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Merger differences (goodwill of merged companies)	54	81	-33.3
Software in use	34	19	+78.9
Software not yet in use	73	57	+28.1
Other deferred charges	16	10	+60.0
Total	177	167	+6.0

The differences arising on the mergers of Banca Provinciale Lombarda and Banco Lariano in 1993 are recorded in the financial statements since they represent goodwill relating to merged companies. Such differences are stated net of the amounts allocated to the related assets acquired.

During the year software investments increased significantly because of the new extraordinary initiatives aimed at strengthening the Bank's distribution channels, more specifically: Internet Banking, Call Centers and the Remote Light systems.

Other deferred charges include leasehold improvements. the increase in investments is attributable to the steps taken to strengthen the Bank's branch network.

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

€/mil

A. Opening balance	167
B. Increases	
B1. purchases	96
B2. writebacks	-
B3. revaluations	-
B4. other changes	-
C. Decreases	
C1. sales	-
C2. adjustments	
a) accumulated amortization	85
b) permanent writedowns	-
C3. other changes	1
D. Closing balance	177
E. Total revaluations	-
F. Total adjustments	
a) accumulated amortization	301
b) permanent writedowns	-

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

	€/mil			
	Merger differences (goodwill of merged companies)	Software in use	Software not yet in use	Other deferred charges
Opening balance	81	19	57	10
Increases				
– purchases	-	23	60	13
– other changes:				
– transfer of software developed in 2000	-	19	-	-
– exchange differences	-	-	-	-
Decreases				
– sales	-	-	-	-
– adjustments:				
– accumulated amortization	27	27	24	7
– permanent writedowns	-	-	-	-
– other changes				
– transfer of software developed in 2000	-	-	19	-
– exchange differences and other changes	-	-	1	-
Closing balance	54	34	73	16
Total revaluations	-	-	-	-
Total adjustments				
– accumulated amortization	217	25	49	10
– permanent writedowns	-	-	-	-

The item "software in use" relates to the acquisition of new programs to update operating network procedures

The amounts booked as "software not yet in use" relate to programs being developed by third parties and still to be completed.

Costs for the year relating to the introduction of the Euro amount to € 1 million and have been booked to administrative costs. Total costs incurred for the introduction of the Euro since 1998 amount to € 27 million, split as follows:

- € 19 million booked to administrative costs;
- € 8 million booked to software for € 2 million, net of amortization of € 6 million.

No advances have been paid for the purchase of intangible fixed assets.

Other information relating to tangible and intangible fixed assets

Property revaluations are as follows:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Historical cost	355	372	-4.6
Law 823/73 (a)	14	14	-
Law 576/75 (a)	17	17	-
Law 72/83 (a)	167	168	-0.6
Others (a)	8	8	-
Law 218/90 (b)	444	447	-0.7
Law 408/90 (a)	120	133	-9.8
Law 413/91 (a)	29	29	-
Merger of Banca Provinciale Lombarda and Banco Lariano	94	103	-8.7
Total revaluations	893	919	-2.8
Gross book value	1,248	1,291	-3.3

(a) Revaluations carried out by the Bank and by the merged banks.

(b) Higher values attributed at the transformation from a public credit institution into a limited company

SECTION 5 - OTHER ASSETS

Other assets (caption 130)

Analysis of caption 130 "Other assets" (table 5.1 B I)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Unprocessed transactions and transactions by foreign branches:	3,938	1,829	+115.3
– unprocessed transactions - Italian branches (a)	3,210	1,222	+162.7
– amounts in transit between Italian branches (a)	674	474	+42.2
– transactions by foreign branches	54	133	-59.4
Amounts related to derivative contracts and foreign exchange transactions	1,076	4,265	-74.8
– amounts related to currency hedges, cross-currency swaps and forex swaps	572	767	-25.4
– valuation of derivatives on interest rates and stockmarket indices	492	3,486	-85.9
– premiums paid on purchased options	12	12	-
Due from tax authorities :	686	1,061	-35.3
– prepaid current year direct taxes	117	630	-81.4
– tax credits on dividends and withholding taxes withheld	157	143	+9.8
– withholding taxes on bank interest income overpaid during the year	-	122	n.s.
– tax credits relating to prior years	367	120	n.s.
– taxes paid in advance on termination indemnities - Law 662/96	45	46	-2.2
Excess taxes paid in advance compared with income taxes due	455	466	-2.4
Net effect of translating funds from international agencies using current rates, with the exchange risk borne by third parties	66	89	-25.8
Items relating to securities transactions	27	6	n.s.
Checks and other instruments held	11	19	-42.1
Other	579	950	-39.1
Total	6,838	8,685	-21.3

(a) Mostly settled at the beginning of the new year.

The above assets have not been adjusted.

Accrued income and prepaid expenses (caption 140)

Analysis of caption 140 "Accrued income and prepaid expenses" (table 5.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Accrued income			
– income from derivative contracts (a)	911	3,161	-71.2
– interest from loans to customers	583	609	-4.3
– interest on securities	111	108	+2.8
– bank interest	109	73	+49.3
– other	8	7	+14.3
Prepaid expenses			
– charges on derivative contracts	15	27	-44.4
– commission on placement of securities and mortgage loans	18	54	-66.7
– discounts on bond issues	7	3	+133.3
– other	29	86	-66.3
Total	1,791	4,128	-56.6

(a) Accrued income from derivative contracts is recognized on a contract-by-contract basis with reference to the interest rates applicable at the time.

Other information

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Due from banks	147	69	+113.0
b) Loans to customers	17	-	<i>n.s.</i>
c) Bonds and other debt securities	91	184	-50.5
Total	255	253	+0.7

SECTION 6 - PAYABLES

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due to central banks			
– repurchase agreements and securities borrowed	763	1,848	-58.7
– other deposits from the Italian Exchange Office	54	35	+54.3
– other deposits from central banks	1,081	555	+94.8
Due to banks			
– deposits	12,628	12,186	+3.6
– repurchase agreements and securities borrowed	332	48	<i>n.s.</i>
– medium and long-term loans from international bodies	3,356	4,278	-21.6
– current accounts	334	362	-7.7
– other	24	20	+20.0
– other loans	3,134	4,871	-35.7
Total	21,706	24,203	-10.3

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Repurchase agreements	1,095	1,896	-42.2
b) Securities borrowed	-	-	-

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

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due to customers			
– current accounts	23,133	22,401	+3.3
– repurchase agreements and securities borrowed	3,516	2,478	+41.9
– deposits	9,976	8,630	+15.6
– short-term payables relating to special management services carried out for the government	751	475	+58.1
– other	233	208	+12.0
Securities issued			
– bonds	12,414	19,372	-35.9
– certificates of deposit	3,679	7,359	-50.0
– bankers' drafts	489	373	+31.1
– other securities	15	13	+15.4
Total	54,206	61,309	-11.6

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Repurchase agreements	3,516	2,478	+41.9
b) Securities borrowed	-	-	-

Securities issued comprise those due or ready for repayment totalling € 48 million.

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

The reduction in the caption "Bonds" is due to the transfer of the public works and infrastructure business to Banca OPI SpA on July 1, 2000.

Public funds administered (caption 40)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Funds provided by the State	20	10	+100.0
Funds provided by regional public agencies	5	20	-75.0
Other funds	14	20	-30.0
Total	39	50	-22.0
<i>of which: funds with risk borne by the government under Law 19 of 2/6/87</i>	<i>13</i>	<i>16</i>	<i>-18.8</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

These provisions are analyzed below:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Provisions for termination indemnities (caption 70)	408	401	+1.7
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80a)	43	46	-6.5
– taxation (caption 80b)	948	821	+15.5
– other (caption 80c)			
– provisions for guarantees and commitments	36	28	+28.6
– provisions for other risks and charges	312	147	+112.2
– provisions for other personnel charges	123	121	+1.7
Total	1,870	1,564	+19.6

Provisions for termination indemnities (caption 70)

<i>Changes in the "provisions for termination indemnities"</i>		<i>€/mil</i>
Opening balance		401
Increases		
– provisions		33
– transfers		-
Decreases		
– advances allowed under Law 297/82		7
– indemnities to employees leaving the Bank		17
– transfers		2
– other changes		-
Closing balance		408

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

<i>Changes in the "provisions for pensions and similar commitments"</i>		<i>€/mil</i>
Opening balance		46
Increases		
– provisions		1
Decreases		
– utilizations		4
Closing balance		43

This provision was created to cover supplementary pension liabilities for former IMI S.p.A. personnel already in retirement. Utilizations during the year refer to the payment of supplementary pensions due for the year under review.

The adequacy of the technical reserves of the fund, which can be considered an "internal" pension fund, is calculated annually based on the valuations of an independent professional actuary. After the provision of € 1 million charged to the year, the technical reserves seem adequate to cover the estimated commitments.

Taxation (caption 80.b)

<i>Changes in "Taxation"</i>					<i>€/mil</i>
	Income taxes	Deferred taxation on the Reserve for General Banking Risks	Deferred taxes on the Reserve ex L. 169/83	Deferred taxes on the Reserve ex Decree 213/98	Total
Opening balance	672	120	4	25	821
Increases					
– provision for 2000 income taxes	707	-	-	-	707
– deferred taxation	-	-	-	-	-
– exchange differences	-	-	-	-	-
– other changes	-	-	-	-	-
Decreases					
– payment of income taxes	574	6	-	-	580
– exchange differences	-	-	-	-	-
– other changes	-	-	-	-	-
Closing balance	805	114	4	25	948

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

Movements on deferred tax assets credited to the statement of income are as follows:

<i>Deferred tax assets credited to the statement of income (Bank of Italy instructions dated 08.03.99)</i>		<i>€/mil</i>
1. Opening balance		466
2. Increases		
2.1 Deferred tax assets arising during the year		100
2.2 Other increases		-
3. Decreases		
3.1 Deferred tax assets reversing during the year		102
3.2 Other decreases		9
4. Closing balance		455

The Bank reports in the balance sheet deferred tax assets totalling approximately € 455 million; these taxes refer to timing differences between the book value and fiscal value of assets and liabilities accrued in 2000 and in prior years, which are reasonably certain to reverse in the future to the benefit of the Bank.

The table below reports the fiscal effects of deductible and taxable timing differences at the end of the year, broken down by type.

<i>Principal timing differences</i>		<i>€/mil</i>	
	IRPEG	IRAP	
A. Deductible timing differences			
Adjustments of receivables deductible in future years	257	32	
Provision for future charges	135	-	
Writedown of securities, property and equity investments	19	1	
Other	18	-	
B. Taxable timing differences			
Accrued capital gains	7	-	
Total	422	33	

Deductible timing differences are offset against taxable timing differences if they involve the same type of tax and are going to reverse in the same year. According to estimates, there will never be taxable timing differences in future years higher than the deductible timing differences. Therefore no deferred tax liabilities charged to the statement of income are shown.

Deferred tax liabilities have been booked against certain equity reserves that are in suspense for tax purposes, which have already been reported in the table of changes in "Taxation". The following table gives details of the movements in these liabilities:

<i>Deferred tax liabilities charged to shareholders' equity (Bank of Italy instructions dated 8.3.99)</i>		<i>€/mil</i>
1. Opening balance		149
2. Increases		
2.1 Deferred tax liabilities arising during the year		-
2.2 Other increases		-
3. Decreases		
3.1 Deferred tax liabilities reversing during the year		6
3.2 Other decreases		-
4. Closing balance		143

"Deferred tax liabilities reversing during the year" relate to the utilization of the reserve for deferred taxation relating to the reserve for general banking risks to cover losses recorded by the Bank during the year, which cannot be deducted for tax purposes.

Information pursuant to Consob Communication 1011405 dated February 15, 2001

Point. A: preliminary observations by the European Commission concerning tax benefits under Decree Law 153 of 5/17/99 (Ciampi Law)

Decree Law 153 of May 17, 1999 known as the "Ciampi Law" - on the concentration of banks and banking groups, provides for tax at a reduced rate of 12.50% on income allocated to a special reserve up to a maximum amount of 1.2% of the difference between receivables and payables of all of the banks taking part in such operations and the equivalent figures of the largest bank involved in the concentration. The resulting figure then has to be spread over five years.

In March 2000, the European Commission asked the Italian Government for explanations on the tax relief provided under the Ciampi Law, as it suspected that it might involve State aid not permitted under the EU Treaty; and in the meantime, the Commission asked for the benefits to be suspended.

In a letter dated October 25, 2000, the European Commission informed the Italian Government that it had launched a formal enquiry (currently in progress) and also published the news in the Official Gazette of the European Community on February 10, 2001.

In addition to the Italian Government, the main banks, including Sanpaolo IMI, also sent the European Commission their observations defending the "Ciampi Law", explaining why it does not involve illegal State aid and confirming that the tax measures introduced fully respect EC regulations.

When approving the **1999 financial statements**, Sanpaolo IMI allocated to the "Ciampi" reserve income of € 260 million, which was the portion of income in each year which could benefit from this law in connection with the merger between Sanpaolo and IMI in 1998.

In line with the above, when paying income taxes for that year, Sanpaolo IMI used the tax relief deriving from the "Ciampi Law" for € 260 million, thus lowering the tax burden by around € 60 million. However, this lower disbursement did not result in better results in the statement of income as under the prudence principle, given the uncertainty caused by the intervention of the European Commission, the Bank's 1999 annual report included a tax provision equal to the benefit received to cover any additional tax liability if the law turned out to be inapplicable.

As for the **2000 financial statements**, Sanpaolo IMI allocated to the "Ciampi" reserve income of € 381 million, equal to the portion of income that can benefit from this law in each year in connection with the merger between Sanpaolo and IMI, as well as the acquisition of Banco di Napoli during the course of 2000.

In line with the above, when paying income taxes for that year, Sanpaolo IMI will be able to use the tax relief deriving from the "Ciampi Law" on the amount of € 381 million, lowering the tax burden by around € 93 million.

However, as in the previous year, this lower payment of tax does not result in better results in the statement of income under the prudence principle, even given that the Ciampi Law complies with EC principles and the Bank has made a provision of € 93 million to cover any additional tax liability if the law turns out to be inapplicable. Deferred taxes have been calculated using the average tax rate without considering the tax relief mentioned above.

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

Analysis of caption 80c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.)

	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance	28	147	121	296
Increases				
– provisions	8	190 (*)	18 (**)	216
Decreases				
– released to cover losses on guarantees given	-	-	-	-
– used to cover charges on settlement of disputes	-	20	-	20
– used to cover long-service bonuses and other payments	-	-	12	12
– utilization to cover other liabilities	-	5	4	9
Closing balance	36	312	123	471

(*) The provision includes € 2 million for forward transactions booked to "other administrative costs".

(**) The provision includes € 5 million for personnel leaving incentives booked to "extraordinary expenses".

Provisions for guarantees and commitments, € 36 million, cover expected losses in respect of guarantees and, more generally, the contingencies associated with the Bank's guarantees and commitments.

Other provisions for risks and charges amounting to € 312 million include:

- € 105 million, provisions against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;
- € 207 million provided to cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Bank's commitment to support the Interbank Deposit Guarantee Fund and with other potential liabilities.

The provisions for other personnel charges, € 123 million, include:

- € 105 million relating to provisions made by the Bank, on the basis of independent actuarial appraisals, to cover the technical deficit of its supplementary pension fund, an independent entity, which integrates the compulsory pension fund;
- € 13 million provided to the technical reserves, determined on the basis of mathematical and actuarial criteria, designed to cover long-service bonuses to the Bank's employees;
- € 3 million relating to provisions for personnel leaving incentives, resolved during the year and due for implementation in the year 2001.
- € 1 million in relation to the provision to cover potential contributions for the employees of a merged subsidiary;
- € 1 million relating to potential costs in connection with the restructuring of the Bank's Frankfurt and New York branch offices.

Information as per Consob Communication 1011405 of February 15, 2001.

Point B - Law 133 of 5/13/99 and the Budget Law 2001 concerning the renegotiation of subsidized mortgage loans

In 1999, various regulations were issued which imposed a review of the interest rates, as requested by the borrowers or loan sponsoring entities, on mortgages paid totally or partially by the public sector; of these regulations, art. 29 of Law 133/99, concerning subsidized mortgage loans for housing, is the most important for the Bank in terms of its potential effects. To implement this article, Ministerial Decree 110 of March 24, 2000 was issued, against which there is an appeal outstanding before the Regional Administrative Tribunal of Lazio, as well as before the equivalent tribunals in other regions that are involved.

For this rule to become applicable, a "global average rate" will have to be established for house mortgage loans being repaid, pursuant to art. 145. 62 of the Budget Law 2001. A specific Treasury Decree will have to be issued, putting this category into the classification of lending transactions for the purpose of determining the global average rates.

It should be noted that this rule seems to be in contrast with art. 102 of the EU Treaty, given that it imposes on banks that granted subsidized loans to accept a review of the interest rates applied, thus permitting a form of privileged access on the part of the State to financial institutions.

In accordance with Consob Communication 1011405 of February 15, 2001, it has to be noted that the rates on loans involved in this provision will be adjusted once the regulatory picture has been completed. As for the impact on the Bank, the measure was effective from July 1, 1999. Taking into account that the renegotiation rate has not yet been determined, the potential cost for the period July 1, 1999 December 31, 2000 has been prudently calculated at around € 100 million; this amount has been allocated to the provision for risks and charges.

Based on the same prudent criteria, the resulting decrease in interest income for 2001 has been put at about € 55 million, which should be absorbed by the forecast trend in net interest income. In the years after 2001 the negative impact on the statement of income will progressively decline following the expiry of outstanding mortgage loans.

Other subsidized mortgage loans

In addition to the regulations mentioned above on the question of subsidized housing loans, other rules have been introduced concerning the renegotiation of subsidized mortgage loans which tend to impose a review of interest rates if requested by customers or loan sponsoring entities, albeit in different forms and for different reasons.

Of these art. 128 of Law 388/2000 (Budget Law 2001), relating to subsidized mortgage loans granted to farms. Which has various aspects that appear to be clearly contrary to the European regulations on State aid, gives borrowers the right to renegotiate outstanding loans at current more favorable interest rates applicable to subsidized transactions. Application of this norm, which should affect the interest accruing from the date renegotiation is requested, has been postponed until another Ministerial Decree is issued lastly, other regulations have been introduced as part of the assistance to the Piedmontese flood victims, as per Law 226/99.

The potential cost for the Bank, prudently calculated with reference to these various rules, comes to around € 10 million for 2001, which is likely to be absorbed by the forecast trend in net interest income.

Point C - Instructions contained in Law 394 of 12/29/00 concerning fixed-rate non-subsidized mortgage loans (usury)

On February 27, 2001, Decree Law 394 of 12/29/00 on usury was converted into law. This provision concerning fixed-rate non-subsidized mortgage loans, which is applicable to instalments expiring after January 2, 2001, laid down an obligation to renegotiate outstanding loans on the basis of a "substitute rate" set at 9.96% for mortgage loans of households and companies, reduced to 8% for mortgage loans up to 150 million Lire for the purchase of the primary residence (provided it is not considered a luxury home).

In accordance with Consob Communication 1011405 of February 15, 2001, the Bank is taking steps to adjust interest rates on mortgage loans in accordance with this provision.

As for its impact on the Bank, the costs for 2000 have been estimated at € 5 million and allocated to the reserve for risks and charges, while the reduction in interest income foreseen for 2001 has been put at € 20 million; though this is likely to be absorbed by the forecast trend in net interest income. For the years after 2001, the negative effects will progressively decline.

Point D - Sentence 425 of 10/9/00, by which the Constitutional Court declared article 25, c.3 D.Lgs. 342 of 8/4/99 illegitimate. This article relates to clauses that charge interest on accrued interest (anatocism).

Sentence 425 of the Constitutional Court of October 17, 2000 established that the transitional rule laid down by Legislative Decree 342/99 (which declared clauses in bank contracts signed before the adjustments introduced by the decree permitting the capitalization of interest "valid and effective") was unconstitutional. However, such sentence did not discuss the legitimacy of quarterly capitalization, merely stating that capitalization was unconstitutional for formal reasons regarding the excess of power of attorney in contrast with art. 76 of the Constitution. In addition, the matter does not involve contracts stipulated after 4/22/2000, when the new instructions imposing the same calculation period for interest income and expense became effective.

In any event, the legal reasons of previously signed contracts remain unprejudiced, as fundamental for the legitimacy of the quarterly capitalization and aimed at contrasting the recent judgements of the Supreme Court which, by changing the previous consolidated law of the same Court, did not recognize the existence of a regulatory use in this matter, thus nullifying the clause in question.

The matter is still under debate and the outcome is uncertain: in fact, there are recent pronouncements which confirm the legality of quarterly capitalization clauses from various aspects, dissenting from the decisions of the Supreme Court.

Thus far, the dispute is immaterial in terms of absolute values, also with respect to prior years.

SECTION 8 - CAPITAL, EQUITY RESERVES AND SUBORDINATED LIABILITIES

Shareholders' equity is detailed below:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Shareholders' equity			
– capital (caption 120)	3,931	3,926	+0.1
– share premium (caption 130)	18	-	n.s.
– reserves (caption 140)			
a) legal reserve	792	792	-
b) reserve for own shares	697	336	+107.4
c) other reserves:	727	792	-8.2
– reserve (art. 7.c.3, Law 218/90)	80	80	-
– reserve (art. 13.c.6, Decree 124/93)	2	1	+100.0
– reserve Decree 153/99	260	-	n.s.
– extraordinary reserve	35	-	n.s.
– reserve for the purchase of own shares	283	439	-35.5
– reserve Law 169/83	11	11	-
– reserve Decree 213/98	42	42	-
– merger differences	14	219	-93.6
– reserve for general banking risks (caption 100)	336	336	-
– retained earnings (caption 160)	-	-	-
– distributable net income (caption 170)	1,198	1,018	+17.7
Total shareholders' equity	7,699	7,200	+6.9
Own shares in portfolio (*)	697	336	+107.4
Subordinated liabilities (caption 110)	4,581	1,339	n.s.

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

Capital and Additional paid-in capital

As for the 1999/2001 stock option plan, during the year 1,833,250 options to subscribe to new shares were exercised. This brought about a capital increase of € 5 million, booking share premium of € 18 million.

As of December 31, 2000 capital amounts to € 3,931,250,954.4 made up by 1,404,018,198 ordinary shares with a par value of € 2.8 each.

Other reserves

Other reserves comprise:

- the reserve ex art. 7 c. 3 Law 218/90 ("Amato Law"), created to take advantage of the tax benefits offered to banks involved in concentrations;
- the reserve ex art. 13 c. 6 Decree 124/93, created to take advantage of the tax benefits deriving from the allocation of portions of employee termination indemnities to pension funds;
- the reserve Law 169/83, created by the former IMI from gains realized on the Stock Exchange and held in suspense for tax purposes following their reinvestment in properties;

- the reserve ex Decree 213/98, created in 1998 following the revaluation of equity investments expressed in Euro-zone currencies at the fixed Euro exchange rate.

The most significant changes in other reserves concerned:

- the increase in the extraordinary reserve of € 35 million, of which € 33 million after allocation of the 1999 net income and € 2 million of undistributed dividends on own shares in portfolio;
- the creation of the reserve ex Decree 153/99 ("Ciampi Law"), of € 260 million;
- the increase in the reserve for the purchase of own shares from € 775 million to € 980 million, following the resolution of the ordinary shareholders' meeting of April 28, 2000, by releasing the merger surplus. As of December 31, 2000, the restricted portion of this reserve for own shares in portfolio amounted to € 697 million, while the unrestricted portion amounted to € 283 million.

Operations in own shares

In 2000, SANPAOLO IMI purchased 54,195,250 own shares (par value € 152 million) for a total of € 891 million and sold 42,280,768 own shares (par value € 118 million) for a total of € 612 million, obtaining a gain of € 83 million.

The most significant operation in own shares was the sale by SANPAOLO IMI of 28,050,000 shares to Ente Cassa di Risparmio di Firenze as part of the agreement for the Bank's acquisition of a 15% interest in Cassa di Risparmio di Firenze.

At the end of the year, the Bank held 39,345,982 own shares in portfolio (total par value of € 110 million) carried at a cost of € 697 million. The valuation of this portfolio as of December 31, 2000 shows a net unrealized gain of € 24 million, taking into account securities to be received and the commitment to deliver 27,503,729 own shares as part of the agreement to transfer them to Fondazione Cassa di Risparmio di Venezia in exchange for a 10.92% interest in Cardine Banca S.p.A..

Deferred taxation on reserves in suspense for tax purposes

The deferred taxation that refers to shareholders' equity items was booked at the end of 1998 to the following captions:

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

As regards the *Reserve for general banking risks*, deferred taxes have been recorded in connection with the probability of loan losses, which given the fiscal nature of the reserve, would not be immediately deductible. This reserve is an equity item that would be taxable however it is used.

Deferred taxes have been charged on the *Reserve ex Law 169/83* because of the various circumstances in which it can be taxed. This reserve is unrestricted for Parent Bank purposes and would be taxed not only in the event of distribution, but also if used in certain other ways.

Deferred taxes have also been booked for the *Reserve ex art. 21 of D.Lgs. 213/98*. At the end of 1998, deferred taxes were calculated on the net exchange differences that arose on translation of the equity investments expressed in Euro-participating currencies.

The deferred taxation on these equity items has been booked to specific reserves. Movements and balances are shown in Section 7 of these Explanatory Notes.

For completeness, we would also point out that the other items in SANPAOLO IMI's equity that are in suspense for tax purposes, namely the Share Capital (€ 631 million), the Legal Reserve (€ 268 million), the Reserve ex Law 218/90 (€ 80 mil-

lion) and the Reserve ex D.Lgs. 124/93 (€ 2 million), are taxable solely if distributed. Given the extent to which these items are restricted, no deferred taxes have been calculated on them, as the events that might give rise to being taxed are not expected to take place in the foreseeable future.

Other information

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

(Bank of Italy instructions dated 12.17.98)

Category/value	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	7,027	5,973	+17.6
A.2 Tier 2 capital	2,659	1,065	+149.7
A.3 Items to be deducted	297	290	+2.4
A.4 Regulatory capital	9,389	6,748	+39.1
B. Minimum regulatory requirements			
B.1 Lending risk	5,140	4,588	+12.0
B.2 Market risk (*)	-	120	n.s.
B.3 Other minimum requirements	-	-	-
B.4 Total minimum requirements	5,140	4,708	+9.2
C. Risk assets and capital adequacy ratios			
C.1 Risk-weighted assets	73,433	67,259	+9.2
C.2 Tier 1 capital/risk weighted assets	9.6%	8.9%	
C.3 Regulatory capital/risk weighted assets	12.8%	10.0%	

() Market risks, amounting to € 70 million of which € 53 million relating to the dealing portfolio and € 17 million to exchange risks, are covered by issues of Tier 3 subordinated liabilities. The latter, equal to € 616 million, cover market risks attributable both to the Parent Bank and to other Group companies.*

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

Subordinated liabilities (caption 110)

	Amount in the financial statements as of 31/12/00 (€/mil)	Original currency (in millions)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 31/12/99 (€/mil)
Subordinated deposit linked to the issuance of Preferred Shares in Euro	1,000	1,000	(a)	10/11/00	(a)	-
Total innovative capital instruments (Tier 1)	1,000					-
Notes in Luxembourg francs	-	1,000	7.75%	5/26/93	5/26/00	25
Notes in Luxembourg francs	25	1,000	7.63%	7/9/93	7/9/01	25
Notes in Luxembourg francs	-	1,000	9%	2/10/92	2/10/00	25
Notes in US dollars	178	165	floating	7/12/93	7/30/03	165
Notes in US dollars	96	89	floating	9/24/93	9/24/03	89
Notes in US dollars	101	94	floating	11/30/93	11/30/05	94
Notes in US dollars	-	32	floating	8/25/95	8/25/00	32
Notes in Canadian dollars	108	151	floating	11/10/93	11/10/03	104
Notes in Italian lire	361	700,000	10.40%	6/30/94	6/30/04	361
Notes in Eurolire	-	198,000	floating	7/6/95	7/6/00	102
Notes in Eurolire	27	52,000	floating	12/30/96	1/20/02	27
Subordinated loan in Italian lire	39	75,000	5.10%	6/1/98	6/1/03	51
Subordinated loan in Italian lire	93	180,000	5.30%	01/01/98	01/01/03	124
Subordinated loan in Italian lire	87	168,000	floating	2/1/98	2/1/03	115
Subordinated loan in Euro	500	500	6.38%	4/6/00	4/6/10	-
Subordinated loan in Euro	350	350	floating	4/6/00	4/6/10	-
Subordinated loan in Euro	1,000	1,000	floating	9/27/00	9/27/10	-
Total subordinated liabilities (Tier 2)	2,965					1,339
Subordinated loan in Euro	466	466	5.63%	10/3/00	10/3/03	-
Subordinated loan in Euro	150	150	floating	11/6/00	11/6/03	-
Total Tier 3 subordinated liabilities	616					-
Total	4,581					1,339

(a) The deposit expires on 12/31/2100 and can be reimbursed early from 11/10/2010, date of review of the interest rate, which is set at a fixed rate of 7.88% for the period 11/10/2000-10/10/2010 and floating for subsequent periods.

During the year, Sanpaolo IMI issued new subordinated loans for € 3,466 million, of which:

- € 1,000 million in the form of innovative capital instruments represented by the issuance of Preferred Shares, to finance the acquisition of Banco di Napoli, while maintaining an adequate level of capital ratios .
- € 1,850 million in the form of subordinated debt (Tier 2) to support the Group's equity investment plans.
- € 616 million in the form of subordinated debt (Tier 3) to cover market risks of the Group.

It has to be noted that, subordinated liabilities not included in the calculation of regulatory capital amount to € 211 million.

Contractually, subordinated debts included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts lay down that:

- early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the 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 debts can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Other information on subordinated liabilities

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

SECTION 9 - OTHER LIABILITIES

Other liabilities (caption 50)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	683	3,660	-81.3
Effect of currency hedges, cross-currency swap and forex swap transactions	227	-	n.s.
Unprocessed transactions (a)	2,419	1,298	+86.4
Amounts available for third parties	2,672	1,094	+144.2
Amounts in transit between branches (a)	718	481	+49.3
Non-liquid balances from portfolio transactions	8	331	-97.6
Transactions by foreign branches	46	324	-85.8
Amounts due to employees	199	243	-18.1
Due to the tax authorities	165	116	+42.2
Amounts payable due to settlement value date	366	127	-188.2
Deposits guaranteeing agricultural and construction loans	37	35	+5.7
Items relating to securities transactions	19	22	-13.6
<i>of which "short position"</i>	17	17	-
Premiums collected on options sold	13	14	-7.1
Other	497	577	-13.9
Total	8,069	8,322	-3.0

(a) Mostly settled at the beginning of 2000.

Accrued expenses and deferred income (caption 60)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Accrued expenses			
– charges on derivative contracts (a)	819	3,058	-73.2
– interest on securities issued	632	1,081	-41.5
– interest on amounts due to banks	249	203	+22.7
– interest on amounts due to customers	108	86	+25.6
– payroll and other operating costs	34	33	+3.0
– other	7	-	n.s.
Deferred income			
– interest on discounted notes	38	50	-24.0
– income from derivative contracts	141	114	+23.7
– other	35	24	+45.8
Total	2,063	4,649	-55.6

(a) Accrued expenses relating to derivative contracts are recorded on a contract-by-contract basis with reference to the interest rates ruling at the time.

SECTION 10 - GUARANTEES AND COMMITMENTS

Guarantees given (caption 10)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Commercial guarantees	10,068	9,042	+11.3
b) Financial guarantees	11,145	7,423	+50.1
c) Assets lodged in guarantee	6	41	-85.4
Total	21,219	16,506	+28.6

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Endorsements and sureties	12,907	10,660	+21.1
Documentary credits	445	401	+11.0
Acceptances	153	131	+16.8
Other	7,708	5,273	+46.2
Assets lodged in guarantee :			
– securities	-	21	-100.0
– other	6	20	-70.0
Total	21,219	16,506	+28.6

Commitments (caption 20)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Commitments to grant finance (certain to be called on)	1,718	1,819	-5.6
b) Commitments to grant finance (not certain to be called on)	11,287	11,492	-1.8
Total	13,005	13,311	-2.3

Firm commitments are detailed below:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Undrawn lines of credit granted	10,383	11,258	-7.8
Deposits and loans to be made	302	419	-27.9
Purchase of securities	623	137	n.s.
Put options issued	12	136	-91.2
Mortgage loans to be disbursed	803	877	-8.4
Membership of Interbank Deposit Guarantee Fund	63	66	-4.5
Other commitments certain to be called on	792	386	+105.2
Other commitments not certain to be called on	27	32	-15.6
Total	13,005	13,311	-2.3

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Portfolio securities lodged with third parties to guarantee repurchase agreements	1,823	2,588	-29.6
Securities lodged with central banks to guarantee advances	65	205	-68.3
Securities lodged with the Bank of Italy to guarantee bankers' drafts	55	70	-21.4
Total	1,943	2,863	-32.1

Unused lines of credit

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

(Table 10.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Central banks	27	41	-34.1
b) Other banks	120	641	-81.3
Total	147	682	-78.4

Forward transactions

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

(Table 10.5 B.I.)

	Hedging transactions	Dealing transactions	Other transactions	€/mil Total
1. Purchase/sale of				
1.1 securities				
– purchases	-	623	-	623
– sales	-	295	-	295
1.2 currency				
– currency against currency	2,373	2,597	-	4,970
– purchases against euro	5,615	1,200	-	6,815
– sales against euro	3,183	916	-	4,099
2. Deposits and loans				
– to be disbursed	-	-	302	302
– to be received	-	-	839	839
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	12	-	12
– sales	421	-	-	421
b) currency				
– currency against currency	366	356	-	722
– purchases against euro	845	668	-	1,513
– sales against euro	233	709	-	942
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	3	-	3
– purchases against euro	295	-	-	295
– sales against euro	28	-	-	28
b) other instruments				
– purchases	17,003	14,329	-	31,332
– sales	17,168	15,082	3,367	35,617
Total (a)	47,530	36,790	4,508	88,828

(a) Basis swap are included both in sales and purchases for a total amount of € 7,570 million.

At year end, hedging derivative contracts show an unrecognized net loss of € 324 million. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivatives contracts in question is to hedge interest and exchange rate risks with regard to funding activities (particularly deposit-taking trans-

actions made via the issue of bonds with a structured yield) or lending activities. The above-mentioned contracts are in fact recorded on a consistent basis with those adopted for hedging transactions, booking accruals in the financial statements for the interest rate and/or exchange rate differential accruing up to the balance sheet date. Had the assets and liabilities being hedged been valued in the same way, this would have led to a gain which would have offset the above loss.

Derivative transactions hedging trading transactions and shown among dealing transactions amount to € 745 million.

Derivatives contracts included under structured financial instruments amount to € 3,367 million, at nominal value.

Internal deal contracts

The nominal amount of derivative contracts between Head office, the foreign branches and the various organizational units is € 1,103 million, at nominal value. The following table provides a breakdown of internal deals, reporting the same contract in both purchases and sales.

	€/mil	
	Hedging transactions	Dealing transactions
Derivative contracts with exchange of capital		
a) securities		
– purchases	-	-
– sales	-	-
b) currency		
– currency against currency	-	-
– purchases against euro	540	3
– sales against euro	540	3
Derivative contracts without exchange of capital		
b) other instruments		
– purchases	559	1
– sales	34	527
Total	1,673	534

Marking to market internal deals made to hedge assets or liabilities valued at cost gives rise to an unrealized net gain of € 67 million. In line with what was said in connection with derivative transactions carried out on the market for the Bank's own account, this value, in accordance with its accounting policies, has not been booked to the financial statements given their purpose of hedging interest rate or exchange rate risks in connection with funding and lending operations. The above-mentioned contracts are in fact recorded on a consistent basis with those adopted for hedging transactions, booking accruals in the financial statements for the interest rate and/or exchange rate differential accruing up to the balance sheet date. If the assets and liabilities were valued in the same way, a loss would emerge that would offset the gain mentioned above.

The valuation of derivative contracts is described in the note concerning profits and losses on financial transactions in Part C, Section 3.

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

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basle Committee for Bank Supervision, together with the International Organization of Securities Commissions (IOSCO).

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

<i>Notional amounts</i>	<i>€/mil</i>				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	666	151	-	-	817
- Swap (b)	23,005	943	-	-	23,948
- Options purchased	1,693	397	3	-	2,093
- Options sold	1,693	397	3	-	2,093
Exchange traded contracts					
- Futures purchased	12	-	-	-	12
- Futures sold	-	-	-	-	-
- Options purchased	-	-	-	-	-
- Options sold	-	-	-	-	-
Total trading contracts	27,069	1,888	6	-	28,963
Total non-trading contracts	31,517	12,938	4,799	207	49,461
Total contracts (c)	58,586	14,826	4,805	207	78,424
- including OTC contracts	58,574	14,826	4,805	207	78,412

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

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

(c) Includes basis swaps for an amount of € 3,785 million and does not include forward transactions up to two days of € 4,560 million.

The table below shows the residual duration of the above OTC transactions.

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>	<i>€/mil</i>			
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	19,703	22,579	16,292	58,574
Exchange rate related	11,299	2,990	537	14,826
Stockmarket index related	309	4,216	280	4,805
Other contracts	-	207	-	207

The table below reports the credit risk equivalent related to OTC contracts broken down into their various components: positive market value and add on.

<i>Notional amounts, market values and similar add on</i>					<i>€/mil</i>
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	58,574	14,826	4,805	207	78,412
A. Market value of OTC trading contracts					
A.1 positive market value	885	119	-	-	1,004
A.2 negative market value	924	179	-	-	n.s.
B. Add on	178	58	-	-	236
C. Market value of OTC non-trading contracts:					
C.1 positive market value	492	647	399	-	1,538
C.2 negative market value	718	752	306	-	n.s.
D. Add on	188	192	383	25	788
Credit risk equivalent (A.1+B+C.1+D)	1,743	1,016	782	25	3,566

Market values of hedging and dealing derivatives contracts arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the credit risk of off-balance sheet items for solvency ratio purposes. The market values identified in the table above derive from applying such criteria. In particular, such market values include the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

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

Lastly, the table below shows the breakdown of credit risk equivalent on OTC contracts by type of counterparty.

<i>Credit quality of OTC derivative contracts, by counterparty</i>				<i>€/mil</i>
	Positive market value	Add on	Credit risk equivalent (a) (current value)	
Governments and central banks	7	-	7	
Banks	2,232	719	2,951	
Other operators	303	305	608	
Total	2,542	1,024	3,566	

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements allows a reduction in the equivalent credit risk of € 1,390 million for banks and of € 117 million for other operators.

Derivative contracts on loans

In relation to the derivative contracts through which the lending risk inherent in certain outstanding loans is transferred, the following table shows the notional capital referring to contracts signed by the Bank

(Table 10.6 B.I.)

Categories of operations	Negotiation	Other transactions	€/mil Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	-	166	166
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	-	182	182
Total	-	348	348

Other information relating to guarantees

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

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

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

(Table 11.1 B.I.) 31/12/00

a) Amount (in millions of euro)	6,088
b) Number	4

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:

(Table 11.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Governments	626	4,246	-85.3
b) Other public entities	436	5,384	-91.9
c) Non-financial businesses	37,282	36,961	+0.9
d) Financial institutions	10,009	7,045	+42.1
e) Family businesses	2,281	2,497	-8.7
f) Other operators	11,126	11,129	-
Total	61,760	67,262	-8.2

The reduction in loans to Governments and other public entities is related to the transfer of the public works and infrastructure business to Banca OPI S.p.A. on July 1, 2000.

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:

(tabella 11,3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Sales and distribution services	5,902	5,193	+13.7
b) Commerce, salvage and repairs	4,488	5,117	-12.3
c) Construction and public works	2,791	3,533	-21.0
d) Energy products	2,768	2,769	-
e) Transport	2,315	2,818	-17.8
f) Other sectors	14,790	14,754	+0.2
Total	33,054	34,184	-3.3

Distribution of derivative contracts on loans by category of borrower

Derivative contracts on loans are distributed as follows:

(Bank of Italy instructions dated 7.31.00)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Banks	288	-	n.s.
Financial institutions	60	-	n.s.
Other operators	-	-	-
Total	348	-	n.s.

Distribution of guarantees given, by category of counterparty

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

(Table 11.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Governments	6	-	n.s.
b) Other public entities	17	13	+30.8
c) Banks	6,504	4,934	+31.8
d) Non-financial businesses	10,427	8,421	+23.8
e) Financial institutions	3,921	2,798	+40.1
f) Family businesses	89	95	-6.3
g) Other operators	255	245	+4.1
Total	21,219	16,506	+28.6

Geographical distribution of assets and liabilities

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

(table 11.5 B.I.)

	31/12/00				31/12/99			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
€/mil								
1. Assets								
1.1 due from banks	9,304	3,271	1,436	14,011	6,836	5,395	2,579	14,810
1.2 loans to customers	51,272	4,717	5,771	61,760	59,808	3,446	4,008	67,262
1.3 securities	4,390	405	1,291	6,086	5,373	558	1,442	7,373
Total	64,966	8,393	8,498	81,857	72,017	9,399	8,029	89,445
2. Liabilities								
2.1 due to banks	2,908	8,680	10,118	21,706	3,770	9,666	10,767	24,203
2.2 due to customers	29,867	1,562	6,180	37,609	27,997	2,231	3,964	34,192
2.3 securities issued	14,756	453	1,388	16,597	23,767	781	2,569	27,117
2.4 other accounts	2,723	897	1,000	4,620	342	1,047	-	1,389
Total	50,254	11,592	18,686	80,532	55,876	13,725	17,300	86,901
3. Guarantees and commitments	12,222	9,200	12,802	34,224	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:

(Table 11.6 B.I.)

	€/mil								Total
	On demand	Up to 3 months	Specified maturity				Unspecified maturity		
			Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years			
				Fixed rate	Floating rate	Fixed rate	Floating rate		
1. Assets									
1.1 Treasury bonds eligible for refinancing	-	120	24	80	533	28	4	-	789
1.2 due from banks	1,722	4,827	2,286	131	1,886	143	2,856	160	14,011
1.3 loans to customers	10,986	16,309	7,441	7,501	8,856	3,613	6,032	1,022	61,760
1.4 bonds and other debt securities	26	725	323	436	2,597	438	741	-	5,286
1.5 off-balance sheet transactions	1,836	20,838	16,787	12,567	1,641	8,904	546	-	63,119
Total assets	14,570	42,819	26,861	20,715	15,513	13,126	10,179	1,182	144,965
2. Liabilities									
2.1 due to banks	2,330	9,737	3,748	1,404	2,225	373	1,889	-	21,706
2.2 due to customers	26,278	9,314	1,803	99	15	100	-	-	37,609
2.3 securities issued:									
– bonds	280	353	1,069	5,324	2,095	2,143	1,150	-	12,414
– certificates of deposit	58	2,001	1,541	70	9	-	-	-	3,679
– other securities	504	-	-	-	-	-	-	-	504
2.4 subordinated liabilities	-	60	38	553	1,080	1,500	1,350	-	4,581
2.5 off-balance sheet transactions	1,832	21,545	17,714	10,446	1,891	9,251	475	-	63,154
Total liabilities	31,282	43,010	25,913	17,896	7,315	13,367	4,864	-	143,647

Assets and liabilities denominated in foreign currencies

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Assets			
1. due from banks	3,651	4,584	-20.4
2. loans to customers	9,516	6,986	+36.2
3. securities	1,835	1,969	-6.8
4. equity investments	426	397	+7.3
5. other accounts	25	50	-50.0
Total assets	15,453	13,986	+10.5
b) Liabilities			
1. due to banks	9,421	10,889	-13.5
2. due to customers	7,781	4,624	+68.3
3. securities issued	1,538	2,962	-48.1
4. other accounts	483	483	-
Total liabilities	19,223	18,958	+1.4

The principal spot exchange rates, as of December 31, 2000, used to translate the Bank's foreign currency assets and liabilities are indicated below on a comparative basis with December 31, 1999 exchange rates:

	31/12/00	31/12/99	Change %
US dollar	2,080.892	1,927.404	+8.0
Swiss franc	1,271.186	1,206.324	+5.4
Pound sterling	3,102.500	3,114.476	-0.4
Japanese yen	18.110	18.848	-3.9

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales of securities on behalf of third parties during the year relate exclusively to futures contracts and options on futures, as summarized below:

(Table 12.1 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Purchases			
1. settled	3	57	-94.7
2. not settled	-	-	-
Total purchases	3	57	-94.7
b) Sales			
1. settled	4	57	-93.0
2. not settled	-	-	-
Total sales	4	57	-93.0

The reduction in trading volumes is related to the reorganization of the Group's investment banking business, which is now carried out by other subsidiaries.

Custody and administration of securities

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

(Table 12.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Third-party securities held on deposit (excluding portfolio management)			
1. securities issued by the Bank that prepares the financial statements	9,929	14,881	-33.3
2. other securities	113,806	120,080	-5.2
b) Third-party securities deposited with third parties	79,027	94,569	-16.4
c) Portfolio securities deposited with third parties	7,377	7,835	-5.8

Third party securities deposited as of December 31, 2000 include securities on deposit with the Bank acting as a depository bank, broken down as follows:

- € 50 million of securities issued by the Bank;
- € 34,204 million of other securities.

Collection of receivables on behalf of third parties debit and credit adjustments

The Bank has received instructions to collect the receivables of third parties as part of its portfolio transactions. The nominal value of such receivables is € 8,944 million.

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

(Table 12.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Debit adjustments			
1. current accounts	718	690	+4.1
2. central portfolio	72	97	-25.8
3. cash	-	-	-
4. other accounts	-	-	-
b) Credit adjustments			
1. current accounts	72	97	-25.8
2. transfer of notes and documents	718	690	+4.1
3. other accounts	-	-	-

Other transactions

Reserve for Research Grants

Starting from January 2000, the Ministry of University and Scientific and Technological Research directly manages the Reserve for Applied Research, now called "Reserve for Research Grants" and authorized 10 banks, among which Sanpaolo IMI, to carry out the technical and economic valuation of research and development projects and of training programs for researchers, as well as control over their implementation.

In 2000, 403 applications arrived for total investments of € 1,156 million, representing around 45% of global applications for industrial research grants (the remaining percentage is shared among the other nine authorized banks). In the same year, 487 preliminary inquiries were carried out (+6% versus 1999) 411 contracts drawn up (+9%), assisted loans amounting to € 548 million (+6%), of which Lire 431 million were drawn on public funds and € 117 million were drawn on the Bank's funds, taking advantage of interest subsidies provided by the government under Law 346/88 .

Management activities carried out on behalf of the Ministry were recompensed with commission totalling € 12 million.

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

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

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

As of December 31, 2000, 4,048 requests had received for a total of € 1,820 million, broken down as follows:

- € 1,467 million relating to the consolidation of short-term debt (of which € 1,455 million already being drawdown and € 12 million waiting for the final documentation);
- € 353 million for participating loans.

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

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Bank for third parties without a representation mandate totalled € 901 million at year end (€ 857 million in 1999).

Asset management services rendered by third parties

The value of asset management services rendered to customers by Group companies amounts to € 4,309 million.

Part C - Statement of income

SECTION 1 - INTEREST

Interest income and similar revenues (caption 10)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) On amounts due from banks	688	472	+45.8
<i>of which:</i>			
– deposits with central banks	33	20	+65.0
b) On loans to customers	4,076	3,954	+3.1
<i>of which:</i>			
– loans using public funds	-	-	-
c) On debt securities	376	546	-31.1
d) Other interest income	4	4	-
e) Net differential on hedging transactions	88	-	n.s.
Total	5,232	4,976	+5.1

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) On assets denominated in foreign currency	293	526	-44.3

Default interest amounting to € 139 million has been prudently eliminated from the statement of income, since collection is considered unlikely.

Interest income includes € 186 million relating to repurchase agreements with an obligation to resell.

Interest expense and similar charges (caption 20)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) On amounts due to banks	1,234	963	+28.1
b) On amounts due to customers	862	582	+48.1
c) On securities issued	1,247	1,510	-17.4
<i>of which:</i>			
– certificates of deposit	303	413	-26.6
d) On public funds administered	-	-	-
e) On subordinated liabilities	134	81	+65.4
f) Net differential on hedging transactions	-	126	-100.0
Total	3,477	3,262	+6.6

Detail of caption 20 "Interest expense and similar charges" (table 1.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) On liabilities denominated in foreign currency	417	590	-29.3

Interest expense includes the annual charge of € 0.6 million relating to issue discounts on bonds and certificates of deposit. The caption also includes charges of € 153 million relating to repurchase agreement with an obligation to resell.

Other information relating to interest

Information concerning the interest arising on transactions with Group companies is reported in part C, section 7 of these notes.

SECTION 2 - COMMISSION

Commission income (caption 40)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Guarantees given	43	41	+4.9
b) Collection and payment services	162	147	+10.2
c) Management, dealing and consultancy services			
1. dealing in securities	11	11	-
2. dealing in currency	23	25	-8.0
3. portfolio management	59	31	+90.3
4. custody and administration of securities	23	21	+9.5
5. placement of securities (a)	824	702	+17.4
6. consultancy services	-	-	-
7. "door-to-door" sales of securities and financial products and services	-	-	-
8. acceptance of instructions	99	70	+41.4
d) Tax collection services	-	-	-
e) Other services	400	385	+3.9
Total	1,644	1,433	+14.7

a) Commission received for the placement of securities also includes that relating to the placement of mutual funds and insurance products amounting, respectively, to € 753 million and € 58 million as of December 31, 2000, and € 624 and € 53 million as of December 31, 1999.

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Loans granted	129	139	-7.2
Deposits and current account overdrafts	128	102	+25.5
Current accounts	58	60	-3.3
Banking functions in relation to mutual funds deposited	51	53	-3.8
Loan-arrangement activities	2	2	-
Other services - Italy	25	24	+4.2
Other services - foreign branches	7	5	+40.0
Total	400	385	+3.9

Commission expense (caption 50)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Collection and payment services	50	45	+11.1
b) Management and dealing services			
1. dealing in securities	5	5	-
2. dealing in currency	-	-	-
3. portfolio management	-	-	-
4. custody and administration of securities	17	8	+112.5
5. placement of securities	-	-	-
6. "door-to-door" sales of securities and financial products and services	-	-	-
c) Other services	22	30	-26.7
Total	94	88	+6.8

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Intermediation on financing transactions	1	3	-66.7
Loans obtained	6	12	-50.0
Guarantees received	5	1	n.s.
Loan-arrangement activities	1	2	-50.0
Other services - Italy	8	10	-20.0
Other services - foreign branches	1	2	-50.0
Total	22	30	-26.7

Other information relating to commission

Details of commission arising from transactions with Group companies are included in Part C, Section 7 of these notes.

SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

Profits (losses) on financial transactions (caption 60)

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

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	18 (a)	-	2,801	2,819
A2. Writedowns	-36 (b)	-	-2,783	-2,819
B. Other profits and losses	27 (c)	61 (d)	-2	86
Total	9	61	16	86
<i>of which:</i>				
1. on government securities	1			
2. on other debt securities	1			
3. on equities	-3			
4. on security derivatives	10			

(a) Of which € 9 million on securities and € 9 million on security derivatives.

(b) Of which € 32 million on securities and € 4 million on securities transactions to be settled.

(c) Of which € 26 million on securities and € 1 million on security derivatives.

(d) Includes exchange gains of € 40 million and income on transactions in foreign currency derivative contracts of € 21 million.

SECTION 4 - ADMINISTRATIVE COSTS

Personnel costs (caption 80a)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Wages and salaries	918	902	+1.8
Social security charges	295	297	-0.7
Termination indemnities			
– provision for termination indemnities	33	34	-2.9
– indemnities accrued and paid during the year	1	1	-
– provisions for supplementary pension fund	33	26	+26.9
Total	1,280	1,260	+1.6

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

	31/12/00	31/12/99	Change %
a) Executives	202	205	-1.5
b) Managers	3,344	3,384	-1.2
c) Other employees	16,569	16,672	-0.6
Total	20,115	20,261	-0.7

Other administrative costs (caption 80b)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Rental of premises	77	67	+14.9
Consultancy services	61	57	+7.0
Software maintenance and upgrades	45	43	+4.7
Maintenance of operating assets	33	34	-2.9
External data processing	26	25	+4.0
Postage and telegraph charges	25	27	-7.4
Energy	25	23	+8.7
Advertising and entertainment	23	18	+27.8
Security services	22	23	-4.3
Legal and judiciary expenses	21	21	-
Telephone	20	22	-9.1
Maintenance of properties owned by the Bank	19	17	+11.8
Data transmission charges	17	20	-15.0
Cleaning of premises	16	18	-11.1
Office supplies	13	12	+8.3
Investigation/commercial information costs	13	9	+44.4
Databank access charges	11	10	+10.0
Transport and counting of valuables	9	10	-10.0
Insurance premiums - banks and customers	8	8	-
Courier and transport services	7	8	-12.5
Equipment leasing charges	6	13	-53.8
Maintenance of leasehold premises	6	4	+50.0
Contributions and membership fees to trades unions and business associations	4	5	-20.0
Other expenses for personnel training, travel and assignments	39	35	+11.4
Other expenses	23	21	+9.5
Total	569	550	+3.5
Indirect duties and taxes			
– stamp duties	105	106	-0.9
– taxes on stock exchange contracts	4	-	n.s.
– local property taxes	7	9	-22.2
– substitute tax (Pres. Decree 601/73)	15	13	+15.4
– other	7	12	-41.7
Total	138	140	-1.4
Total other administrative costs	707	690	+2.5

Consultancy services include, among other things, the fees paid to Arthur Andersen SpA, both for obligatory accounting audits and for services rendered against mandates authorized by the Board of Directors of the Bank pursuant to Consob recommendation 97001574 of February 20, 1997 and are as follows:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Statutory financial statements of the Bank and consolidated financial statements of the Group	0.5	0.5	-
Financial statements of foreign branches	0.6	0.7	-14.3
Statutory and consolidated half-yearly reports	0.2	0.2	-
Half-year financial statements of foreign branches	0.1	0.2	-50.0
Others:			
- Form 20-F (a)	0.4	0.5	-20.0
- other (b)	0.5	0.7	-28.6
Total	2.3	2.8	-17.9

(a) The caption relates to fees for the consolidated audit concerning the obligatory requirements of SANPAOLO IMI for its quotation on the New York Stock Exchange. The mandate for the year 2000 was given by the Board of Directors on January 16, 2001.

(b) The caption at December 31, 2000 relates to the Comfort Letter in relation to the Trust Preferred Securities and also to the Offering Circular for the Medium-Term Note Programme.

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments to intangible and tangible fixed assets (caption 90)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Adjustments to intangible fixed assets			
– amortization of merger differences representing the goodwill of merged banks	27	37	-27.0
– amortization of software costs	27	21	+28.6
– amortization of software not yet in use	24	20	+20.0
– amortization of other deferred charges	7	4	+75.0
Adjustments to tangible fixed assets			
– depreciation of property	37	51	-27.5
– depreciation of furniture and installations	58	49	+18.4
Total	180	182	-1.1

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, € 201 million, recorded during the year, include the following:

- € 188 million, for potential charges deriving from the possible renegotiation of mortgage loans, as explained in Part B - Section 7 of these Notes, as well as to strengthen other provisions against losses from lawsuits and, in particular, from repayments claimed by the receivers of bankrupt customers, as well as other potential liabilities.
- € 13 million designed to increase the coverage of the reserve for other payroll costs, pension and similar commitments, including € 6 million to cover long-service bonuses to the Bank's employees, € 6 million to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund and € 1 million to cover other potential pension charges.

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Adjustments to loans	486	590	-17.6
<i>of which:</i>			
– general adjustments for country risk	16	55	-70.9
– other general adjustments	114	5	n.s.
b) Provisions for guarantees and commitments	8	-	n.s.
<i>of which:</i>			
– general provisions for country risk	-	-	-
– other general provisions	8	-	n.s.
Total	494	590	-16.2

Adjustments to loans include losses on transactions and disposals for € 17 million.

In addition to the above adjustments, default interest of € 139 million due during the year has been reversed from interest income.

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Revaluation of loans previously written down	66	122	-45.9
Revaluation of loans previously written off	1	3	-66.7
Revaluation of provisions for guarantees and commitments	-	1	-100.0
Collection of default interest previously written down	49	40	+22.5
Collection of loans previously written off	44	58	-24.1
Collection of loan principal previously written down	195	88	+121.6
Total	355	312	+13.8

Adjustments to financial fixed assets (caption 150)

Adjustments to investment securities

The adjustments, totalling € 16 million, relate to the writedown of unsecured securities issued by residents in nations subject to "country risk" made by the Bank to take market trends into consideration, pursuant to Art. 18 of D.Lgs 87/92.

Adjustments to equity investments

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Cassa di Risparmio di Firenze S.p.A	189	-	n.s.
Banco di Napoli S.p.A	19	-	n.s.
HDI Assicurazioni S.p.A. (formerly BNC Assicurazioni S.p.A.)	6	-	n.s.
Beni Stabili S.p.A.	-	58	n.s.
Inter-Europa Bank RT	-	9	n.s.
Other	-	4	n.s.
Total	214	71	+201.2

In detail:

- Cassa di Risparmio di Firenze S.p.A. and Banco di Napoli S.p.A. have been written down solely for fiscal purposes by adjusting their carrying values to the average Stock Exchange price for the last six months of the year;
- HDI Assicurazioni S.p.A. has been written down to reflect the net worth of this company as of December 31, 2000.

As regards the equity investment in Beni Stabili S.p.A., written down in 1999, it should be noted that, although the trend in stock exchange prices was higher than the average unit value booked in the 2000 financial statements, no writeback has been made because of the volatility of market trends and because the upturn is not considered permanent.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

Dividends and other revenues (caption 30)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Shares, quotas and other equities			
– dividends	-	18	n.s.
– tax credits	-	10	n.s.
Equity investments			
– dividends			
- Sanpaolo Imi International S.A.	248	105	+136.2
- Banca Fideuram S.p.A.	63	59	+6.8
- Banca IMI S.p.A.	61	30	+103.3
- Sanpaolo Imi Bank Ireland P.I.c.	27	20	+35.0
- Sanpaolo Imi Asset Management Sgr S.p.A.	25	11	+127.3
- Sanpaolo Vita S.p.A.	22	-	n.s.
- Cassa di Risparmio di Firenze S.p.A.	21	-	n.s.
- Crediop S.p.A.	19	19	-
- Banca Sanpaolo Invest S.p.A.	19	10	+90.0
- Sanpaolo Imi Bank (International) S.A.	14	-	n.s.
- Sanpaolo Bank S.A.	13	5	+160.0
- Banco Santander Central Hispano S.A.	12	8	+50.0
- NHS - Nuova Holding Sanpaolo IMI S.p.A.	10	-	n.s.
- Sanpaolo Gestion Internationale S.A.	7	11	-36.4
- Beni Stabili S.p.A.	7	-	n.s.
- Sanpaolo Leasint S.p.A.	5	5	-
- Finconsumo S.p.A.	4	-	n.s.
- Esatri S.p.A.	4	3	+33.3
- Banca Agricola Mantovana S.p.A.	4	15	-73.3
- Sanpaolo Riscossioni Genova S.p.A.	3	2	+50.0
- Banque Sanpaolo S.A.	2	44	-95.5
- Sanpaolo Riscossioni Prato S.p.A.	1	1	-
- other	3	69	-95.7
– tax credits	152	129	+17.8
Total	746	574	+30.0

Other operating income (caption 70)*(table 6.1 B.I.)*

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Expenses recovered from customers			
– stamp duties	101	102	-1.0
– other taxes	17	15	+13.3
– legal costs	13	13	-
– other recoveries	1	1	-
Reimbursement of services rendered to third parties	28	30	-6.7
Property rental income	4	10	-60.0
Income from merchant banking activities	-	5	-100.0
Other income	8	5	+60.0
Total	172	181	-5.0

Other operating expenses (caption 110)*(table 6.2 B.I.)*

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Finance leasing charges	5	6	-16.7
Losses from merchant banking activities	-	2	-100.0
Total	5	8	-37.5

Extraordinary income (caption 180)*(table 6.3 B.I.)*

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Gains	17	16	+6.2
Gain from the conferral of the merchant banking business	-	16	n.s.
Gains on:			
– disposal of financial fixed assets - equity investments (*)	256	372	-31.2
– disposal of financial fixed assets - investment securities	10	1	n.s.
– tangible fixed assets	8	1	n.s.
- Own shares in portfolio	83	-	n.s.
Total	374	406	-7.9

(*) Details of the "gains on the disposal of financial fixed assets – equity investments" are provided in Part B– Section 3 of these notes. This amount includes € 1 million related to the partial reimbursement of the share capital of Evoluzione 94, an investment that had previously been written down to zero.

Extraordinary expense (caption190)*(table 6.4 B.I.)*

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Severance bonus incentive for voluntary redundancy	5	22	-77.3
Other expenses	20	27	-25.9
Amounts not collectible	-	1	-100.0
Losses on:			
– financial fixed assets equity investments	1	1	-
– disposal of financial fixed assets - investment securities	4	-	n.s.
– tangible fixed assets	1	1	-
Loss on transfer of a business	1	-	n.s.
Total	32	52	-38.5

Income taxes for the year (caption 220)*Breakdown of caption 220 "Income taxes for the year" (Bank of Italy instructions dated 08.03.99)*

€/mil

1. Current income taxes	707
2. Change in deferred tax assets	11
3. Change in deferred tax liabilities	-6
4. Income taxes	712

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Current income taxes and charges from possible fiscal disputes	689	623	+10.6
Local taxes applicable to foreign branches	18	7	+157.1
Total current income taxes and charges from possible fiscal disputes	707	630	+12.2
Deferred tax assets that reversed during the year	111	88	+26.1
Deferred tax assets that arose during the year	-100	-75	+33.3
Use of the deferred tax reserve on the Reserve for general banking risks	-6	-4	+50.0
Income taxes for the year	712	639	+11.4

SECTION 7 - OTHER INFORMATION REGARDING THE STATEMENT OF INCOME

Other information provided below regarding the statement of income covers the geographical distribution of the Bank's revenues and transactions with SANPAOLO IMI Banking Group companies and with other investments that are not part of the Group.

Geographical distribution of revenues

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

(table 7.1 B.I.)

	31/12/00				31/12/99				€/mil
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total	
Interest income and similar revenues	4,047	522	663	5,232	4,141	482	353	4,976	
Dividends and other revenues	746	-	-	746	548	26	-	574	
Commission income	1,600	24	20	1,644	1,399	17	17	1,433	
Profits (losses) on financial transactions	83	3	-	86	73	-39	16	50	
Other operating income	170	2	-	172	180	1	-	181	
Total revenues	6,646	551	683	7,880	6,341	487	386	7,214	

Income and expenses arising from transactions with Group companies and investments in non-Group companies

Income and expenses arising from transactions with companies in the SANPAOLO IMI Banking Group, as defined in article 4 of Decree 87/92, are detailed below, together with those relating to investments in non-Group companies:

	31/12/00			31/12/99			€/mil
	Group companies	Non-Group companies	Total	Group companies	Non-Group companies	Total	
Income							
- interest income and similar revenues	230	57	287	68	58	126	
- dividends and other revenues	637	109	746	422	119	541	
- commission income	872	1	873	729	1	730	
- other operating income	30	1	31	22	2	24	
Total	1,769	168	1,937	1,241	180	1,421	
Expenses							
- interest expense and similar charges	477	100	577	309	87	396	
- commission expense	1	-	1	7	-	7	
- other operating expenses	13	-	13	15	3	18	
Total	491	100	591	331	90	421	

Assets and liabilities outstanding at year-end in relation to Group companies and investments in non-Group companies are indicated in Part B, Section 3 of these notes.

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

The annual remuneration of the Directors and the Statutory Auditors of the Bank is reported below:

(table 1.1 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Directors	2	2	-
Statutory Auditors	-	-	-

The remuneration due to the Statutory Auditors for 2000 amounts to € 0.4 million.

In compliance with article 78 of Consob resolution no. 11971 of 14/5/99, we provide below the detail of the remuneration pertaining to 2000 paid to Directors, Statutory Auditors and General Managers

REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS (pursuant to Article 78 of Consob Resolution 11971 of May 14, 1999)

Directors, Statutory Auditors and General Managers in office

Surname and Name	Description of office			Remuneration (millions of Lire)		
	Office	Time in office	Remuneration for the office	Non-monetary benefits	Bonus and other incentives (1)	Other compensation (2)
ARCUTI Luigi	Chairman (4)	1998 / 2000	738		175	86 (3)
ALBANI CASTELBARCO VISCONTI Carlo	Director	1998 / 2000	111		134	28 (3)
BOTIN Emilio	Director	1998 / 2000	76		41	-
CARMI Alberto	Director	28/4/00 - 2000	52		-	-
FABRIZI Pier Luigi	(5)	-	-		82	-
FONTANA Giuseppe	Director	1998 / 2000	112		155	103
GALATERI DI GENOLA Gabriele	Director (4)	1998 / 2000	195		175	78 (3)
GRONCHI Divo	(5)	-	-		(a)	(a) (3)
INCIARTE Juan Rodriguez	Director (4)	1998 / 2000	134		155	77 (3)
MARANZANA Luigi	Managing Director (4) General Manager	1998 / 2000	462 809	6	1,000	(b) (3)
MARRONE Virgilio	Director	1998 / 2000	(c)		(c)	-
MASERA Rainer Stefano	Managing Director (4) General Manager	1998 / 2000	462 809	33	1,000	(d) (3)
MASINI Mario	Director (4)	1998 / 2000	131		175	78 (3)
MIHALICH Ili	Director (4)	1998 / 2000	196		134	49
OTTOLENGHI Emilio	Director	1998 / 2000	114		175	208 (3)
PREDA Stefano	Director (4)	1998 - 28/6/00	83		124	-
SALZA Enrico	Director (4)	1998 / 2000	169		165	79 (3)
SCLAVI Antonio	Director (4)	25/5/99 - 2000	133		62	48
VERCELLI Alessandro	Director	22/6/99 - 2000	79		52	-
VERMEIREN Remi François	Director	1998 / 2000	76		-	-
PAOLILLO Mario	Chairman Board of Statutory Auditors	1999 / 2001	183			236 (3)
BENEDETTI Aureliano	Statutory Auditor	1999 / 2001	122			191
DALLOCCCHIO Maurizio	Statutory Auditor	1999 / 2001	129			48
MIGLIETTA Angelo	Statutory Auditor	1999 / 2001	129			99 (3)
RAGAZZONI Ruggero	Statutory Auditor	1999 / 2001	129			73

(1) This column includes the bonus due to Directors for 1999 (L. 2,031 million) which is divided proportionally according to the attendance of the Directors in the meeting held during the course of the year, on the basis of a resolution taken by the Board of Directors following the approval of the financial statements for 1999. For 2000, a bonus of L. 3,753 million, calculated according to Group results, is due to the members of the Board of Directors. The distribution to individual members will be made following the approval of the financial statements for 2000 and similarly to last year; the bonus will thus be reported in the table attached to the financial statements for 2001.

(2) Includes subsidiary companies.

(3) Includes also remuneration concerning offices held for 1999 in SANPAOLO IMI Investments S.A., approved and shown in the financial statements of the company for 2000.

(4) Members of the Executive Committee.

(5) Members of the Board of Directors out of office during 1999 whose bonus for 1999 only is shown.

(a) L. 52 million in bonus and L. 28 million in other incentives paid to Monte dei Paschi di Siena S.p.A..

(b) L. 104 million paid to SANPAOLO IMI S.p.A..

(c) L. 145 million in emoluments and L. 175 million in bonus and other incentives paid to IFI S.p.A..

(d) L. 102 million paid to SANPAOLO IMI S.p.A..

Again pursuant to art. 78 of Consob resolution no. 11971 of 14/5/99 we would point out that, with reference to the 1999/2001 stock option plan (which entailed among other things assigning 370,000 subscription rights to the two Managing Directors, one third of which can be exercised in 2000), during the year Rainer Stefano Masera, Managing Director, exercised 123,250 rights for the Bank's shares at a price of € 12.396. During the course of 2000, the Board of Directors approved a new stock option plan for the period 2003/2005, which foresees for the two Managing Directors the assignment of 188,285 rights to subscribe to the Bank's shares at a price of € 16.45573. Additional and more detailed information on these plans are contained in the Report on operations, as recommended by Consob.

Loans and guarantees given

(table 1.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Directors	6	10	-40.0
Statutory Auditors	1	1	-

The amounts indicated above include loans granted to and guarantees given by the Bank to the Directors and Statutory Auditors, € 0.2 million, and to companies and banks identified pursuant to article 136 of the Consolidated Banking Act, € 6.6 million, including the drawdown against credit lines granted to the latter.

SECTION 2 - PARENT BANK

2.1 - Name

SANPAOLO IMI S.p.A.

2.2 - Registered offices

Piazza San Carlo, 156
10121 Turin, Italy

Secondary head office

Viale dell'Arte, 25
00144 Rome, Italy

Registered banking group No. 1025/6

Attachments

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CASH FLOWS

LIST OF PROPERTIES OWNED BY THE BANK

PRO FORMA STATEMENT OF INCOME FOR 2000

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	capital	legal reserve	addition- al paid-in capital	extraor- dinary reserve	reserve for purchase of own shares	reserve for purchase of own shares	reserve ex art. 13.c.6 D.Lgs. 124/93	reserve (art. 7.c.3, L. 218/90)	merger surplus	reserve ex Law 169/83	reserve D.Lgs. 213/98	reserve D.Lgs. 153/99	reserve for general banking risks	net income for the year	Total
Shareholders' equity as of January 1, 1999	3,926	792			439	336	1	80	219	11	42		336	1,018	7,200
Allocation of 1999 net income															
- reserve (D.Lgs. 153/99)												260		-260	
- extraordinary reserve				33										-33	
- reserve ex art.13. c.6 D.Lgs. 124/93							1							-1	
- dividends distributed														-724	-724
Increases in restricted reserve for the purchase of own shares															
					-156	361			-205						-
Stock option plan for 1,833,250 shares	5		18												23
Undistributed dividends on own shares in in portfolio and dividends in prescription				2											2
Adjustment to the reserve D.Lgs. 213/98 following the sale of equity investments												-			-
Net income as of 31/12/2000														1,198	1,198
Shareholders' equity as of December 31, 2000	3,931	792	18	35	283	697	2	80	14	11	42	260	336	1,198	7,699
Own shares in portfolio						-697									-697
Shareholders' equity as per the reclassified balance sheet	3,931	792	18	35	283	-	2	80	14	11	42	260	336	1,198	7,002

STATEMENT OF CASH FLOWS

€/mil

APPLICATION OF FUNDS

Use of funds generated by operations	775
Dividends paid	724
Use of reserves for termination indemnities and pensions	25
Use of provisions for risks and charges	26
Increase in funds applied	3,401
Cash and deposits with central banks	21
Equity investments	3,220
Intangible fixed assets	95
Tangible fixed assets	65
Decrease in funds taken	12,665
Due to banks	2,498
Customer deposits and securities issued	7,115
Other liabilities	2,715
Shareholders' equity	337
Total	16,841

€/mil

SOURCES OF FUNDS

Funds generated by operations	1,982
Net income for the year	1,198
Provision for termination indemnities	33
Net adjustments to loans and provisions for guarantees and commitments	140
Provisions for risks and charges	201
Adjustments to tangible fixed assets	95
Adjustments to intangible fixed assets	85
Adjustments to financial fixed assets	230
Increase in funds taken	3,242
Due to banks	-
Subordinated liabilities	3,242
Shareholders' equity	-
Decrease in funds applied	11,617
Due from banks	798
Loans to customers	5,363
Investment securities	93
Dealing securities	1,179
Other assets	4,184
Total	16,841

LIST OF PROPERTIES OWNED BY THE BANK

ADDRESS	Square meters	INVESTMENT	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
ACQUI TERME Piazza Italia 10	2,105	849,412	2,033,539	2,882,951	1,249,909	1,633,042
AGNADELLO Piazza della Chiesa 5/15	199	57,439	181,033	238,472	85,384	153,088
ALASSIO Via Don Bosco 2	1,031	197,019	2,764,136	2,961,155	1,115,955	1,845,200
ALBA Piazza Savona 1	1,078	363,447	1,750,827	2,114,274	893,913	1,220,361
ALBA Via Cuneo 9 ang. Vic. San Biagio	54	4,132	36,637	40,769	18,527	22,242
ALBENGA Branch 1 Via Genova 86	70	38,044	142,126	180,170	46,526	133,644
ALBENGA Via Valle d'Aosta 6	1,400	2,857,520	-	2,857,520	767,185	2,090,335
ALBESE Via Vittorio Veneto 6/a	262	27,531	343,585	371,116	118,211	252,905
ALBINO Via Mazzini 182	982	1,125,876	491,047	1,616,923	406,769	1,210,154
ALESSANDRIA Branch 1 Corso Roma 17/19	1,386	361,391	2,337,334	2,698,725	746,517	1,952,208
ALESSANDRIA P.zza Garibaldi 57/58 / Via Savona	5,670	4,669,561	4,308,845	8,978,406	3,457,726	5,520,680
ALMENNO SAN BARTOLOMEO Via Martiri della Libertà	456	383,874	315,395	699,269	404,263	295,006
ALPIGNANO Via Mazzini 5	1,366	1,048,209	1,044,667	2,092,876	1,196,705	896,171
ANCONA Via Montebello 49/63	2,270	1,702,125	2,024,756	3,726,881	1,641,989	2,084,892
ANTEGNATE Via Muoni 13	356	6,136	248,900	255,036	93,991	161,045
ANTEY ST. ANDRE' Via Grandi Mulini S.S. 40	94	30,833	90,431	121,264	52,538	68,726
AOSTA Branch 1 Corso Battaglione Aosta 65	706	247,085	912,346	1,159,431	473,215	686,216
AOSTA Area Office Piazza Chanoux 38 / Via del Collegio 2	2,760	1,480,126	5,147,213	6,627,339	2,294,931	4,332,408
APIANO GENTILE Via Volta 14	278	105,878	300,541	406,419	131,233	275,186
ARCONATE Piazza Libertà 1	589	58,567	697,808	756,375	243,994	512,381
ARENA PO Via Roma 10	360	225,860	108,316	334,176	128,134	206,042
AREZZO via Mecenate 2	2,368	268,002	-	268,002	16,080	251,922
ARGEGNO Via Lungotelo di Destra 6	118	20,669	97,819	118,488	44,338	74,150
ARONA Corso Repubblica 1	1,021	456,387	1,562,959	2,019,346	860,486	1,158,860
ARQUATA SCRIVIA Via Libarna 211	490	148,512	401,501	550,013	220,071	329,942
ARZANO Via Rimini 6	488	560,296	351,353	911,649	480,088	431,561
ASTI Via C. Battisti 3 / C. Dante 6	1,712	1,533,240	2,809,100	4,342,340	1,634,779	2,707,561
AVELLINO Via Guarini 40 / Via De Conciliis 14	942	1,365,834	339,923	1,705,757	511,951	1,193,806
AVIGLIANA Branch Corso Torino 158	1,439	988,495	1,834,966	2,823,461	1,530,080	1,293,381
AZZANELLO Via A. Valcarengi 10	187	340	120,867	121,207	37,357	83,850
BARDONECCHIA Via Medail 53	508	156,949	826,849	983,798	429,746	554,052
BARI Branch 1 Via Amendola 168/5	1,647	102,845	-	102,845	12,341	90,504
BARI Via De Rossi 51-53	509	172,595	458,011	630,606	269,571	361,035
BELGIOIOSO Via XX Settembre 30	220	377,014	-	377,014	56,395	320,619
BELLAGIO Lungo Lario Manzoni 32/34	413	58,377	682,962	741,339	235,176	506,163
BERGAMO Branch 13 Area Office Via XX Settembre 57	3,113	439,999	7,926,401	8,366,400	3,352,310	5,014,090
BERGAMO Branch 4 Via S. Bernardino 72/d	772	57,423	1,252,893	1,310,316	472,454	837,862
BERGAMO Branch 5 Via Suardi 85/87	1,060	467,508	1,233,039	1,700,547	638,871	1,061,676
BERGAMO Branch 6 Via Statuto 18	339	46,226	530,697	576,923	185,733	391,190
BERGAMO Area Office Via Camozzi 27 / Piazza Cavour 9	8,166	9,372,468	14,300,568	23,673,036	7,610,778	16,062,258
BERGAMO Via Stendhal 5 / Via Campagnola	6,645	118,785	-	118,785	17,818	100,967
BIELLA Branch 1 Via Cottolengo	475	435,655	55,625	491,280	155,174	336,106
BIELLA Via G. Marconi 9	2,443	268,104	3,006,845	3,274,949	926,923	2,348,026
BIELLA Via Lamarmora / Torino / Delleani	314	570,829	-	570,829	34,250	536,579
BISTAGNO Corso Italia 46	386	32,284	292,760	325,044	128,259	196,785
BOLLATE Via Vittorio Veneto 2	801	304,750	1,098,518	1,403,268	440,287	962,981
BOLOGNA Via Rizzoli 20	1,032	379,718	3,678,600	4,058,318	1,095,755	2,962,563
BONATE SOTTO Via V. Veneto 57/b	724	52,844	599,467	652,311	171,691	480,620
BORDIGHERA Corso Italia 32	832	1,501,502	299,923	1,801,425	627,719	1,173,706
BORGHETTO LODIGIANO Piazza Dalla Chiesa 1/a	270	2,167	305,515	307,682	75,212	232,470
BORGHETTO S.S. Via IV Novembre 8	580	100,891	1,187,594	1,288,485	439,518	848,967
BORG SAN DALMAZZO Corso Barale 22	1,643	984,452	785,597	1,770,049	589,752	1,180,297
BORG SAN GIACOMO Via Ferrari 5	250	413	222,672	223,085	54,652	168,433
BORGOFRANCO D'IVREA Via Aosta 28	314	108,082	314,750	422,832	158,982	263,850
BORGONE DI SUSÀ Via A. Abegg 5 bis	565	97,785	437,012	534,797	231,248	303,549
BORGOSIESIA Viale Carlo Fassò 2	2,435	1,124,384	2,627,497	3,751,881	1,718,225	2,033,656
BOSCOMARENGO Via Roma 6 bis	479	267,939	113,157	381,096	167,791	213,305
BOSCOREALE Via S.Ten.Cirillo 12 / Via S.Felice 2	627	462,373	316,558	778,931	362,894	416,037
BOSISIO PARINI Piazza Parini 12	462	413,246	155,778	569,024	206,504	362,520
BRA Via Principi di Piemonte 32	1,143	242,935	1,679,278	1,922,213	649,326	1,272,887
BRANDIZZO Via Torino 196	612	185,833	618,311	804,144	305,713	498,431
BREMBIO Via Garibaldi 10	289	258	202,166	202,424	54,604	147,820
BRESCIA P.za Garibaldi 5 / Via Tartaglia	2,647	5,081,754	-	5,081,754	1,362,742	3,719,012

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

ADDRESS	Square meters	INVESTMENT	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
BRIGA NOVARESE Via Borgomanero 19/21	729	167,722	612,411	780,133	353,937	426,196
BRONI Piazza Garibaldi 7 ang. Via Cavour	827	557,772	1,468,747	2,026,519	748,398	1,278,121
BURAGO DI MOLGORA Via Enrico Toti 2/3	756	348,771	578,372	927,143	340,765	586,378
BUSTO ARSIZIO Branch 2 Via Gavinana 8	526	358,294	316,705	674,999	251,313	423,686
BUSTO ARSIZIO Branch 3 Via Torino 48	645	194,204	479,338	673,542	194,735	478,807
BUSTO ARSIZIO Branch 4 Sacconago - P.za Chiesa Vecchia 6/b	577	67,500	575,735	643,235	199,914	443,321
BUSTO ARSIZIO Branch 5 Borsano - Via Novara 1	245	516	327,373	327,889	95,640	232,249
BUSTO ARSIZIO Piazza Manzoni / Via Matteotti	1,329	2,393,155	-	2,393,155	358,945	2,034,210
BUSTO ARSIZIO Area Office Via Milano 14	4,925	102,023	7,060,357	7,162,380	2,423,515	4,738,865
BUSTO GAROLFO Piazza Lombardia 3	358	128,460	277,931	406,391	132,589	273,802
CABIALE Via A. Grandi 6	379	92,466	346,141	438,607	147,105	291,502
CAGLIARI Piazza Deffenu 4	4,403	4,437,128	6,995,519	11,432,647	4,470,898	6,961,749
CAGLIARI Via Paoli 31/33	743	658,820	374,094	1,032,914	278,887	754,027
CAGLIARI Via Paoli 33	10	5,787	926	6,713	1,813	4,900
CAIRO MONTENOTTE Piazza della Vittoria 24	712	129,842	876,957	1,006,799	329,190	677,609
CALOSSO Via R. Margherita 24/26	271	48,368	109,390	157,758	72,403	85,355
CALUSCO D'ADDA Via Marconi 36/38	1,008	355,554	786,934	1,142,488	323,237	819,251
CALUSO Via San Clemente 1	437	116,737	375,565	492,302	181,600	310,702
CALVATONE Via Umberto I 83	215	6,823	185,280	192,103	70,154	121,949
CAMPOMORONE Via A. Gavino 110/d	655	167,138	887,393	1,054,531	429,885	624,646
CANDELO Via Mazzini ang. Via Moglia 1	607	183,256	313,591	496,847	127,324	369,523
CANELLI P.za A. d'Aosta 20 / Via M. d'Azeglio 2	860	319,705	437,056	756,761	263,094	493,667
CANICATTI' Via Carlo Alberto 4/12	870	237,494	372,526	610,020	292,834	317,186
CANICATTI' Via Regina Margherita 2	1,000	118,519	1,078,155	1,196,674	517,720	678,954
CANTOIRA Via Roma 21	82	42,741	40,954	83,695	49,742	33,953
CANTU' Piazza degli Alpini 1	1,075	71,208	1,410,596	1,481,804	464,175	1,017,629
CAPRIOLO Via IV Novembre 90	785	157,868	695,990	853,858	235,731	618,127
CARAGLIO P.za Garibaldi 10 ang. Via Roma	351	511,292	-	511,292	122,109	389,183
CARAMAGNA Via Luigi Ornato 37	377	1,019,058	152,817	1,171,875	305,380	866,495
CARESANA Corso Italia 32	166	5,501	99,561	105,062	38,301	66,761
CARIGNANO Via Umberto I 118	609	176,124	649,770	825,894	383,175	442,719
CARMAGNOLA Piazza Martiri della Libertà 31	856	223,694	941,106	1,164,800	506,744	658,056
CARRU' Piazza Generale Perotti 11	292	12,853	352,144	364,997	162,442	202,555
CASALE MONFERRATO Via Magnocavallo 23	2,983	1,296,262	2,911,375	4,207,637	1,715,327	2,492,310
CASALMAGGIORE Via Cairoli 7	743	448,683	579,848	1,028,531	343,282	685,249
CASALPUSTERLENGO Via Garibaldi 22	477	102,221	486,338	588,559	221,421	367,138
CASAZZA Via della Pieve 1	1,212	1,031,881	321,174	1,353,055	345,836	1,007,219
CASELLE LANDI Via IV Novembre 10	254	3,357	144,002	147,359	42,142	105,217
CASELLE TORINESE Via Cuorgné 86 bis	717	213,015	669,070	882,085	328,182	553,903
CASNIGO Piazza Caduti 7	435	50,228	305,215	355,443	106,851	248,592
CASOREZZO Piazza S. Giorgio 9	392	9,933	368,537	378,470	117,806	260,664
CASSINA DE' PECCHI Via Trento 2 ang. Via Venezia	1,283	698,699	1,983,075	2,681,774	1,227,444	1,454,330
CASTAGNOLE MONFERRATO Piazza Statuto 1/b	184	36,536	107,000	143,536	48,656	94,880
CASTEL GOFFREDO Piazza Gonzaga 3	590	516,457	364,877	881,334	325,538	555,796
CASTELLAMONTE Piazza Martiri della Libertà 2	515	87,140	438,749	525,889	195,294	330,595
CASTELLANZA Via Matteotti 16/b	842	160,663	759,713	920,376	306,529	613,847
CASTELLEONE Via Cappi 4	915	1,117,613	258,914	1,376,527	489,743	886,784
CASTELNUOVO BOCCA D'ADDA Via Umberto I 1	234	767	184,427	185,194	56,763	128,431
CASTELNUOVO SCRIVIA Via Nino Bixio 15	910	293,370	528,871	822,241	372,231	450,010
CASTELVETRANO Piazza Matteotti 9/10	270	477,598	397,819	875,417	468,366	407,051
CASTIGLIONE D'ADDA Via della Chiesa 1	259	3,109	223,302	226,411	63,027	163,384
CASTROFILIPPO Corso Umberto 42	194	12,527	109,751	122,278	55,399	66,879
CAVA MANARA Via Garibaldi 19	499	168,417	258,534	426,951	166,144	260,807
CAVENAGO D'ADDA Via G. Conti 6/4	140	211	117,004	117,215	32,863	84,352
CENTALLO Via Bonifanti 3/5/7	250	260,130	30,851	290,981	88,252	202,729
CERAMI Via Roma 88/90/92	110	70,668	114,984	185,652	97,711	87,941
CERCOLA Via D. Riccardi 127	1,188	1,033,862	285,923	1,319,785	523,810	795,975
CERMENATE Via G. da Cermenate / Via Matteotti 45	494	468,735	128,407	597,142	142,637	454,505
CERNOBBIO Via Dell'Orto 3	487	8,557	655,505	664,062	213,638	450,424
CERNUSCO SUL NAVIGLIO Piazza Ghezzi 5	959	983,202	1,373,131	2,356,333	1,103,634	1,252,699
CERRO MAGGIORE Via S. Bartolomeo 8	176	14,564	201,473	216,037	65,297	150,740
CESANA TORINESE Via Roma 14	476	79,161	358,516	437,677	173,524	264,153
CEVA Via Moretti 7	472	200,483	458,351	658,834	331,252	327,582
CHIARI Via delle Battaglie 3/e	798	1,331,426	142,893	1,474,319	389,392	1,084,927
CHIAVARI Corso Dante Alighieri 73	804	369,381	1,588,965	1,958,346	641,187	1,317,159
CHIERI Piazza Cavour 1	1,109	168,926	1,325,426	1,494,352	588,955	905,397

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

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CHIERI Piazza Cavour 8	4,100	4,989,100	1,941,281	6,930,381	2,227,842	4,702,539
CHIGNOLO PO Via Garibaldi 143	247	13,025	175,662	188,687	58,688	129,999
CHIVASSO Piazza A. Carletti 1/c	1,151	237,386	1,649,516	1,886,902	663,249	1,223,653
CIGLIANO Corso Umberto I 46	689	103,625	481,364	584,989	233,509	351,480
CILAVEGNA Piazza Garibaldi 5	359	43,648	253,441	297,089	118,840	178,249
CIRIE' Via San Ciriaco 25	1,898	1,204,250	2,049,313	3,253,563	933,194	2,320,369
CODOGNO Via Alberici 28	946	332,120	1,409,709	1,741,829	455,967	1,285,862
COGNE Via Grappein	212	191,849	160,738	352,587	163,429	189,158
COLLEGNO Via Manzoni 1	1,974	1,321,784	1,642,511	2,964,295	1,486,166	1,478,129
COMO Branch 2 Via Milano 178	422	108,784	575,323	684,107	240,441	443,666
COMO Branch 4 Albate / Via Canturina 186	340	372,221	168,080	540,301	184,154	356,147
COMO Branch 5 Via Bellinzona 349	213	22,977	318,511	341,488	137,489	203,999
COMO Piazza Cavour 15	5,021	405,974	14,536,785	14,942,759	4,359,808	10,582,951
CORNAREDO Piazza Libertà 54	1,059	160,596	1,365,419	1,526,015	527,103	998,912
CORNAREDO Via Milano 95	522	283,906	463,323	747,229	179,351	567,878
CORSICO Branch 1 Via Dante ang. via Monti 31/b	845	2,334,632	-	2,334,632	556,912	1,777,720
CORSICO Via Caboto 37/41	1,927	2,019,769	3,102,633	5,122,402	2,453,226	2,669,176
COSSATO Via del Mercato 40	310	464,580	127,332	591,912	178,941	412,971
COSTIGLIOLE D'ASTI Piazza Umberto I 21	636	225,379	425,510	650,889	327,386	323,503
COURMAYEUR Via M. Bianco 29 / P.za Brocherelle 3	601	208,699	1,941,270	2,149,969	654,412	1,495,557
CREMA Branch 1 Via De Gasperi 62	1,500	145,771	-	145,771	39,101	106,670
CREMA Piazza Duomo 1 / Via dei Racchetti 1	1,006	147,021	1,329,412	1,476,433	499,779	976,654
CREMONA Fil.1 C.so Garibaldi 232 / Via Montello	1,720	1,104,141	2,012,235	3,116,376	1,523,527	1,592,849
CREMONA Area Office Piazza Cavour 1 / Via Gramsci	3,896	397,862	5,333,302	5,731,164	2,102,996	3,628,168
CREMONA Via dei Tigli 3	204	64,688	62,641	127,329	71,004	56,325
CRESCENTINO Corso Roma 55/57	808	108,924	635,213	744,137	278,197	465,940
CUNEO Corso Giolitti ang. P.za Europa	2,370	1,317,944	4,558,279	5,876,223	2,478,366	3,397,857
CUORGNE' Via Ivrea 7	857	159,055	761,652	920,707	329,744	590,963
DAIRAGO Via XXV Aprile 52/c	383	52,139	410,583	462,722	153,962	308,760
DALMINE Via Betelli 11	1,601	763,944	1,441,818	2,205,762	564,809	1,640,953
DOGLIANI Piazza Carlo Alberto 30 / Via 31 Luglio 21	677	393,484	520,251	913,735	520,606	393,129
DOMODOSSOLA Piazza Matteotti 16 / Via Gramsci	1,012	1,153,246	455,363	1,608,609	428,488	1,180,121
DONNAS Via Roma 36	1,280	309,046	1,083,002	1,392,048	659,066	732,982
DOSOLO Via XXIII Aprile 6/8/10	199	10,302	154,121	164,423	48,687	115,736
ENDINE GAIANO Via Tonale 49	296	297	190,096	190,393	58,607	131,786
ENNA Piazza VI Dicembre 6	1,388	2,027,243	93,584	2,120,827	714,738	1,406,089
ERBA Corso XXV Aprile 64	1,549	637,991	1,978,059	2,616,050	909,571	1,706,479
ESTE Via Matteotti 49/51	650	1,361,328	-	1,361,328	357,865	1,003,463
FAGNANO OLONA Piazza XX Settembre 5	639	66,910	561,447	628,357	209,322	419,035
FALOPPIO Via Roma 4	150	167,330	-	167,330	34,448	132,882
FERRERA ERBOGNONE Corso della Repubblica 27	217	105,777	121,392	227,169	89,241	137,928
FINALE LIGURE Via Concezione 34/35	370	382,652	971,678	1,354,330	588,132	766,198
FINO MORNASCO Via Garibaldi 135	743	64,184	867,137	931,321	325,318	606,003
FIORANO AL SERIO Via Roma 11/B	777	125,725	696,111	821,836	212,023	609,813
FLORENCE Piazza della Repubblica 4	890	89,609	3,240,455	3,330,064	920,535	2,409,529
FLORENCE Via de' Conti 3 ang. Via dell'Alloro	705	452,834	1,683,987	2,136,821	750,393	1,386,428
FOGGIA Piazza Puglia / via Bari 62	1,963	2,647,878	2,314,962	4,962,840	2,831,057	2,131,783
FONTANELLA Piazza Matteotti 18 / via Lazzari 2	561	573,449	267,434	840,883	304,941	535,942
FORNO CANAVESE Via Truchetti 7	498	49,471	351,676	401,147	167,169	233,978
FOSSANO Via Roma 81 / Via Cavour 1	1,633	306,685	1,838,768	2,145,453	765,465	1,379,988
FRESONARA Via Boscomarengo 5	226	142,253	66,301	208,554	84,516	124,038
GALLARATE Corso Sempione 9	1,934	2,231,538	518,802	2,750,340	801,992	1,948,348
GALLIATE Via L.da Vinci 21 ang. Via Volta	1,003	367,530	1,024,642	1,392,172	673,969	718,203
GAMBARA Piazza IV Novembre 5	287	516	201,364	201,880	60,515	141,365
GAMBOLO' Corso Umberto I 4	488	254,724	344,941	599,665	180,476	419,189
GARLASCO Corso Cavour 172	597	104,712	646,169	750,881	198,966	551,915
GATTINARA Piazza Italia 10 / C.so Cavour 1	554	106,174	434,486	540,660	232,723	307,937
GENOA Piazza Matteotti 2	665	1,727,120	-	1,727,120	375,417	1,351,703
GENOA Branch 1 Via A. Cantore 44 / Via Pedemonte	3,157	1,596,390	3,791,994	5,388,384	2,253,648	3,134,736
GENOA Branch 2 ex V.G.B.Magnaghi 1 / V.Cecchi 60	630	591,621	1,736,535	2,328,156	943,036	1,385,120
GENOA Branch 4 Viale Causa 2 / Via Albaro 38	875	223,243	1,750,329	1,973,572	706,349	1,267,223
GENOA Branch 5 Via F. Cavallotti 46r/48/13/4	583	392,291	817,151	1,209,442	503,751	705,691
GENOA Branch 6 Via Cairoli 6	957	212,175	1,498,893	1,711,068	648,427	1,062,641
GENOA Branch 7 Via Sestri 225/r / Via d'Andrade	1,096	343,317	1,488,676	1,831,993	809,393	1,022,600
GENOA Branch 8 Via C. Camozzini 11/r / Via Cialdini	585	404,704	642,998	1,047,702	539,478	508,224
GENOA Fil.10 Via Rossini 8 - Rivarolo	1,011	1,022,588	593,608	1,616,196	618,717	997,479

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GENOA Area Office Via Fieschi 4	5,614	4,146,086	17,254,898	21,400,984	7,759,748	13,641,236
GENOA Via Dante ang. Via Fieschi	1,065	1,450,616	615,212	2,065,828	407,816	1,658,012
GENOA Via Gran Madre di Dio	145	71,512	263,115	334,627	145,107	189,520
GIAVENO Piazza San Lorenzo 15	545	191,130	502,196	693,326	354,262	339,064
GORLE Via Don Mazza 1/B	600	252,518	528,040	780,558	280,664	499,894
GRASSOBBIO Via Roma 5/7	444	95,449	340,804	436,253	147,078	289,175
GRESSONEY ST. JEAN Strada Eyematten	255	14,843	246,714	261,557	93,378	168,179
GROMO Piazza Marconi 2	202	1,709	163,605	165,314	45,667	119,647
GRONTARDO Piazza Roma 11	241	105	167,338	167,443	41,949	125,494
GROPELLO CAIROLI Via Libertà 108	585	383,202	390,497	773,699	296,896	476,803
GRUGLIASCO Viale Gramsci 108	99	4,354	177,417	181,771	37,391	144,380
GRUGLIASCO Viale Gramsci 78/80	1,170	727,469	1,453,765	2,181,234	946,993	1,234,241
IMPERIA Via Cascione 11 / Piazza Marconi 2	1,800	1,655,451	2,318,309	3,973,760	1,320,057	2,653,703
INCISA SCAPACCINO Via della Repubblica 3	393	29,229	209,654	238,883	107,782	131,101
INVERIGO Via Generale Cantore 52	268	6,921	262,306	269,227	94,314	174,913
IVREA Piazza Balla 7	4,510	4,895,811	3,209,109	8,104,920	2,411,455	5,693,465
IVREA Via Palestro 22	650	3,228	1,074,530	1,077,758	308,551	769,207
IVREA Vicolo Baratono 3	30	12,911	9,425	22,336	11,661	10,675
LA SPEZIA Viale Italia 162	1,364	1,625,665	2,428,770	4,054,435	2,044,109	2,010,326
LAIGUEGLIA Via Roma 102	567	203,459	839,815	1,043,274	261,518	781,756
LAINATE Via Meda 1/A	761	231,915	680,210	912,125	275,371	636,754
LANDRIANO Via Rocca 6	292	83,373	295,906	379,279	152,206	227,073
LANZO INTELVI Piazza Novi 8	180	9,435	142,907	152,342	53,671	98,671
LANZO TORINESE Via Roma 6/a	638	70,279	633,251	703,530	255,821	447,709
LECCE Piazza Mazzini / Via N.Sauro	2,200	1,670,627	3,754,941	5,425,568	2,455,577	2,969,991
LECCO Corso Martiri della Libertà	3,282	3,769,774	2,347,136	6,116,910	2,439,760	3,677,150
LEGNAGO Via Fiume 10	763	987,026	105,109	1,092,135	288,484	803,651
LEGNANO Branch 1 Via Venegoni 51	477	200,713	428,873	629,586	244,488	385,098
LEGNANO Branch 2 Via Monte Rosa / Via Battisti	586	229,907	399,635	629,542	223,562	405,980
LENNO Via Statale Regina 91	246	40,521	340,249	380,770	103,051	277,719
LEONFORTE Corso Umberto 201/b	260	152,565	92,058	244,623	139,741	104,882
LIVORNO FERRARIS Via L. Giordano 72	435	107,528	388,204	495,732	169,142	326,590
LOANO Branch 1 Via Aurelia 356	197	42,474	458,995	501,469	192,610	308,859
LOANO Branch Corso Europa 1	839	264,688	1,987,512	2,252,200	777,974	1,474,226
LOANO Piazza V. Veneto 4 / via Roma 52	237	159,192	497,510	656,702	294,373	362,329
LOCATE TRIULZI Via Giardino 2	678	529,098	527,305	1,056,403	394,106	662,297
LOCATE VARESINO Via C. Battisti 38	480	402,034	217,787	619,821	193,429	426,392
LODI Area Office Piazza Mercato 13 / via Strepconi 2	3,237	560,820	3,238,425	3,799,245	1,088,519	2,710,726
LOMAZZO Piazza Stazione 2	639	7,789	681,612	689,401	217,967	471,434
LOMELLO Via Roma 6/8	241	30	184,007	184,037	50,316	133,721
LUCCA Piazza San Martino 10	1,361	2,100,111	1,384,560	3,484,671	938,609	2,546,062
LURATE CACCIVIO Via Unione 2	794	246,878	612,413	859,291	227,448	631,843
MAGENTA Via Volta / Via Cavallari	759	785,436	166,522	951,958	253,811	698,147
MALEO Piazza XXV Aprile 6/8	205	1,969	147,919	149,888	35,629	114,259
MANDELLO DEL LARIO Piazza L. Manara 5	394	437,129	303,526	740,655	303,568	437,087
MANTUA Via Frattini 7	2,232	3,543,221	1,257,030	4,800,251	1,209,009	3,591,242
MANTUA Via Isabella d'Este 10	120	113,621	-	113,621	17,043	96,578
MAPELLO Via Bravi 3	556	106,360	417,782	524,142	168,303	355,839
MARANO Via Merolla 9/11	741	422,591	789,476	1,212,067	497,775	714,292
MARIANO COMENSE Piazza Roma 47	266	547,831	46,421	594,252	165,352	428,900
MEDE Via Cavour 18	763	1,179,553	553,750	1,733,303	543,789	1,189,514
MEDIGLIA Frazione Triginto / Piazza Pertini 6	733	604,255	165,473	769,728	234,041	535,687
MELEGNANO Piazza Garibaldi 1	1,545	1,863,587	1,103,223	2,966,810	1,098,691	1,868,119
MELZO Via Magenta 2/8	1,440	850,584	1,522,170	2,372,754	883,356	1,489,398
MENAGGIO Via IV Novembre 38/40	1,021	32,998	859,767	892,765	278,476	614,289
MENFI Via della Vittoria 254	310	252,002	225,507	477,509	252,943	224,566
MERATE Viale Lombardia 2	1,126	408,013	910,854	1,318,867	504,825	814,042
MESERO Via San Bernardo 8	291	42,395	247,061	289,456	98,212	191,244
MESTRE Corso del Popolo 58	190	30,548	67,578	98,126	26,494	71,632
MESTRE Via Cappuccina 11	502	96,616	574,778	671,394	181,276	490,118
MILAN Branch 1 Viale Monza 118	1,000	289,487	3,042,673	3,332,160	968,970	2,363,190
MILAN Branch 15 Via Domodossola 9/11	779	716,709	704,742	1,421,451	489,905	931,546
MILAN Branch 16 Via Carducci 4	1,084	2,161,450	2,430,881	4,592,331	1,693,982	2,898,349
MILAN Branch 19 Via Imbonati 35	960	1,316,077	113,191	1,429,268	355,973	1,073,295
MILAN Branch 2 Via Moroni 9	1,101	1,082,710	2,722,075	3,804,785	1,540,219	2,264,566
MILAN Branch 21 Via Ettore Ponti 30	574	515,420	401,363	916,783	296,496	620,287

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MILAN Branch 29 Viale Restelli 3	1,423	300,910	3,640,403	3,941,313	1,192,703	2,748,610
MILAN Branch 3 Corso Sempione 67	671	93,131	1,470,653	1,563,784	429,212	1,134,572
MILAN Branch 4 Viale Piceno 2 / Piazza Emilia	1,444	755,662	4,621,376	5,377,038	1,727,808	3,649,230
MILAN Branch 5 Via Imbonati 64/a	1,447	386,744	3,482,811	3,869,555	1,258,043	2,611,512
MILAN Area Office Via Broletto 9/11	4,980	947,608	33,666,637	34,614,245	10,122,399	24,491,846
MILAN Via Hoepli 10	2,145	376,865	9,445,439	9,822,304	3,379,237	6,443,067
MOMBERCELLI Piazza Alfieri 2	294	33,635	151,817	185,452	85,531	99,921
MONCALIERI Centro Contabile Corso Savona 58	48,048	28,691,582	38,104,035	66,795,617	24,570,744	42,224,873
MONCALIERI Via San Martino 34	1,591	639,669	2,497,584	3,137,253	1,342,333	1,794,920
MONCALVO Piazza Carlo Alberto 5	353	240,548	266,976	507,524	309,222	198,302
MONDOVI' Corso Statuto 22 / Via S.Arnoflo	895	524,725	935,693	1,460,418	738,000	722,418
MONTAFIA Piazza C. Riccio 9/2	235	45,670	146,794	192,464	78,396	114,068
MONTEGROSSO D'ASTI Via XX Settembre 67	296	139,883	140,682	280,565	122,336	158,229
MORTARA Corso Garibaldi 91	654	334,034	787,725	1,121,759	414,619	707,140
MORTARA Via Josti 26	1,158	587,532	1,587,180	2,174,712	741,984	1,432,728
MOTTA BALUFFI Via Matteotti 7	227	426	141,127	141,553	27,906	113,647
MOZZATE Via Varese 28	577	5,165	476,236	481,401	156,599	324,802
MOZZO Via Santa Lucia 1	1,103	1,853,099	398,302	2,251,401	600,712	1,650,689
MUGNANO Via Verdi ang. Via IV Martiri 10	550	320,684	558,430	879,114	390,921	488,193
NAPLES Piazza Garibaldi, 127	836	466,663	1,084,046	1,550,709	418,410	1,132,299
NAPLES Via Riviera di Chiaia 131	2,804	2,724,871	10,644,832	13,369,703	4,661,673	8,708,030
NERVIANO S.ILARIO MILANESE Via San Antonio 1	318	77,566	276,603	354,169	112,518	241,651
NIBIONNO Via Parini 2	346	5,165	296,249	301,414	96,876	204,538
NICHELINO Via Cagliari 23	310	97,546	-	97,546	14,632	82,914
NICHELINO Via Torino 3	907	190,228	928,966	1,119,194	651,819	467,375
NIZZA MONFERRATO Via Pio Corsi 77	1,037	218,665	1,005,277	1,223,942	498,045	725,897
NOLE CANAVESE Via Torino 46	362	60,721	357,329	418,050	171,125	246,925
NOVARA Branch Largo Cavour	1,870	382,572	3,654,719	4,037,291	1,534,951	2,502,340
NOVARA Via Marconi 2/T	452	121,000	84,950	205,950	52,311	153,639
NOVI LIGURE Corso Marengo 10 / p.za della Repubblica 4	1,770	1,252,339	2,238,159	3,490,498	1,381,377	2,109,121
NUS Via Risorgimento 1	376	87,629	321,921	409,550	190,068	219,482
OCCHIEPPO SUPRE Via Martiri della Libertà 30	137	199,807	-	199,807	53,595	146,212
OGGIONO Via Cavour 3	652	572,090	203,925	776,015	283,767	492,248
OLGIATE COMASCO Via Roma 2	981	18,901	1,327,787	1,346,688	434,435	912,253
OLMO AL BREMBO Via Roma 45	279	1,779	185,209	186,988	57,152	129,836
OMEGNA Via Don A. Beltrami 2	2,051	1,636,354	601,511	2,237,865	896,640	1,341,225
ORBASSANO Via Roma 43 / Via San Rocco 10	686	165,077	997,037	1,162,114	513,925	648,189
ORZINUOVI Piazza V.Emanuele 55 / Via Chierica 3/a	827	154,645	1,513,281	1,667,926	539,323	1,128,603
OSPEDALETTO LODIGIANO Via Balbi 53	346	1,291	251,529	252,820	63,796	189,024
OSSONA Via Patrioti 2 / Via Bosi	315	14,922	298,655	313,577	106,050	207,527
OSTIANO Via Garibaldi 27 / Via Vighenzi 6	240	36,204	196,955	233,159	86,082	147,077
OTTIGLIO Via Mazza 18	380	68,773	209,042	277,815	122,610	155,205
OTTOBIANO Viale Garibaldi 9	210	22,339	144,156	166,495	47,042	119,453
OVADA Via Cairoli 22	1,532	599,792	1,907,201	2,506,993	1,114,590	1,392,403
PADERNO DUGNANO Via Gramsci 124	873	407,381	755,433	1,162,814	381,991	780,823
PADERNO DUGNANO Viale della Repubblica 28	765	619,356	523,617	1,142,973	395,150	747,823
PALERMO Via Dante 48/48a	386	476,872	745,592	1,222,464	649,851	572,613
PARE' Via San Fermo 5	253	46,039	293,620	339,659	118,486	221,173
PARMA Via Verdi 6	345	39,810	734,876	774,686	209,165	565,521
PAULLO Via Mazzini 21/23	1,699	21,871	1,977,407	1,999,278	571,431	1,427,847
PAVIA Branch 2 Corso Garibaldi 52	526	74,908	832,128	907,036	288,741	618,295
PAVIA Area Office Via Rismondo 2	3,127	4,795,359	464,118	5,259,477	1,254,173	4,005,304
PEJA Via Provinciale 3/3a	1,041	191,636	729,744	921,380	348,335	573,045
PEROSA ARGENTINA Via Roma 31 / p.za Marconi 7	503	106,927	391,979	498,906	211,769	287,137
PERUGIA Via XX Settembre 72 / Via d.Corgna	2,582	2,223,222	2,191,699	4,414,921	2,142,270	2,272,651
PESCARA Corso V. Emanuele 68/76	1,502	2,724,295	1,821,495	4,545,790	1,354,147	3,191,643
PIADENA Via Libertà 40/36	1,046	498,165	497,377	995,542	347,604	647,938
PIAZZATORRE Via Centro 8	123	19,530	82,647	102,177	26,201	75,976
PINEROLO Piazza L. Barbieri 39/41	1,235	403,175	1,971,197	2,374,372	860,281	1,514,091
PINO TORINESE Via Roma 76	156	352,764	66,270	419,034	130,605	288,429
PIOLTELLO Via Milano 40 / Via Roma	476	494,835	269,373	764,208	297,763	466,445
PIOSSASCO Via Torino 49	476	69,183	449,634	518,817	181,832	336,985
PISA Corso Italia 131	1,012	170,759	-	170,759	5,123	165,636
PIZZIGHETTONE Via Monte Grappa	901	948,162	98,974	1,047,136	248,258	798,878
POGGIOMARINO Via Manzoni 2 ang. Via V.Emanuele	329	273,890	202,566	476,456	215,032	261,424
POGLIANO MILANESE Via Mons. Paleari 74	435	31,132	464,181	495,313	152,331	342,982

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

ADDRESS	Square meters	INVESTMENT	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
POIRINO Via Indipendenza 19	647	116,539	565,731	682,270	309,482	372,788
PONT CANAVESE Via Craveri 6	217	120,857	189,375	310,232	98,672	211,560
PONTE NOSSA Via IV Novembre 16/18	289	73,505	244,160	317,665	101,760	215,905
PONTE S. PIETRO Via Garibaldi 5	635	234,891	520,371	755,262	261,461	493,801
PONTEVICO Via XX Settembre 25	973	647,768	848,119	1,495,887	763,151	732,736
PONTIROLO NUOVO Piazza Marconi 9	277	82,709	276,436	359,145	128,230	230,915
ORDENONE Via G.Marconi 30	677	76,075	-	76,075	8,434	67,641
PORLEZZA Piazza Matteotti 12	273	57,009	336,320	393,329	120,500	272,829
PRATO Viale Vittorio Veneto 7	2,680	1,746,236	3,605,670	5,351,906	2,518,965	2,832,941
PREGNANA MILANESE Via Roma 80	336	97,536	324,530	422,066	150,805	271,261
PREZZO Via Papa Giovanni XXIII 4/5 / via Vittorio Veneto	246	235,906	184,639	420,545	247,962	172,583
RAPALLO Corso Matteotti 2/4/6 ang. Via Mameli	330	286,099	875,169	1,161,268	487,789	673,479
RAVENNA Via Arcivescovado 9	1,594	68,845	-	68,845	16,442	52,403
REGGIO CALABRIA Corso Garibaldi 173	625	111,888	921,026	1,032,914	278,887	754,027
RESCALDINA Via A. da Giussano 43	288	54,664	272,686	327,350	111,039	216,311
RESCALDINA Via B. Melzi 2	530	13,484	598,242	611,726	186,264	425,462
RIVA PRESSO CHIERRI Via San Giovanni 2	523	63,517	431,062	494,579	180,351	314,228
RIVALTA Circolo Ricreativo Via Giaveno 55	2,044	1,816,038	605,462	2,421,500	780,719	1,640,781
RIVAROLO Piazza Chioratti 1 / Via S.Francesco	1,336	400,309	1,562,673	1,962,982	679,059	1,283,923
RIVOLI Piazza Martiri della Libertà 8 / Via Rombò 37	2,547	1,292,014	4,343,532	5,635,546	2,285,412	3,350,134
ROBBIO Via Roma 22	427	1,291	457,384	458,675	117,379	341,296
ROME Branch 2 Tiburtina Via Tiburtina Km. 16,2 (Guidonia M.)	1,265	740,493	2,151,945	2,892,438	1,096,130	1,796,308
ROME Branch 22 Via Parigi 11	1,624	998,688	4,258,088	5,256,776	1,877,082	3,379,694
ROME Guidonia Montecelio / Via Giusti	396	41,591	308,192	349,783	114,477	235,306
ROME Area Office Via della Stamperia 64	3,288	1,712,370	15,869,346	17,581,716	6,025,388	11,556,328
ROME Via Conca d'Oro 90/94	130	3,699	151,238	154,937	41,833	113,104
ROME Via O.Amato 80 Acilia	2,336	3,505,447	-	3,505,447	692,928	2,812,519
ROME Viale dell'Arte 25	48,349	28,307,677	116,501,992	144,809,669	54,980,951	89,828,718
ROVELLASCA Via Piave 1	581	5,553	638,991	644,544	195,233	449,311
ROVELLO PORRO Via Piave 22	450	177,203	439,629	616,832	231,098	385,734
S. BASSANO Via Roma 57	184	6,604	150,121	156,725	45,618	111,107
S. COLOMBANO AL LAMBRO Via Pasino Sforza 28	357	228,416	217,792	446,208	181,350	264,858
S. CRISTINA E BISSONE Via V. Veneto 142/140	304	44,729	166,979	211,708	72,417	139,291
S. DAMIANO D'ASTI Via Roma 20	317	223,840	226,639	450,479	225,899	224,580
S. DONATO MILANESE C.so Europa / Via Morandi	574	444,327	381,851	826,178	321,779	504,399
S. FEDELE INTELVI Via Provinciale 15	239	381	240,391	240,772	67,004	173,768
S. FERMO DELLA BATTAGLIA Via Montelatici 2	359	325,445	122,128	447,573	162,509	285,064
S. GIACOMO DI ROBURENT Via Sant'Anna 61	75	67,765	46,160	113,925	59,891	54,034
S. GIORGIO LOMELLINA Via Roma 1	266	503,192	-	503,192	78,907	424,285
S. GIOVANNI BIANCO Via Boselli 10/16	226	57	172,878	172,935	44,765	128,170
S. GIOVANNI LUPATOTO Via Madonnina 1/c	821	724,589	923,830	1,648,419	857,093	791,326
S. MARIA DELLA VERSA Via F. Crispi 1	359	16,399	204,426	220,825	67,157	153,668
S. MAURIZIO CANAVESE Via V. Emanuele 59	493	58,168	453,455	511,623	182,650	328,973
S. ROCCO AL PORTO Via D. Alighieri 5	1,134	1,088,892	255,449	1,344,341	412,810	931,531
SABBIONETA Piazza Ducale 3 / via dell'Assunta 3	456	445,067	95,437	540,504	227,844	312,660
SAINT VINCENT Via E. Chanoux 88	728	93,216	939,679	1,032,895	370,197	662,698
SALE Via Roma 6	364	216,269	144,304	360,573	154,387	206,186
SALUZZO Corso Italia 44	892	383,523	1,147,494	1,531,017	651,582	879,435
SANNAZZARO DE' BURGONDI Piazza del Popolo 6	958	867,809	902,812	1,770,621	961,041	809,580
SANREMO Via Matteotti 169	2,098	1,135,583	4,063,530	5,199,113	2,314,863	2,884,250
SANREMO Via Mameli 1	10	13,477	-	13,477	404	13,073
SANT'ANGELO LODIGIANO Via Umberto I 46	615	144,590	671,791	816,381	267,019	549,362
SANTHIA' Corso Italia 75/87	697	136,310	532,664	668,974	263,115	405,859
SARONNO Piazza De Gasperi	80	49,580	-	49,580	7,437	42,143
SARONNO Piazza Volontari del Sanguè 7	1,678	126,726	2,768,905	2,895,631	853,980	2,041,651
SARONNO Via Grieg 5 (archivio)	4,040	1,333,544	666,459	2,000,003	544,297	1,455,706
SARRE Strada Statale n.26	590	357,622	442,225	799,847	433,948	365,899
SAUZE D'OULX Piazza III Regg. Alpini 24	247	66,745	289,875	356,620	168,938	187,682
SAVIGLIANO Piazza del Popolo 60	1,152	438,462	1,084,120	1,522,582	582,346	940,236
SAVONA Via Paleocopa / Piazza Mameli 2	2,322	1,788,068	4,380,844	6,168,912	2,599,506	3,569,406
SECUGNAGO Via Roma 5	288	13,068	146,399	159,467	43,860	115,607
SENAGO Piazza F. Borromeo 2	539	323,285	322,864	646,149	210,713	435,436
SEREGNO Corso Matteotti / Via Sanzio	1,200	1,730,360	534,129	2,264,489	703,853	1,560,636
SESTO S. GIOVANNI Via F.lli Casiraghi 27	2,398	1,297,983	1,006,930	2,304,913	638,689	1,666,224
SESTRI LEVANTE Via Fasce 24	928	230,115	1,431,576	1,661,691	633,622	1,028,069
SESTRIERE Piazzale Agnelli 2	170	105,265	476,992	582,257	263,805	318,452

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SETTIMO TORINESE Corso Italia 16	1,948	1,086,842	2,470,343	3,557,185	1,212,396	2,344,789
SETTIMO TORINESE Via Torino 118 (Citta' Comm.le)	155	29,771	104,690	134,461	31,363	103,098
SOLTO COLLINA Via S. Eurasia 1	267	59,355	168,534	227,889	86,560	141,329
SOMMARIVA BOSCO Via Cavour 13	428	39,443	376,596	416,039	151,552	264,487
SORESINA Via Matteotti 2	1,265	872	888,825	889,697	194,857	694,840
SOVERE Via Roma 26	357	126,140	308,065	434,205	151,985	282,220
SPINO D'ADDA Via M. della Liberazione 29	490	305,685	299,264	604,949	238,643	366,306
STRIANO Via Risorgimento ang. Via Roma 23	634	560,183	392,690	952,873	368,893	583,980
SUSA Via Mazzini ang. Corso Inghilterra 10	1,027	356,115	843,210	1,199,325	476,503	722,822
TAVERNERIO Via Provinciale per Lecco 16/d	266	96,090	365,186	461,276	143,155	318,121
TERMOLI Corso Nazionale 150/152	1,243	2,208,977	104,209	2,313,186	770,867	1,542,319
TERNO D'ISOLA Via Castegnate 1	821	635,242	246,685	881,927	302,134	579,793
TERZIGNO Piazza V. Emanuele 17	808	414,761	627,797	1,042,558	501,805	540,753
TICINETO Via G. Matteotti 1	376	36,933	243,102	280,035	108,986	171,049
TURIN ex Branch 25 Via P. Gaidano 8	624	196,922	579,622	776,544	195,164	581,380
TURIN Branch 1 Corso Re Umberto 51/53	1,121	244,638	2,857,198	3,101,836	1,041,189	2,060,647
TURIN Branch 10 Corso Casale 64/64bis	1,477	420,062	2,857,055	3,277,117	1,079,118	2,197,999
TURIN Branch 11 Via Tunisi 124	993	1,387,992	502,737	1,890,729	588,707	1,302,022
TURIN Branch 12 Via Stradella 34	2,378	1,210,880	3,749,339	4,960,219	2,206,835	2,753,384
TURIN Branch 13 Corso San Maurizio 47	1,330	432,449	2,547,815	2,980,264	957,663	2,022,601
TURIN Branch 14 Corso Svizzera 32	1,727	554,362	2,644,676	3,199,038	1,243,199	1,955,839
TURIN Branch 15 Via XX Settembre 3	948	223,906	2,685,563	2,909,469	970,853	1,938,616
TURIN Branch 16 Corso Orbassano 138	2,165	1,002,635	3,735,803	4,738,438	1,778,962	2,959,476
TURIN Branch 17 Piazza Massaua 5	3,057	1,347,816	2,775,654	4,123,470	1,713,615	2,409,855
TURIN Branch 18 Corso Bramante 84	1,206	952,293	649,488	1,601,781	1,076,349	525,432
TURIN Branch 19 Via O.Vigiliani 160/51 / Via Pdi Cesnola	3,095	3,000,480	658,854	3,659,334	1,182,788	2,476,546
TURIN Branch 2 Via Sant'Anselmo 18	1,197	156,173	2,251,357	2,407,530	784,137	1,623,393
TURIN Branch 20 Via Cimarosa 85	3,291	2,204,011	2,692,074	4,896,085	1,401,868	3,494,217
TURIN Branch 21 Via A. di Bernezzo 50	1,019	414,243	1,558,580	1,972,823	741,606	1,231,217
TURIN Branch 22 Corso V. Emanuele 110	1,256	703,191	2,558,483	3,261,674	1,258,852	2,002,822
TURIN Branch 23 Corso Unione Sovietica 409	2,824	1,121,729	4,017,174	5,138,903	2,218,821	2,920,082
TURIN Branch 24 Corso Turati 18	1,182	202,848	2,462,675	2,665,523	872,861	1,792,662
TURIN Branch 25 Via P. Gaidano 7	2,016	1,526,642	1,805,008	3,331,650	1,711,560	1,620,090
TURIN Branch 26 Via Monginevro 228	1,296	557,419	1,452,888	2,010,307	838,076	1,172,231
TURIN Branch 27 Piazza Rebaudengo 7/9	1,796	494,306	1,443,349	1,937,655	890,069	1,047,586
TURIN Branch 3 Via Matteucci 2	1,185	552,984	1,802,194	2,355,178	843,330	1,511,848
TURIN Branch 4 Corso Peschiera 151	1,997	946,415	2,970,251	3,916,666	1,562,095	2,354,571
TURIN Branch 5 Piazza della Repubblica 7	1,931	321,752	2,901,710	3,223,462	1,020,302	2,203,160
TURIN Branch 55 S.V. Via Gottardo 273	526	36,448	642,524	678,972	257,034	421,938
TURIN Branch 6 Piazza Nizza 75	1,220	805,691	2,275,051	3,080,742	1,125,648	1,955,094
TURIN Branch 7 Piazza Crispi 61 / Corso Vercelli	1,369	645,553	1,868,161	2,513,714	1,071,331	1,442,383
TURIN Branch 8 Corso A. De Gasperi 14	1,512	897,571	2,382,760	3,280,331	1,301,987	1,978,344
TURIN Branch 9 S.Vari Via Caluso 1	649	23,914	779,596	803,510	267,468	536,042
TURIN Branch 9 Via Banchette ang. Corso Grosseto	1,890	1,810,862	2,111,187	3,922,049	2,093,546	1,828,503
TURIN Area Office Piazza San Carlo 156/182	43,324	11,067,584	98,850,845	109,918,429	41,334,132	68,584,297
TURIN Area Office Via Monte di Pietà 26	2,224	465,763	5,012,308	5,478,071	1,332,847	4,145,224
TURIN Area Office Via Monte di Pietà' 32	24,277	12,167,370	47,514,417	59,681,787	19,788,263	39,893,524
TURIN Area Office Via Santa Teresa 3	1,430	359,051	4,440,621	4,799,672	1,487,220	3,312,452
TURIN Sp.S.V. 'A' Corso Peschiera 162	690	83,354	964,939	1,048,293	385,714	662,579
TURIN Sp.S.V. 'E' Corso Orbassano 134	729	91,696	1,367,179	1,458,875	459,888	998,987
TURIN Strada San Vito (Villa Abegg)	2,856	2,535,582	3,521,671	6,057,253	1,578,509	4,478,744
TURIN Via G. Bruno 200/202	85	6,405	62,949	69,354	16,288	53,066
TURIN Via San Francesco d'Assisi 15	397	11,883	791,767	803,650	302,711	500,939
TURIN Via Valeggio 36	1,149	755,120	4,214,753	4,969,873	2,012,959	2,956,914
TORRE BOLDONE Via D.L.Palazzolo 11	374	37,050	477,358	514,408	172,708	341,700
TORTONA Piazza Duomo 9	1,598	349,270	2,434,367	2,783,637	1,143,349	1,640,288
TORTONA Piazza Mazzini 2 (autorimessa)	56	22,477	20,139	42,616	20,676	21,940
TRADATE Corso Bernacchi 85	816	307,575	864,162	1,171,737	463,852	707,885
TRADATE Corso Bernacchi 85 / via don Zini 2	13	3,595	6,735	10,330	310	10,020
TRECCATE Via Gramsci 1	815	234,401	742,138	976,539	407,102	569,437
TRENTO Via Segantini Ang. Via Acconcio	930	2,266,987	610,271	2,877,258	896,081	1,981,177
TRESCORE CREMASCO Via Carioni 2	446	241,631	273,090	514,721	194,297	320,424
TREVIGLIO Piazza Camerioni 2	1,900	1,479,931	2,406,814	3,886,745	1,620,090	2,266,655
TREZZO SULL'ADDA Via Garibaldi / Via dei Mille 1	1,645	782,113	1,266,851	2,048,964	675,491	1,373,473
TRIESTE Piazza Oberdan 3	670	68,172	1,068,033	1,136,205	306,775	829,430
TRIESTE Via Coroneo 8	90	45,205	27,099	72,304	19,522	52,782

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TRINO VERCELLESE Corso Cavour 61	840	324,985	577,220	902,205	461,700	440,505
TROFARELLO Via Torino 64	856	116,335	947,001	1,063,336	401,809	661,527
TURATE Via Marconi 7 / Via Candiani	547	454,637	349,792	804,429	290,596	513,833
UBOLDO Via Roma 27	351	30,307	462,856	493,163	163,147	330,016
VADO LIGURE Piazza Cavour 10	754	1,303,021	39,091	1,342,112	395,643	946,469
VAILATE Via S. Giani 15	190	85,042	302,118	387,160	105,484	281,676
VALBONDIONE Via S. Lorenzo 24	148	21,969	91,261	113,230	37,201	76,029
VALENZA Corso Garibaldi 111/113	1,724	2,183,886	2,529,203	4,713,089	1,796,291	2,916,798
VALFENERA Via A. d'Aosta 10	355	45,597	255,210	300,807	124,981	175,826
VALGUARNERA CAROPEPE Via Garibaldi 95	120	43,121	168,090	211,211	103,423	107,788
VALLE LOMELLINA Via Casserotto 1 / Via Roma 29	451	216,082	442,617	658,699	359,122	299,577
VALLEMOSO Piazza Dante Alighieri 8	650	209,476	376,135	585,611	219,954	365,657
VANZAGHELLO Piazza S. Ambrogio 2	701	325,578	434,984	760,562	254,153	506,409
VARALLO SESIA Piazza Vittorio Emanuele	510	134,176	370,658	504,834	172,378	332,456
VARAZZE Piazza Patrono / Via Nazioni Unite	843	245,869	1,819,382	2,065,251	806,462	1,258,789
VARESE Branch 1 Via Marcobi 8	820	52,397	1,280,068	1,332,465	499,404	833,061
VARESE Area Office Via Milano 16	2,366	122,808	3,507,021	3,629,829	1,354,952	2,274,877
VENARIA REALE Viale Buridani 6	1,760	168,018	-	168,018	15,122	152,896
VENICE Rio Terra' S. Leonardo 1353	303	31,853	1,517,518	1,549,371	418,330	1,131,041
VENTIMIGLIA Corso Limone 9 (Sp.COMCENTRO)	130	181,536	111,487	293,023	171,038	121,985
VENTIMIGLIA Via Cavour 30A-B/108	1,444	663,377	3,683,809	4,347,186	1,719,294	2,627,892
VERCELLI Viale Garibaldi 12	4,449	1,664,902	4,261,769	5,926,671	2,414,292	3,512,379
VERCELLI Via Mercadante 3 ang. Via Paggi (ex Fil.1)	280	9,379	150,478	159,857	46,068	113,789
VERDELLO Via Cavour 19	771	18,299	744,864	763,163	169,685	593,478
VERONA Piazza Madonna di Campagna 18	1,269	1,875,538	455,381	2,330,919	545,620	1,785,299
VIADANA Piazza Manzoni 32	780	560,392	712,327	1,272,719	491,410	781,309
VIAREGGIO Via San Francesco	910	88,774	-	88,774	2,663	86,111
VIGEVANO Via Decembrio 35 / Via Carducci 1	1,473	259,412	3,051,040	3,310,452	1,163,231	2,147,221
VIGNALE MONFERRATO Piazza del Popolo 5	170	4,533	78,568	83,101	20,887	62,214
VILLA CARCINA Via Glisenti 78	726	745,518	407,520	1,153,038	482,025	671,013
VILLA CORTESE Via Tosi 22 / Via Speroni	436	349,479	257,509	606,988	246,550	360,438
VILLAFRANCA D'ASTI Via Roma 34	398	39,873	319,845	359,718	153,542	206,176
VILLANTERIO Via IV Novembre 12/a	379	30,080	360,890	390,970	107,532	283,438
VILLAR PEROSA Via Nazionale 31/9	440	15,568	460,574	476,142	148,799	327,343
VILLAROSA SICILIA Piazza V. Emanuele 3	245	299,173	-	299,173	23,843	275,330
VILLASANTA Via Confalonieri / Via Camperio	250	473,598	23,171	496,769	117,811	378,958
VILLASTANZA DI PARABIAGO P.za Indipendenza 6	178	12,646	186,037	198,683	56,146	142,537
VIMERCATE Via Risorgimento 32/a	754	826,376	362,775	1,189,151	422,181	766,970
VOGHERA Piazza Duomo 10	2,264	2,167,298	3,855,320	6,022,618	2,873,618	3,149,000
ZANICA Via Roma 9/9a	599	83,083	531,649	614,732	207,322	407,410
TOTAL PROPERTIES - ITALY	640,214	354,077,495	892,263,689	1,246,341,184	451,664,941	794,676,243
PARIS Avenue de Suffren	150	21,304	314,393	335,697	-	335,697
NEW YORK Town of Mamaroneck	613	487,314	413,411	900,725	328,934	571,791
GRAND TOTAL	640,977	354,586,113	892,991,493	1,247,577,606	451,993,875	795,583,731

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

PRO FORMA STATEMENT OF INCOME FOR 2000

	Full 2000 pro forma (1) (€/mil)
NET INTEREST INCOME	1,622
Net commission and other dealing revenues	1,548
Profits/(losses) on financial transactions and dividends	86
Dividends on equity investments	737
NET INTEREST AND OTHER BANKING INCOME	3,993
Administrative costs	-1,982
<i>of which:</i>	
– personnel costs	-1,277
– other administrative costs	-567
– indirect duties and taxes	-138
Other operating income	167
Adjustments to fixed assets	-153
OPERATING INCOME	2,025
Amortization of merger differences	-27
Provisions for risks and charges	-201
Adjustments to loans and provisions for guarantees and commitments	-140
Adjustments to financial fixed assets	-229
INCOME BEFORE EXTRAORDINARY ITEMS	1,428
Net extraordinary income	348
INCOME BEFORE TAXES	1,776
Income taxes	-655
PRO FORMA NET INCOME	1,121
Adjustment to net income	77
NET INCOME	1,198

(1) Adjusted figures to take into account operations attributable to the business transferred to Banca OPI on 7/1/2000 together with the financial effects of hypothetically anticipating the acquisition of Banco di Napoli to 1/1/2000 (see Introduction to the explanatory notes)

Other motions

Amendment to art. 19 of the Articles of Association (Board of Statutory Auditors)

REPORT ON POINT 1 OF THE AGENDA

(extraordinary part)

Shareholders,

Ministry of Justice Decree no. 162 of March 30, 2000, which took effect on July 4, 2000 by virtue of the mandate provided by art. 148.4 of D.Lgs. 58 of February 24, 1998 (the Consolidated Finance Act), introduced regulations for the setting of professional qualifications and character requisites for the statutory auditors of quoted companies. With regard to the professional qualifications of statutory auditors of quoted banks, these regulations are to be observed on an exclusive basis as specified by the Bank of Italy. With regard to character, they are to be observed jointly with Treasury Decree 161 of March 18, 1998, which lists the professional qualifications and character requisites required of personnel representing banks.

In light of the new regulations, the Board of Directors has verified that all members of the Board of Statutory Auditors possess the required qualifications and requisites, so as to confirm their continuance in office.

To meet the obligations imposed by the new discipline, the Board of Directors has also formulated some amendments to art. 19 of the Articles of Association, which governs the election of statutory auditors.

The professional qualifications required of statutory auditors who are not registered public auditors have been specified in paragraph 4. Specifically, as required by the regulations, points 2) and 3) indicate the subjects and fields in which the auditors must be experienced.

Concerning the election procedures, paragraph 6 now requires the presence of registered public auditors on each election slate. This ensures that the board is properly composed and that the necessary qualifications are distributed in a balanced manner between the auditors selected by the majority and those selected by minority shareholders. In keeping with this change, we have amended paragraph 15 concerning the replacement of statutory auditors.

Paragraph 13, for the sake of coordination with paragraph 16, now states that the resolution appointing statutory auditors not elected with the slate procedure is passed with a relative majority.

The following is the existing text of art. 19 alongside the proposed wording:

Art. 19 (current text)

The shareholders' meeting appoints the Board of Statutory Auditors, made up of 5 acting auditors and 2 alternate auditors.

The Statutory Auditors' term of office lasts for 3 years – unless otherwise decided by law – and they can be re-elected.

Art. 19 (proposed text)

The shareholders' meeting appoints the Board of Statutory Auditors, made up of 5 acting auditors and 2 alternate auditors.

The Statutory Auditors' term of office lasts for 3 years – unless otherwise decided by law – and they can be re-elected.

At least two of the acting auditors and at least one of the alternate auditors must be registered public auditors who have served in that capacity for no less than three years.

The entire Board of Statutory Auditors is appointed on the basis of slates presented by the shareholders, with candidates listed by means of a progressive number.

Slates have to be deposited at the head office and published in at least two national Italian newspapers, one of which has to be a financial paper, at least 10 days prior to the date set for the shareholders' meeting at first calling. Each shareholder can only present or help present one slate and each candidate can only feature on one slate, otherwise they will be excluded from the ballot.

Shareholders have the right to present a slate only if on their own or together with other shareholders they represent at least 1% of the shares with a right to vote at ordinary shareholders' meetings. To prove that they own the number of shares needed to present a slate, shareholders have to present at head office, at the same time as the slate, the certificates demonstrating their participation in the system of centralised management of financial instruments.

At the same time as each slate, and by the same deposit deadline, each candidate has to file their own curriculum vitae, signed by them, and a declaration by which they accept their own personal candidature and attest, under their own responsibility, the fact that there are no reasons why they should not be elected, that there is no incompatibility, and that they have all of the legal requisites to act as a Statutory Auditor.

Each shareholder with a right to vote can only vote for one slate.

The procedure for electing the members of the Board of Statutory Auditors is as follows:

The board members who are not registered public auditors must have at least three years' experience in:

- 1) the administration, supervision or management of joint-stock companies that have share capital of at least two million euros, or
- 2) professional activity or tenured university instruction in law, economics, finance, banking, insurance, or other subjects related to the banking business, or
- 3) the management of public entities or public administrations working in the sectors of banking, finance or insurance.

The entire Board of Statutory Auditors is appointed on the basis of slates presented by the shareholders, with candidates listed by means of a progressive number. For the purpose of applying paragraphs 3 and 12 of this article, if the slate is made up of four or more candidates, the fourth candidate and at least one of the first three must have the qualifications described in paragraph 3; if the slate is made up of less than four candidates, at least the first one on the slate must have those qualifications.

Slates have to be deposited at the head office and published in at least two national Italian newspapers, one of which has to be a financial paper, at least 10 days prior to the date set for the shareholders' meeting at first calling.

Each shareholder can only present or help present one slate and each candidate can only feature on one slate, otherwise they will be excluded from the ballot.

Shareholders have the right to present a slate only if on their own or together with other shareholders they represent at least 1% of the shares with a right to vote at ordinary shareholders' meetings. To prove that they own the number of shares needed to present a slate, shareholders have to present at head office, at the same time as the slate, the certificates demonstrating their participation in the system of centralised management of financial instruments.

At the same time as each slate, and by the same deposit deadline, each candidate has to file their own curriculum vitae, signed by them, and a declaration by which they accept their own personal candidature and attest, under their own responsibility, the fact that there are no reasons why they should not be elected, that there is no incompatibility, and that they have all of the legal requisites to act as a Statutory Auditor.

Each shareholder with a right to vote can only vote for one slate.

The procedure for electing the members of the Board of Statutory Auditors is as follows:

a) three acting auditors and one alternate auditor are taken, in the progressive order in which they are listed, from the slate that obtained the majority of the votes expressed by the shareholders;

b) the other two acting auditors and one alternate auditor are taken from the other lists; to this end, the votes obtained by the same lists are divided by one, two and three. The quotients thus obtained are progressively assigned to the candidates on each of the said slates, in the order that each of them has foreseen. The quotients allocated in this way to the candidates on the various slates are then ranked all together in descending order: those that obtain the two highest totals are elected as acting auditors and the third highest is elected as alternate auditor.

If various candidates get the same total, the one on a slate that has not yet elected an auditor is appointed; if none of the slates in question have elected an auditor, a new ballot is held by the whole meeting and the candidate that obtains a straight majority of the votes gets elected.

For the appointment of statutory auditors who for whatever reason are not elected by the procedure explained above, the meeting votes according to the majorities laid down by law.

The person listed first on the slate that wins the most votes is appointed President of the Board of Statutory Auditors. If the President has to be replaced, the next person listed on the same slate becomes President for the remaining period of the statutory auditors' period of office.

If a statutory auditor has to be replaced, and he came from the slate that obtained the most votes, his replacement will come from the same slate; if it is an auditor from one of the other slates that has to be replaced, his replacement will be the one elected by the procedure in point b) of this article.

The appointment of statutory auditors to integrate the Board pursuant to art. 2401 of the Civil Code is voted by the shareholders' meeting with a relative majority.

The statutory auditors are due the emoluments decided by the shareholders' meeting, and in addition to these emoluments, the meeting can also decide on a fixed amount to be paid to each auditor for attending meetings; statutory auditors also have a right to reimbursement of any expenses incurred in performing their duties as well as an expense allowance decided by the shareholders.

a) three acting auditors and one alternate auditor are taken, in the progressive order in which they are listed, from the slate that obtained the majority of the votes expressed by the shareholders;

b) the other two acting auditors and one alternate auditor are taken from the other lists; to this end, the votes obtained by the same lists are divided by one, two and three. The quotients thus obtained are progressively assigned to the candidates on each of the said slates, in the order that each of them has foreseen. The quotients allocated in this way to the candidates on the various slates are then ranked all together in descending order: those that obtain the two highest totals are elected as acting auditors and the third highest is elected as alternate auditor.

If various candidates get the same total, the one on a slate that has not yet elected an auditor is appointed; if none of the slates in question have elected an auditor, a new ballot is held by the whole meeting and the candidate that obtains a straight majority of the votes gets elected.

For the appointment of statutory auditors who for whatever reason are not elected by the procedure explained above, the meeting votes according to the **relative majority**.

The person listed first on the slate that wins the most votes is appointed President of the Board of Statutory Auditors. If the President has to be replaced, the next person listed on the same slate becomes President for the remaining period of the statutory auditors' period of office.

If a statutory auditor has to be replaced, and he came from the slate that obtained the most votes, his replacement will come from the same slate; if it is an auditor from one of the other slates that has to be replaced, his replacement will be the one elected by the procedure in point b) of this article. **Should it be necessary in order to maintain the minimum number of acting auditors with the qualifications described in paragraph 3 of this article, his replacement will in any case be the one possessing those qualifications.**

The appointment of statutory auditors to integrate the Board pursuant to art. 2401 of the Civil Code is voted by the shareholders' meeting with a relative majority.

The statutory auditors are due the emoluments decided by the shareholders' meeting, and in addition to these emoluments, the meeting can also decide on a fixed amount to be paid to each auditor for attending meetings; statutory auditors also have a right to reimbursement of any expenses incurred in performing their duties as well as an expense allowance decided by the shareholders.

The members of the Board of Statutory Auditors cannot hold office as an acting auditor in more than 5 other quoted companies, excluding subsidiaries of SANPAOLO IMI SpA.

The members of the Board of Statutory Auditors cannot hold office as an acting auditor in more than 5 other quoted companies, excluding subsidiaries of SANPAOLO IMI SpA.

Granting to the current legal representatives, separately, suitable powers to take action that may be needed to obtain the approvals required by current regulations for the resolution, making any adjustments as may be required by the Supervisory Authorities.

Shareholders,

If you agree with these proposals, you are asked to pass the related resolutions.

Turin, March 27, 2001

The Board of Directors

Amendment to art. 12 of the Articles of Association (Shareholders' Meetings)

REPORT ON POINT 2 OF THE AGENDA

(extraordinary part)

Shareholders,

In October 1999, a committee consisting of experts and representatives of companies, trade associations and institutional investors, along with Borsa Italiana, published the Code of Self-Discipline for Quoted Companies, containing a reference model for corporate governance that aims for the balanced control of business risks and of potential conflicts of interests.

Like many other leading companies, Sanpaolo IMI has expressed its full approval of the aims and intentions described in the code. As recommended by Borsa Italiana, it declared its acceptance of the code in its report to the 1999 financial statements

Art. 12.4 of the code asks the boards of directors of quoted companies to propose to their shareholders' meetings a set of regulations aimed at ensuring the orderly, functional proceedings of such meetings in their ordinary and extraordinary parts, and guaranteeing each shareholder the right to take the floor regarding items on the agenda.

In consideration of the above, we would like to adopt a set of regulations (the subject of a later item on the agenda) that will establish the bank's rules for shareholders' meetings and make them easier to run.

We suggest that the regulations be mentioned in art. 12 of the Articles of Association, whose current and proposed text is reported below:

Art. 12 (current text)

The shareholders' meeting is presided over by the chairman of the Board of Directors or by the person acting in his stead.

The meeting shall elect two or more scrutineers and one secretary, who may be nominated by the chairman, and who are not required to be shareholders.

It is not necessary to elect a secretary if the minutes of the meeting are drawn up by a notary public, who is designated by the chairman.

The chairman of the meeting is responsible for verifying attendance rights (including by proxy), for verifying whether the meeting has reached a quorum, for directing and regulating the proceedings, and for establishing voting procedures and announcing the results of votes.

If discussion of the items on the agenda is not completed in one day, the participants may agree to continue the meeting on the next day that is not a Sunday or a public holiday.

Art. 12 (proposed text)

The shareholders' meeting, **whose functioning is governed by regulations approved by resolution of the ordinary shareholders' meeting**, is presided over by the chairman of the Board of Directors or by the person acting in his stead.

The meeting shall elect two or more scrutineers and one secretary, who may be nominated by the chairman, and who are not required to be shareholders.

It is not necessary to elect a secretary if the minutes of the meeting are drawn up by a notary public, who is designated by the chairman.

The chairman of the meeting is responsible for verifying attendance rights (including by proxy), for verifying whether the meeting has reached a quorum, for directing and regulating the proceedings, and for establishing voting procedures and announcing the results of votes.

If discussion of the items on the agenda is not completed in one day, the participants may agree to continue the meeting on the next day that is not a Sunday or a public holiday.

Granting to the current legal representatives, separately, suitable powers to take action that may be needed to obtain the approvals required by current regulations for the resolution, making any adjustments as may be required by the Supervisory Authorities.

Shareholders,

If you agree with these proposals, you are asked to pass the related resolutions.

Turin, March 6, 2001

The Board of Directors

Authorization to buy and sell own shares

REPORT ON POINT 2 OF THE AGENDA

(ordinary part)

Shareholders,

As you well know, there are various reasons why a company might want to buy or sell its own shares. The most obvious reason is for the company to keep the stock price in line with what it imagines to be its fair value, in relation to contingent situation on the domestic or international market. This can also improve market liquidity, making trading in the shares easier and more regular. In addition to this, there may be other reasons for dealing in the company's own shares, such as special transactions or deals involving share exchanges, or other situations where a company might need to have its own shares available.

Without affecting the matters mentioned in art. 132.3 of D.Lgs. 58/1998, purchases of own shares are made on the market, according to the methods laid down in the regulations for the markets organized and managed by Borsa Italiana S.p.A., pursuant to art. 132.1 of D.Lgs. 58/1998; transactions generally are carried out in compliance with current CONSOB regulations for trading in listed securities.

Taking account of the above, we propose that you pass a resolution in accordance with arts. 2357 and 2357 *ter* of the Civil Code and art. 132 of D.Lgs. 58/1998, authorizing for a period of eighteen months from the date of the resolution the purchase of own shares of par value € 2.8 per share at a price including related purchase costs of not less than 30% below and not more than 10% above the reference price that the stock will have posted during the stock exchange session on the day prior to each purchase transaction, up to a maximum of 140 million shares. Purchases can take place on one or more occasions.

We also propose that you authorize the disposal of all or part of the own shares held, without any time limit, at a price not less than 10% below the reference price that the stock will have posted in the session on the day prior to each sale. On the other hand, suitable average prices in line with international best practice can be used for share transfers involved in the acquisition of significant shareholdings by the Bank, or in connection with the setting up of stable relationships of cooperation or special financial operations (such as mergers and acquisitions) which imply the availability of own shares to be assigned to others. Own shares can also be used as part of incentive plans for the employees of the Company or its subsidiaries as approved by the Board of Directors, for allocations free of charge, also in substitution of other forms of remuneration, or for sales against payment following the exercise of option rights and at a price equal to the "normal value" of the stock calculated according to current tax regulations.

We also propose that you set the amount of the specific reserve for the purchase of own shares – already set up at an amount of Lire 1,897,544,600,000 (€ 980 million) by resolution of the ordinary shareholders' meeting on April 28, 2000 – at € 1,000 million by transferring the difference (€ 20 million) from the merger surplus (€ 13,737,262) and from the extraordinary reserve (€ 6,262,738). The amount of own shares held in portfolio at any moment in time should not exceed this limit.

Lastly, we invite you to authorize the Board of Directors to delegate all or part of the power to initiate purchases and disposals of own shares.

Turin, March 27, 2001

The Board of Directors

Appointment of the members (subject to establishment of their number) and chairman of the Board of Directors; determination of their emoluments

REPORT ON POINT 3 OF THE AGENDA

(ordinary part)

Shareholders,

With approval of the financial statements for the year ended December 31, 2000, the Board of Directors elected by the ordinary shareholders' meeting of April 30, 1998 has come to the end of its term.

We would remind you in this connection that in accordance with arts. 14.1° and 14.2° of the Articles of Association, "The Company is run by a Board of Directors consisting of a number of members that varies between 7 and 20, as decided by the Shareholders' Meeting. The Shareholders' Meeting elects the chairman of the board from among its members. The directors serve a term of three years and may be re-elected."

We would also remind you that in accordance with art. 15.8° of the Articles of Association, "the members of the Board of Directors and of the Executive Committee are paid annual emoluments, consisting of a fixed portion and a variable portion".

The last paragraph of art. 15 states that the Shareholders' Meeting may resolve, in addition to the above emoluments, that each director be paid a set amount for every board meeting he attends.

Shareholders,

In light of the above you are asked to take the necessary decisions on these matters.

Turin, March 27, 2001

The Board of Directors

Approval of shareholders' meeting regulations

REPORT ON POINT 4 OF THE AGENDA

(ordinary part)

Shareholders,

Point 2 of the extraordinary part of today's agenda refers to the Bank's compliance with the Code of Self-Discipline for Quoted Companies. During discussion of that point, your attention was brought to the Code's recommendation that companies establish regulations for their shareholders' meetings, which should be approved by the shareholders and ensure orderly, functional proceedings.

The Board of Directors views this possibility with favour. Therefore, you are asked to approve the proposed amendment to art. 12 of the Articles of Association, which calls for the adoption of regulations to be followed at ordinary shareholders' meetings.

We hereby submit the proposed text, consisting of 12 articles reflecting the standard format that the Italian Banking Association (ABI) and Assonime devised jointly after deciding that such regulations were opportune.

The regulations hereby submitted have been harmonized with the Bank's Articles of Association, so as to coordinate the content of all standards of internal procedure.

Shareholders,

You are invited, if you agree, to adopt the consequent resolutions.

Turin, March 27, 2001

The Board of Directors

Regulations for Shareholders' Meetings

PART I - PRELIMINARY CONSIDERATIONS

Art. 1 - Scope of application

1. These regulations govern the company's ordinary and extraordinary shareholders' meetings.

PART II - ESTABLISHMENT

Art. 2 - Participation and attendance

1. Shareholders and other parties with voting rights can take part in the meeting.
2. Attendance at the meeting is allowed for the general manager(s), the deputy general manager(s) (or, alternatively, the members of general management), the company's managers and representatives responsible for auditing the financial statements, and the directors, statutory auditors and managers of companies belonging to the Group. Employees of the company or of other companies in the Group may also attend if the chairman of the meeting deems this useful in relation to the general proceedings or to the subjects up for discussion.
3. With the chairman's permission, industry experts, financial analysts and accredited reporters may sit in on the meeting.
4. The chairman, before describing the points on the agenda, shall inform the Shareholders' Meeting of the attendance/presence of the parties indicated in paragraphs 2 and 3 of this article.

Art. 3 - Verification of attendance rights and access to meeting rooms

1. Each party's right to attend the meeting is verified at the meeting location.
2. At the request of personnel engaged by the Company, upon entering the rooms where the meeting is being held those with the right to attend shall exhibit a form of personal identity, along with the certification specified in the notice of calling, if applicable. The personnel engaged by the Company shall then issue a document that the attendee should keep until the meeting is over.
3. It is forbidden to use cameras, video equipment, recording devices of any kind, or cellular telephones in the rooms where the meeting is being held, unless permission is obtained from the chairman of the meeting.
4. The proceedings may be audio- or videotaped for their transmission or projection in the meeting rooms or facility areas, and/or as background material for the preparation of replies.

Art. 4 - Establishment of the meeting and opening of proceedings

1. At the time specified in the notice of calling, the person indicated in the articles of association shall assume chairmanship of the meeting.
2. The meeting shall elect two or more scrutineers and one secretary, who may be nominated by the chairman, and who are not required to be shareholders. It is not necessary to elect a secretary if the minutes of the meeting are drawn up by a notary public, who is designated by the chairman.
3. The secretary and the notary public may be assisted by persons they deem trustworthy and may use recording equipment in order to draw up the minutes.
4. The chairman may be assisted by persons authorized to attend the meeting, whom he may also engage to describe the points of the agenda and to answer questions about specific topics.
5. The chairman may also be assisted by outside experts who have been invited to the meeting for that purpose.
6. The chairman shall announce the number of shareholders and other persons with voting rights present, specifying the

percentage of share capital represented by such parties. Having ascertained that the meeting has reached a quorum, the chairman shall then declare the proceedings open.

7. If the necessary quorum is not reached, discussion of the items on the agenda is put off until the subsequent calling.

PART III - DISCUSSION

Art. 5 - Agenda

1. The chairman and, at the chairman's invitation, those assisting him in accordance with art. 4 of these regulations shall describe the topics on the agenda and the proposals submitted for approval of the shareholders' meeting. In opening these topics and proposals to discussion, the chairman, provided the participants do not object, may follow an order different from that found in the notice of calling and may arrange for all or some of the topics on the agenda to be discussed at the same time.

Art. 6 - Addresses and replies

1. The chairman of the meeting regulates the discussion and gives the floor to the directors, statutory auditors and others who so request in accordance with this article.
2. The entitled parties may request the floor regarding the topic open for discussion, in order to make comments, ask questions and present motions. They may request the floor until the chairman declares discussion on that topic to be closed.
3. The chairman establishes the procedures for requesting the floor and the speaking order.
4. The chairman and, at his invitation, those who are assisting him in accordance with art. 4 of these regulations reply to the speakers when all addresses on a given topic are over, or at the end of every address.
5. Those who have requested the floor are entitled to make a brief rebuttal.
6. The chairman, taking account of the purpose and importance of the individual topics up for discussion, and of the number of people requesting the floor, may pre-establish the duration of the addresses and rebuttals. Before the speaker's allotted time has elapsed, the chairman shall ask him to conclude.
7. When all addresses, replies and rebuttals have been expressed, the chairman declares the discussion closed.

Art. 7 - Recess

1. During the meeting, the chairman may call for a brief recess as long as he explains why he feels it appropriate.

Art. 8 - Powers of the chairman

1. The chairman may provide the notary public or secretary with documents that have been read or exhibited during the meeting, for their attachment to the minutes, as long as they are deemed pertinent to the topics and subject matters discussed.
2. In order to ensure fair proceedings and the exercise of participants' rights, the chairman may remove a speaker from the floor xx if the speaker is addressing the meeting without being entitled to or continues to speak after the time he has been allotted by the chairman has elapsed.
3. The chairman may remove a speaker from the floor if his address is clearly irrelevant to the topic being discussed and if the chairman has given him due warning.
4. The chairman may remove any speaker from the floor whose words and/or conduct are improper or insulting, who makes threats, or who attempts to incite violence or unrest.
5. Should one or more speakers prevent others from joining the discussion or behave in such a way as to cause a clear impediment to the meeting's progress, the chairman shall call for order and observance of the regulations. If such efforts are in vain, the chairman may order the persons he has admonished to leave the meeting room for the duration of the discussion.

PART IV - VOTING

Art. 9 - Preliminary operations

1. Before calling for votes the chairman shall readmit to the meeting those he has expelled in accordance with art. 8.
2. The chairman may decide that votes on each topic shall be taken as the relevant discussion is closed, or after discussion of some or all of the topics.

Art. 10 - Voting

1. The chairman establishes the means of expressing, recognizing and computing votes and may set a deadline for participants to express their votes.
2. When the voting is over, the votes are counted, whereupon the chairman - with or without the assistance of the secretary or the notary - announces the results to the meeting.

PART V - ADJOURNMENT

Art. 11 - Closure of the proceedings

1. When the topics on the agenda have been thoroughly discussed and all voting has taken place, the chairman declares the meeting adjourned.

PART VI - FINAL CONSIDERATIONS

Art. 12

1. In addition to these regulations, the chairman may take any measure he feels appropriate for ensuring proper and fair proceedings and the exercise of participants' rights.

Information for investors

For further information:

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