UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended: December 31, 2000

OR

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

Commission file number: 1-14870

SANPAOLO IMI S.p.A.

(Formerly Istituto Bancario San Paolo di Torino - Istituto Mobiliare Italiano S.p.A.)
(Exact name of Registrant as specified in its charter)

Italy
(Jurisdiction of incorporation or organization)

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

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

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

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

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

None
(Title of Class)

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

None
(Title of Class)

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

Not applicable

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

Yes ☒ No ☐

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

Item 17 ☒ Item 18 ☐

Form 20-F

SANPAOLO IMI S.p.A.

TABLE OF CONTENTS

Page

PRESENTATION OF INFORMATION

SANPAOLO IMI S.p.A. ("Sanpaolo IMI", the "Bank", the "Parent Bank" or the "Company") publishes consolidated financial statements which are included elsewhere in this annual report (the "Consolidated Financial Statements") for the Bank and its consolidated subsidiaries constituting the Sanpaolo IMI Group (the "Sanpaolo IMI Group" or the "Group") in euro, the lawful currency of Italy and 11 other member states of the European Union ("EU").

In this annual report, references to "U.S. dollars", "dollars" or "$" are to United States dollars; references to "euro", "Euro" or "€" are to euro; and references to "lire" or "Lit." are to Italian lire, the Italian non-decimal denomination of the euro. On January 1, 1999, the Italian lira became a member currency of the euro at a fixed conversion rate of €1 = Lit. 1,936.27. For purposes of this annual report, "billion" means a thousand million. The noon buying rate in the City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the "Noon Buying Rate") for the euro in effect on June 15, 2001 was €1=$0.8628.

This annual report contains translations of certain euro amounts into U.S. dollars at specified rates. Unless otherwise specified, the translations of euro into U.S. dollars have been made at the Noon Buying Rate for the euro in effect on December 29, 2000, which was €1= $0.9388. That rate may differ from the actual rates during the year used in the preparation of Sanpaolo IMI's Consolidated Financial Statements, and dollar amounts in this annual report may differ from the actual dollar amounts that were translated into euro in the preparation of the Consolidated Financial Statements.

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

FORWARD-LOOKING STATEMENTS

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

- "Item 3. Key Information –B. Selected Statistical Information";
- "Item 4. Information on the Company –B. Business Overview";
- "Item 5.Operating and Financial Review and Prospects";
- "Item 8. Financial Information –A. Consolidated Statements and Other Financial Information –2. Legal Proceedings", including statements regarding the likely effect of matters discussed therein; and
- "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

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

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

RISK FACTORS

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

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

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

As a result of its acquisition of Banco di Napoli S.p.A. ("Banco di Napoli"), Sanpaolo IMI is exposed to the risk of not successfully integrating Banco di Napoli's employees, products, services and systems with those of the rest of the Group. If Sanpaolo IMI is not successful in this integration effort, it may not be able to realize the anticipated synergies and other benefits from the acquisition.

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

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

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

Sanpaolo IMI was formed from the merger in 1998 of Istituto Bancario San Paolo di Torino S.p.A. ("San Paolo") and Istituto Mobiliare Italiano S.p.A. ("IMI"). The consolidated statements of income for the years ended, respectively, December 31, 1997 and December 31, 1996, and the consolidated balance sheet data at, respectively, December 31, 1997 and December 31, 1996, were extracted or derived from the consolidated financial statements of San Paolo only. The consolidated statements of income for the years ended respectively, December 31, 1997 and December 31, 1996 have been reclassified to reflect management's analysis of the results of operations of the Sanpaolo IMI Group and to allow greater consistency in comparing the results for these two years with those for the year ended December 31, 1998.

The Sanpaolo consolidated financial statements for the two years ended December 31, 1997, and the Sanpaolo IMI Consolidated Financial Statements for the three years ended December 31, 2000, have been audited by Arthur Andersen S.p.A. ("Arthur Andersen"), independent auditors.

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

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

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*These items do not apply to this 2000 Annual Report of Form 20-F.

ended December 31, 1999 since they do not change, for example, the figures for income before extraordinary items, income before taxes and minority interest, or net income.

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

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

1. Reclassified Consolidated Statement of Income

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

	Year ended December 31,								
	2000	2000	1999	1999	1998	1998	1997	1997	1996
		Restated (Unaudited)		Restated (Unaudited)		Pro forma (Unaudited)		Pro forma (Unaudited)	
	(in millions of €)								
Reclassified consolidated statement of income									
Interest income and similar revenues(1)	7,695	6,752	5,981	5,956	9,981	8,642	8,886	11,802	10,638
Interest expense and similar charges(2)	(5,123)	(4,584)	(3,934)	(3,934)	(7,330)	(6,219)	(6,753)	(9,116)	(8,246)
Net interest income	2,572	2,168	2,047	2,022	2,651	2,423	2,133	2,686	2,392
Net commission & other dealing revenues(3)	2,641	2,469	2,066	2,066	1,738	1,744	919	1,211	637
Profits/(losses) on financial transactions & investment income (4)	263	255	251	276	324	316	226	282	527
Profits/(losses) of companies carried at equity and dividends on equity investments(5)	146	159	205	205	108	173	22	84	23
Net interest & other income	5,622	5,051	4,569	4,569	4,821	4,656	3,300	4,263	3,579
Payroll(6)	(1,929)	(1,620)	(1,534)	(1,534)	(1,543)	(1,526)	(1,478)	(1,629)	(1,542)
Other administrative costs(7)	(958)	(859)	(763)	(763)	(780)	(769)	(512)	(781)	(526)
Indirect taxes & similar dues(8)	(189)	(173)	(169)	(169)	(172)	(171)	(238)	(199)	(238)
Administrative costs	(3,076)	(2,652)	(2,466)	(2,466)	(2,495)	(2,466)	(2,228)	(2,609)	(2,306)
Other operating income, net (9)	213	187	175	175	185	184	191	225	162
Adjustments to intangible and tangible fixed assets(10)	(299)	(237)	(293)	(209)	(307)	(302)	(281)	(327)	(302)
Operating income	2,460	2,349	1,985	2,069	2,204	2,072	982	1,552	1,133
Adjustments to goodwill merger and consolidation differences(11)	(90)	(89)		(84)					
Provisions for risks and charges(12)	(323)	(249)	(81)	(81)	(125)	(100)	(52)	(71)	(34)
Adjustments to loans and provisions for guarantees and commitments, net(13)	(238)	(185)	(313)	(313)	(531)	(531)	(697)	(759)	(504)
Adjustments to financial fixed assets, net(14)	(20)	(20)	(87)	(87)	(67)	(67)	(131)	(136)	(85)
Income before extraordinary items	1,789	1,806	1,504	1,504	1,481	1,374	102	586	510
Net extraordinary income(15)	396	369	294	294	159	120	139	167	(9)
Income before taxes and minority interests	2,185	2,175	1,798	1,798	1,640	1,494	241	753	501

	Year ended December 31,								
	2000	**2000**	**1999**	**1999**	**1998**	**1998**	**1997**	**1997**	**1996**
		Restated (Unaudited)		**Restated (Unaudited)**		**Pro forma (Unaudited)**		**Pro forma (Unaudited)**	
	(in millions of €)								
Income taxes(16)	(785)	(795)	(685)	(685)	(630)	(534)	(114)	(295)	(191)
Change in reserve for general banking risks(17)	2	2	(1)	(1)	(8)	(8)	(5)	(6)	—
Net income attributable to minority interests(18)..........................	(94)	(90)	(62)	(62)	(93)	(43)	(36)	(68)	2
Reversal of second half income Banco di Napoli Group (19)	(16)	—	—	—	—	—	—	—	—
Net income..	1,292	1,292	1,050	1,050	909	909	86	384	312
Net income after minority interests in accordance with U.S. GAAP	1,003	1,003	842	842	524	524	178		350

The following item numbers refer, as the case may be, to the item numbers shown in the audited consolidated statements of income of Sanpaolo IMI for the years ended December 31, 2000, 1999 and 1998; the audited consolidated statements of income of San Paolo for the years ended December 31, 1997 and 1996; the unaudited, restated consolidated statements of income of Sanpaolo IMI for the years ended December 31, 2000 and 1999; and the unaudited, pro forma consolidated statement of income of Sanpaolo IMI for the years ended December 31, 1998 and 1997.

(1) For the years ended December 31, 2000, 2000 restated and 1999 restated, the line item refers to the sum of Item 10 “Interest income and similar revenues” plus Item 10.a) “Dividends from equity investments under 20% of stake, treated as interest” plus Item 10.b) “Profit on financial transactions of Banca IMI”. For the year ended December 31, 1999, it refers to the sum of Item 10 “Interest income and similar revenues” plus Item 10.a) “Dividends from equity investments under 20% of stake, treated as interest”. For the years ended December 31, 1998, 1998 pro forma and 1997, it refers to Item 10 “Interest income and similar revenues”.

(2) The line item refers to Item 20 “Interest expense and similar charges”.

(3) For the year ended December 31, 2000 and 2000 restated, the line item refers to the sum of Item 40 “Commission income” plus Item 50 “Commission expense” plus Item 70.a) “Income from sale of merchant banking activities, other income from leasing activities”, which is made up of the following components of Item 70 “Other operating income”: income from sale of merchant banking activities, other income from leasing activities; plus Item 110.a) “Losses from merchant banking activities, other charges on leasing transactions”, which is made up of the sum of the following components of Item 110 “Other operating expenses”: losses from sale of merchant banking activities and other charges from leasing activities, for the part, within those components, that expressly refers to commission expenses, amounting for the year ended December 31, 2000 and 2000 restated to €7 million and €6 million, respectively.

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

For the years ended December 31, 1997, 1997 pro forma and 1996, the figures have been reclassified to reflect the same accounting criteria used for the years ended December 31, 1999, 1998 and 1998 pro forma.

(4) For the years ended December 31, 2000, 2000 restated and 1999 restated, the line item refers to the sum of Item 30.a) “Dividends and other revenues from shares and other equities” plus Item 60 “Profits (losses) on financial transactions” less Item 10.b) “Profit on financial transactions of Banca IMI”. For the years ended December 31, 1999, 1998, 1998 pro forma and 1997, it refers to the sum of Item 30.a) “Dividends and other revenues from shares and other equities” plus Item 60 “Profits (losses) on financial transactions”.

(5) The line item refers to the sum of Item 30.b) “Dividends and other revenues from equity investments” less Item 10.a) “Dividends from equity investments under 20% of stake, treated as interest” plus Item 170.a) “Income (losses) from investments carried at equity less losses from restructuring debt to companies”, which is made up of certain components of Item 170 “Income (losses) from investments carried at equity”, amounting for the years ended December 31, 2000, 2000 restated, 1999, 1999 restated, 1998, 1998 pro forma, 1997, 1997 pro forma and 1996 to €87 million, €104 million, €118 million, €118 million, €148 million, €82 million, €16 million, €57 million and €18 million, respectively.

(6) The line item refers to Item 80.a) “payroll”.

(7) The line item refers to Item 80.b) “other administrative costs”.

(8) The line item refers to Item 80.b) “other indirect taxes”.

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

(10) For the years ended December 31, 2000, 2000 restated and 1999 restated, the line item refers to Item 90 “Adjustments to intangible and tangible fixed assets” less the following components of Item 90 “Adjustments to intangible and tangible fixed assets”: amortization of

goodwill arising on application of equity method, amortization of merger differences, amortization of goodwill, and amortization of goodwill arising on consolidation.

For the years ended December 31, 1999, 1998, 1998 pro forma, 1997, 1997 pro forma and 1996, it refers to Item 90 "Adjustments to intangible and tangible fixed assets".

(11) For the years ended December 31, 2000, 2000 restated and 1999 restated, the line item refers to the component of Item 90 "Adjustments to intangible and tangible fixed assets" described in note 10 above. For the years ended December 31, 1999, 1998, 1998 pro forma, 1997, 1997 pro forma and 1996, this component was included in the "Adjustments to Intangible and Tangible Fixed Assets" and amounted to €(84) million, €(93) million, €(93) million, €(77) million, €(84) million and €(77) million, respectively.

(12) The line item refers to Item 100 "Provisions for risks and charges".

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

(14) The line item refers to the sum of Item 150 "Adjustments to financial fixed assets" plus Item 160 "Writebacks of adjustments to financial fixed assets" plus Item 170.b) "Losses from investments carried at equity from restructuring debt to companies", which is made up of components of Item 170 "Income (losses) from investments carried at equity" other than the components of Item 170.a), amounting for each of the years ended December 31, 2000, 2000 restated, 1999, 1999 restated, 1998 and 1998 pro forma to €0; and amounting for the years ended December 31, 1997, 1997 pro forma and 1996 to €(121) million, €(121) million and €(63) million, respectively.

(15) The line item refers to the sum of Item 190 "Extraordinary income" plus Item 200 "Extraordinary expenses".

(16) The line item refers to Item 240 "Income tax".

(17) The line item refers to Item 230 "Change in reserve for general banking risks".

(18) The line item refers to Item 250 "Minority interest".

(19) The line item refers to Item 255 "Reversal of second half income Banco di Napoli Group".

2. Per Share Data

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

	Year ended December 31,				
	2000	1999	1998	1997	1996
	(in € except for numbers of shares)				
Per Share Data					
Income before extraordinary items per ordinary share at year end	1.27	1.07	1.06	0.13	0.63
Income before extraordinary items per ordinary share outstanding at year end(1)	1.31	1.09	1.06	0.13	0.63
Net income per ordinary share at year end	0.92	0.75	0.65	0.11	0.38
Net income per ordinary share outstanding at year end(1)	0.95	0.76	0.65	0.11	0.38
Net income per average number of ordinary shares	0.92	0.75	0.65	0.11	0.38
Dividend per ordinary share at year end(2)	0.57	0.52	0.46	0.06	0.15
Shareholders' equity per ordinary share outstanding at year end (1)	5.39	5.84	6.18	6.18	6.25
Ordinary shares at year end	1,404,018,198	1,402,184,948	1,402,184,948	815,992,852	815,992,852
Ordinary shares outstanding at year end(1)	1,364,652,216	1,374,753,448	1,402,184,948	815,992,852	815,992,852
Average number of ordinary shares	1,402,997,548	1,396,489,095	1,401,830,448	815,992,852	815,992,852

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

(2) The dividend per ordinary share in US$ was 0.49 in 2000, 0.45 in 1999, 0.49 in 1998, 0.06 in 1997 and 0.17 in 1996.

3. Consolidated Balance Sheet and Other Data

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

	At December 31,				
	2000	1999	1998	1997	1996
	(in millions of € except for percentages)				
Consolidated Balance Sheet Data					
Total assets(1)	172,798	140,223	158,289	132,584	135,424
Net loans(2)	117,825	95,318	109,982	96,216	98,404
Due to banks(3)	29,596	28,012	27,762	26,990	31,063
Marketable debt securities and subordinated debt(4)	44,496	37,242	53,722	42,306	45,636
Minority interests(5)	715	539	394	243	31
Capital and reserves(6)	8,050	8,372	8,669	5,041	5,102
Consolidated Ratios					
Profitability Ratios					
Net interest margin(7)(8)	2.09%	1.80%	1.78%	1.91%	2.13%
Return on average total assets(8)(9)	0.93%	0.78%	0.53%	0.06%	0.23%
Return on assets at year-end(10)	0.75%	0.75%	0.57%	0.07%	0.23%
Return on average shareholders' equity(11)	18.06%	13.09%	10.63%	1.71%	6.20%
Return on equity at year-end(12)	16.05%	12.54%	10.49%	1.72%	6.10%
Capital Ratio					
Shareholders' equity to total assets at year-end	4.66%	5.84%	5.48%	3.80%	3.77%
Credit Quality Data					
Doubtful loans(13)	2,157	3,009	3,859	4,723	4,336
Doubtful loans as a percentage of net loans(14)	1.83%	3.16%	3.51%	4.91%	4.41%

The following item numbers refer, as the case may be, to the corresponding item numbers shown in the audited consolidated balance sheet of Sanpaolo IMI at December 31, 2000, 1999 and 1998 and the audited consolidated balance sheet of Sanpaolo at December 31, 1997 and 1996.

(1) The line item refers to total assets.

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

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

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

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

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

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

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

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

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

(11) Return on average shareholders' equity represents net income after minority interests as a percentage of average shareholders' equity. For the year ended December 31, 2000, average shareholders' equity excludes net income. For the years ended December 31, 1999, 1998, 1997 and 1996, average shareholders' equity includes net income.

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

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

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

4. Exchange Rates

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

Year ended December 31,	High	Low	Average(1)	At Period End
1995	1,736	1,569	1,629	1,584
1996	1,602	1,496	1,538	1,519
1997	1,841	1,516	1,712	1,769
1998	1,828	1,592	1,737	1,654

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

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

Year ended December 31,	High	Low	Average (1)	At Period End
1999	1.1812	1.0016	1.0588	1.0070
2000	1.0335	0.8270	0.9207	0.9388
2001 (through June 15, 2001)	0.9535	0.8425	0.8879	0.8628

(1) Average of the rates for the last business day of each month in the period except for June 2001 for which the date used is June 15, 2001.

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

Month	High	Low
January 2001	0.9535	0.9181
February 2001	0.9384	0.9057
March 2001	0.9340	0.8794
April 2001	0.9032	0.8814
May 2001	0.8937	0.8455
June 2001 (through June 15, 2001)	0.8628	0.8425

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

B. Selected Statistical Information

1. Average Balances and Interest Rates

The following tables show average balances and interest rates for the Group for the years ended December 31, 2000, 2000 restated, 1999, 1999 restated and 1998. For purposes of these tables, (i) average balances have been determined based on month-end figures for interest-earning assets and interest-bearing liabilities of Sanpaolo IMI, Banca Fideuram S.p.A. ("Banca Fideuram"), Sanpaolo IMI International S.A. ("Sanpaolo IMI International"), Banca IMI and IMI Bank (Lux) S.A., and at June 30 and December 31 of each of the indicated years for all other assets and liabilities of the Group; management believes that the average figures below present substantially the same trend as would be presented by daily averages; (ii) interest income derived from, and interest expenses associated with, transactions treated under Italian GAAP as hedging activities are reflected in the income and expense information; accordingly, interest income and expense in the following tables vary somewhat from the amounts presented in the Consolidated Financial Statements; (iii) tax-exempt income has not been calculated on a tax-equivalent basis because the effect of such calculations would not be significant; and (iv) the monthly balance of non-accruing loans has been included in the monthly balance of loans and leases to non-credit institutions.

	Year ended December 31,														
	2000			2000 Restated (2)			1999			1999 Restated (3)			1998		
	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate
	(in millions of €, except percentages)														
Assets:															
Interest-earning assets															
Interest-earning deposits and loans to credit institutions.........	20,348	892	4.38%	18,733	841	4.49%	18,174	635	3.49%	16,479	614	3.73%	22,961	1,152	5.02%
- euro (4)......................	15,434	667	4.32%	14,410	632	4.39%	14,502	502	3.46%	12,528	456	3.64%	13,077	660	5.05%
- non-euro	4,914	225	4.58%	4,323	209	4.83%	3,672	133	3.62%	3,951	158	4.00%	9,884	492	4.98%
Reverse repurchase agreements..................	4,318	198	4.59%	4,036	183	4.53%	8,150	288	3.53%	4,323	151	3.49%	15,210	763	5.02%
- euro...........................	3,733	159	4.26%	3,451	144	4.17%	5,996	218	3.64%	3,844	140	3.64%	12,343	659	5.34%
- non-euro	585	39	6.67%	585	39	6.67%	2,154	70	3.25%	479	11	2.30%	2,867	104	3.63%
Trading account securities and investments.................	12,265	683	5.57%	8,735	487	5.58%	17,980	913	5.08%	12,541	641	5.11%	26,944	1,526	5.66%
- euro...........................	8,713	464	5.33%	6,756	371	5.49%	14,658	731	4.99%	10,761	538	5.00%	19,800	1,177	5.94%
- non-euro	3,552	219	6.17%	1,979	116	5.86%	3,322	182	5.48%	1,780	103	5.79%	7,144	349	4.89%
Loans and leases to non-credit institutions..................	82,056	5,349	6.52%	72,314	4,719	6.53%	69,115	4,195	6.07%	69,098	4,202	6.08%	83,877	6,531	7.79%
- euro...........................	73,226	4,819	6.58%	64,527	4,257	6.60%	62,633	3,882	6.20%	62,599	3,881	6.20%	70,800	5,850	8.26%
- non-euro	8,830	530	6.00%	7,787	462	5.93%	6,482	313	4.83%	6,499	321	4.94%	13,077	681	5.21%
Total interest-earning assets...............	118,987	7,122	5.99%	103,817	6,230	6.00%	113,419	6,031	5.32%	102,441	5,608	5.47%	148,992	9,972	6.69%
- euro...........................	101,106	6,109	6.04%	89,144	5,404	6.06%	97,789	5,333	5.45%	89,732	5,015	5.59%	116,020	8,346	7.19%
- non-euro	17,881	1,013	5.67%	14,673	826	5.63%	15,630	698	4.47%	12,709	593	4.67%	32,972	1,626	4.93%
Non-interest-earning assets..............	37,177			35,770			21,684			32,662			22,293		
Total assets...................	156,164			139,587			135,103			135,103			171,285		

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

(2) The unaudited, restated consolidated financial statements for the year ended December 31, 2000 were prepared with the consolidation of Banco di Napoli Group at equity, as detailed in Note 2 to the Consolidated Financial Statements.

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

(4) For the year ended December 31, 1998, the euro/non-euro split means Lire/Non-Lire.

	Year ended December 31,														
	2000			2000 Restated (2)			1999			1999 Restated (3)			1998		
	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate	Average balance	Interest (1)	Average rate
	(in millions of €, except percentages)														
Liabilities and Shareholders' Equity:															
Interest-bearing liabilities:															
Deposits, short-term borrowings and medium- and long-term debt from credit institutions................	22,578	1,104	4.89%	21,007	1,017	4.84%	20,966	917	4.37%	18,007	834	4.63%	32,174	1,762	5.48%
- euro (4)..................	13,994	612	4.37%	13,794	603	4.37%	14,663	662	4.51%	12,805	597	4.66%	16,958	977	5.76%
- non-euro................	8,584	492	5.73%	7,213	414	5.74%	6,303	255	4.05%	5,202	237	4.56%	15,216	785	5.16%
Short-term borrowings and medium- and long-term debt from non-credit institutions...............	47,494	1,194	2.51%	39,825	1,009	2.53%	37,273	622	1.67%	36,392	597	1.64%	46,220	1,787	3.87%
- euro	40,296	804	2.00%	34,314	701	2.04%	36,137	577	1.60%	35,326	556	1.57%	35,471	1,263	3.56%
- non –euro	7,198	390	5.42%	5,511	308	5.59%	1,136	45	3.96%	1,066	41	3.85%	10,749	524	4.87%
Repurchase agreements...............	5,281	206	3.90%	4,394	172	3.91%	12,419	406	3.27%	6,114	195	3.19%	19,071	897	4.70%
- euro	5,239	204	3.89%	4,352	170	3.91%	10,515	339	3.22%	5,816	181	3.11%	16,437	784	4.77%
- non-euro................	42	2	4.76%	42	2	4.76%	1,904	67	3.52%	298	14	4.70%	2,634	113	4.29%
Securities and subordinated liabilities	34,058	2,046	6.01%	34,058	1,864	5,47%	38,291	2,039	5.33%	36,511	1,960	5.37%	43,917	2,874	6.54%
- euro	34,709	1,827	5.26%	31,120	1,657	5.32%	32,151	1,725	5.37%	30,460	1,652	5.42%	36,270	2,483	6.85%
- non-euro................	3,131	219	6.99%	2,938	207	7.05%	6,140	314	5.11%	6,051	308	5.09%	7,647	391	5.11%
Total interest-bearing liabilities	113,193	4,550	4.02%	99,284	4,062	4.09%	108,949	3,984	3.66%	97,024	3,586	3.70%	141,382	7,320	5.18%
- euro	94,238	3,447	3.66%	83,580	3,131	3.75%	93,466	3,303	3.53%	84,407	2,986	3.54%	105,136	5,507	5.24%
- non-euro................	18,955	1,103	5.82%	15,704	931	5.93%	15,483	681	4.40%	12,617	600	4.76%	36,246	1,813	5.00%
Non-interest-earning liabilities:															
Other liabilities.........	35,200			32,576			17,767			30,205			20,897		
Minority interests in consolidated subsidiaries..............	614			570			368			368			451		
Total non-interest -bearing liabilities	35,814			33,146			18,135			30,573			21,348		
Shareholders' equity:															
Common shares	3,931			3,931			3,926			3,926			4,345		
Other shareholders' equity	3,226			3,226			4,093			3,580			4,210		
Total shareholders' equity (5).................	7,157			7,157			8,019			7,506			8,555		
Total liabilities and shareholders' equity	156,164			139,587			135,103			135,103			171,285		

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

(2) The unaudited, restated consolidated financial statements for the year ended December 31, 2000 were prepared with the consolidation of Banca di Napoli Group at equity, as detailed in Note 2 of the Consolidated Financial Statements.

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

(4) For the year ended December 31, 1998, the euro/non-euro split means Lire/non-Lire.

(5) For the year ended December 31, 2000, 2000 Restated and 1999 Restated, excludes net income. For the years ended December 31, 1999 and 1998, includes net income.

2. Change in Net Interest Income – Volume and Rate Analysis

The following table shows the allocation, by category of interest-earning assets and interest-bearing liabilities and by currency, of changes in the Group's net interest income among changes in average volume, changes in average rate and changes in rate/volume (i) for the year ended December 31, 2000 restated compared to the year ended December 31, 1999 restated, (ii) for the year ended December 31, 2000 compared to the year ended December 31, 1999 restated, and (iii) for the year ended December 31, 1999 compared to the year ended December 31, 1998.

	Year ended December 31,											
	2000 Restated/1999 Restated				2000/1999 Restated				1999/1998			
	Increase (decrease) due to changes in				Increase (decrease) due to changes in				Increase (decrease) due to changes in			
	Volume	Rate	Volume/ Rate	Net Change	Volume	Rate	Volume/ Rate	Net Change	Volume	Rate	Volume/ Rate	Net Change
	(in millions of €)											
Interest income:												
Interest-earning deposits and loans to credit institutions	84	126	17	227	144	108	25	278	(240)	(350)	73	(517)
- euro (1)	69	93	14	176	106	85	20	211	72	(207)	(23)	(158)
- non-euro	15	33	3	51	39	23	6	67	(309)	(134)	84	(359)
Reverse repurchase agreements	(10)	45	(3)	32	—	47	—	47	(354)	(226)	105	(475)
- euro	(14)	20	(2)	4	(4)	24	(1)	19	(339)	(210)	108	(441)
- non-euro	2	21	5	282	2	21	5	28	(26)	(11)	3	(34)
Trading account securities and investments	(195)	58	(18)	(154)	(14)	57	(1)	42	(508)	(158)	53	(613)
- euro	(200)	53	(20)	(167)	(102)	35	(7)	(74)	(306)	(190)	50	(446)
- non-euro	12	1	—	13	103	7	7	116	(187)	42	(22)	(167)
Loans and leases to non-credit institutions	196	307	14	517	788	302	57	1,147	(1,150)	(1,441)	254	(2,337)
- euro	120	251	6	376	659	239	41	938	(675)	(1,463)	169	(1,969)
- non-euro	64	64	13	141	115	69	25	209	(343)	(50)	25	(368)
Total interest income	75	539	7	622	906	524	85	1,514	(2,381)	(2,050)	489	(3,942)
- euro	(33)	425	(3)	389	636	407	52	1,094	(1,312)	(2,020)	318	(3,014)
- non-euro	92	122	19	233	241	127	52	420	(855)	(154)	81	(928)
Interest expense:												
Deposits, short-term borrowings and medium- and long-term debt from credit institutions	139	38	6	183	212	46	12	270	(614)	(355)	124	(845)
- euro	46	(37)	(3)	6	55	(37)	(3)	15	(132)	(211)	28	(315)
- non-euro	92	62	24	177	154	61	40	255	(460)	(169)	99	(530)
Short-term borrowings and medium-and long-term debt from non-credit institutions	56	325	31	412	182	318	97	597	(346)	(1,016)	197	(1,165)
- euro	(16)	166	(5)	145	78	149	21	248	24	(697)	(13)	(686)
- non-euro	171	19	77	267	236	17	96	349	(469)	(98)	88	(479)
Repurchase agreements	(55)	44	(12)	(23)	(27)	43	(6)	11	(313)	(274)	96	(491)
- euro	(46)	46	(12)	(11)	(18)	45	(5)	23	(282)	(254)	91	(445)
- non-euro	(12)	—	—	(12)	(12)	—	—	(12)	(31)	(20)	5	(46)
Securities and subordinated liabilities	(132)	38	(3)	(96)	(132)	233	(16)	86	(539)	(559)	105	(993)
- euro	36	(30)	(1)	5	230	(49)	(7)	175	(398)	(548)	88	(858)

	Year ended December 31,											
	2000 Restated/1999 Restated				2000/1999 Restated				1999/1998			
	Increase (decrease) due to changes in				Increase (decrease) due to changes in				Increase (decrease) due to changes in			
	Volume	Rate	Volume/ Rate	Net Change	Volume	Rate	Volume/ Rate	Net Change	Volume	Rate	Volume/ Rate	Net Change
	(in millions of €)											
- non-euro	(158)	118	(61)	(101)	(149)	115	(56)	(89)	(124)	(16)	5	(135)
Total interest expense	84	384	9	476	598	314	52	964	(4,085)	1,695	(946)	(3,336)
- euro	(29)	176	(2)	145	348	101	12	461	(611)	(1,792)	199	(2,204)
- non-euro	147	148	36	331	301	134	67	503	(1,614)	4,406	(3,924)	(1,132)

(1) For the year ended December 31, 1998, the euro/non-euro split means Lire/non-Lire.

3. Interest-Earning Assets: Margin and Spread

The following table shows the Group's gross yield, net interest margin and spread, including the effect of hedging, for the years ended December 31, 2000 restated, 2000, 1999 and 1998.

	Year ended December 31,			
	2000 Restated	2000	1999	1998
	(percentages)			
Gross yield (1)	6.00%	5.99%	5.32%	6.69%
- euro (2)	6.06%	6.04%	5.45%	7.19%
- non-euro (2)	5.63%	5.67%	4.47%	4.93%
Net interest margin (3)	2.09%	2.16%	1.80%	1.78%
- euro (2)	2.55%	2.63%	2.08%	2.45%
- non-euro (2)	(0.72)%	(0.50)%	0.11%	(0.57)%
Spread (4)	1.91%	1.97%	1.66%	1.51%
- euro (2)	2.31%	2.38%	1.92%	1.96%
- non-euro (2)	(0.30)%	(0.15)%	0.07%	(0.07)%

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

(2) For the year ended December 31, 1998, the euro/non-euro split means Lire/non-Lire.

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

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

4. Return on Equity and Assets

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

	Year ended December 31,			
	2000 Restated	2000	1999	1998
	(percentages)			
Net income as percentage of:				
Average total assets	0.93%	0.83%	0.78%	0.53%
Average shareholders' equity (1)	18.05%	18.05%	13.09%	10.63%
Dividends as percentage of net income	61.73%	61.73%	68.97%	71.70%
Average shareholders' equity as a percentage of average total assets (1)	5.13%	4.58%	5.94%	4.99%

(1) For the year ended December 31, 2000, 2000 restated and 1999 restated, excludes net income. For the years ended December 31, 1999 and 1998, includes net income.

5. Securities Portfolio

At December 31, 2000, the Group's securities were carried on the Group's consolidated balance sheet at a book value of €24.958 billion, representing 14% of its total assets. The aggregate book value and the aggregate market value of securities held by the Group issued by the Italian government and Italian government agencies were €12.464 billion and €12.519 billion, respectively, at December 31, 2000. The Group does not otherwise hold securities issued or guaranteed by any one entity or obligor, other than the Italian government, whose carrying value represents more than 10% of consolidated shareholders' equity.

Book and market value

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

	At December 31,					
	2000		1999		1998	
	Book value	Market value	Book value	Market value	Book value	Market value
	(in millions of €)					
Domestic:						
Government	12,464	12,519	9,390	9,412	16,426	16,485
Corporate and other securities	2,564	2,572	2,593	2,593	3,089	3,112
Equity and other (1)	1,766	1,766	1,388	1,389	1,155	1,156
Total domestic	16,794	16,857	13,371	13,394	20,670	20,753
International:						
Government	2,043	2,041	1,140	1,110	1,600	1,591
Corporate and other securities	5,884	5,889	3,814	3,817	3,408	3,412
Equity and other	237	237	55	55	45	45
Total international	8,164	8,167	5,009	4,982	5,053	5,048
Total securities	24,958	25,024	18,380	18,376	25,723	25,801

(1) This line item does not include shares of Sanpaolo IMI owned by the Group at December 31, 2000, 1999 and 1998 with, respectively, a book value of €739 million, €357 million and €5 million, and a market value of €763 million, €391 million and €5 million.

Maturity and weighted average yield

The following table shows the maturities and weighted average yield of the Group's securities by type and domicile of issuer at December 31, 2000. Yield on tax-exempt obligations has not been calculated on a tax-equivalent basis because the effect of such a calculation would not be material.

	At December 31, 2000				
	Amount (1)				
	Maturing within one year	Maturing between one year and five years	Maturing between five years and ten years	Maturing after ten years	Total amount
	(in millions of €, except percentages)				
Domestic:					
Government	3,968	5,624	2,634	238	12,464
Corporate and other securities	321	1,168	1,030	45	2,564
Equity and other	1,766	—	—	—	1,766
Total domestic	6,055	6,792	3,664	283	16,794
International:					
Government	124	1,345	534	40	2,043
Corporate and other securities	615	3,547	741	981	5,884
Equity and other	237	—	—	—	237
Total international	976	4,892	1,275	1,021	8,164
Total securities	7,031	11,684	4,939	1,304	24,958

	At December 31, 2000				
	Amount (1)				
	Maturing within one year	Maturing between one year and five years	Maturing between five years and ten years	Maturing after ten years	Total amount
	(in millions of €, except percentages)				
Total securities (market value)	7,034	11,709	4,979	1,302	25,024
Weighted average yield(2)	6.00%	6.13%	5.96%	6.62%	6.09%

(1) Based on book value unless otherwise indicated.

(2) Based on book value.

6. Loan Portfolio

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

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

At December 31, 2000, the Group's net loans amounted to €117.825 billion (68.2% of total assets). The allowance for loan losses amounted to €3.666 billion (3.0% of total loans). Total domestic loans amounted to €94.790 billion (78.0% of total loans), while total international loans amounted to €26.701 billion. At December 31, 2000, secured loans to customers other than banks amounted to €56.144 billion, equal to approximately 47.7% of Sanpaolo IMI Group's total net loans. In addition to loans, at December 31, 2000 the Group had loan commitments (certain and not certain to be called) amounting to €26.518 billion and guarantees amounting to €15.670 billion.

Loans by Location and Type of Borrower

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

Total loans (1)	**At December 31,**				
	2000	**1999**	**1998**	**1997**	**1996**
			(in millions of €)		
Domestic:					
Government and other public entities	14,120	9,487	21,377	14,470	12,720
Banks and credit institutions	9,863	10,264	10,038	11,911	12,575
Non-financial business	60,482	50,500	50,222	25,080	29,753
Other	10,325	3,996	8,236	18,761	17,356
Total domestic	94,790	74,247	89,873	70,222	72,404
International:					
Government	818	1,497	605	660	422
Banks and credit institutions	9,281	12,048	13,156	16,368	17,452
Other	16,602	10,984	9,818	11,455	10,460
Total international	26,701	24,529	23,579	28,483	28,334
Total domestic and international	121,491	98,776	113,452	98,705	100,738

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

Loans by Type of Facility

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

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

	At December 31,									
Net loans (1)	**2000**		**1999**		**1998**		**1997**		**1996**	
					(in millions of €, except percentages)					
Mortgages and industrial loans	45,045	38.23%	37,110	38.93%	50,741	46.14%	31,767	33.02%	32,593	33.12%
Current account overdrafts	11,732	9.96%	9,681	10.16%	9,052	8.23%	10,431	10.84%	10,758	10.93%
Repurchase agreements (2)	7,767	6.59%	7,334	7.69%	12,979	11.80%	9,949	10.34%	8,383	8.52%
Advances with recourse	2,890	2.45%	2,201	2.31%	2,467	2.24%	2,093	2.18%	2,081	2.11%
Import-export loans	2,531	2.15%	1,579	1.66%	1,394	1.27%	2,872	2.98%	2,042	2.08%
Finance leases	1,877	1.59%	1,695	1.78%	1,341	1.22%	954	0.99%	1,261	1.28%
Discounted notes	1,090	0.93%	1,089	1.14%	1,212	1.10%	994	1.03%	1,059	1.08%
Personal loans	1,128	0.96%	969	1.02%	521	0.47%	448	0.47%	553	0.56%
Factoring	707	0.60%	721	0.76%	782	0.71%	178	0.19%	343	0.35%
Subordinated loans (2)	74	0.06%	71	0.07%	26	0.02%	60	0.06%	64	0.07%
Other forms of finance	27,636	23.46%	14,594	15.31%	12,386	11.27%	10,920	11.34%	10,595	10.77%
Loans to banks	14,332	12.16%	16,580	17.39%	15,069	13.70%	23,030	23.94%	26,514	26.94%
Non-performing loans (2)	1,016	0.86%	1,694	1.78%	2,012	1.83%	2,520	2.62%	2,157	2.19%
Net loans (2)	117,825	100.00%	95,318	100.00%	109,982	100.00%	96,216	100.00%	98,403	100.00%

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

(2) Includes loans to banks.

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

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

Mortgages and industrial loans

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

Retail residential mortgages have a maximum loan to value ratio of 75% (less than the 80% envisaged under current Italian regulations) with maturities of up to 30 years, at fixed or floating rates of interest (or a combination of the two, at the customer's option).

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

Italian government regulations on subsidized residential mortgage loans. In light of declining interest rates in Italy, various regulations were issued in 1999 which imposed upon the entire Italian banking sector a review of interest rates on loans subsidized totally or partially by the public sector, if so requested by the borrowers or loan sponsors. Article 29 of Law 133/99 on low-interest residential mortgage loans is the regulation with the largest potential impact on the Bank and, to a lesser extent, Banco di Napoli. If implemented, the regulation is expected to apply retroactively from July 1, 1999.

The Italian banking sector is seeking to prevent the application of this regulation. Sanpaolo IMI and other affected banks have filed an appeal against the implementing decree, Ministerial Decree 110 of March 24, 2000, which is currently pending before the Regional Administrative Court of Lazio. A preliminary hearing on this appeal is expected in October 2001. Similar appeals are pending before the equivalent courts in other Italian regions.

For this regulation to become applicable, the Treasury will have to establish, pursuant to Article 145.62 of the Budget Law of 2001, an "actual global average rate" applicable to the residential mortgage loans covered by the regulation. No such rate has yet been established.

The interest rates that will actually apply to the Group's outstanding residential mortgage loans that are covered by this regulation will not be known until the legal proceedings and implementing procedure described above have been resolved and negotiations with requesting borrowers or loan sponsors are completed. However, using what management believes to be conservative criteria, the Group has estimated the potential impact on it of this regulation. The potential cost to the Group, in terms of the decrease in net interest income for the period July 1, 1999 — December 31, 2000, is estimated to be approximately €121 million, of which €100 million would be borne by the Bank. A provision for this amount has been made. The potential decrease in net interest income for 2001 from this regulation is estimated to be approximately €64 million, of which €55 million would be borne by the Bank. No provision has been made for this amount, as management expects this decrease to be offset by the expected positive trend in total net interest income. Management expects that the negative impact of renegotiated residential mortgage rates from this regulation will decrease gradually in the years after 2001.

Italian government regulations on other subsidized loans. Two other regulations have been issued, one under Law 226/99 on assistance to flood victims in the Piedmont region and one under Article 128 of Law 388/2000 on subsidized agricultural loans, which have the same effect of imposing upon the entire Italian banking sector a review of interest rates on certain subsidized loans, if so requested by the borrowers or loan sponsors.

For Article 128 of Law 388/2000 to become applicable, an implementing Ministerial Decree will have to be issued. No such Decree has yet been issued. If implemented, the regulation is expected to apply to interest accruing on the relevant loan from the date on which a request for renegotiation of the applicable interest rate is made.

The interest rates that will actually apply to the Group's outstanding loans that are covered by these regulations will not be known until the implementing procedure described above has been resolved and negotiations with requesting borrowers or loan sponsors are completed. However, using what management believes to be conservative criteria, the Group has estimated the potential impact on it of these regulations. The potential decrease in net interest income for 2001 from these regulations is estimated to be approximately €24 million, of which €10 million would be borne by the Bank. No provision has been made for this amount, as management expects this decrease to be offset by the expected positive trend in total net interest income.

Italian law on fixed rate mortgage loans. In 2001 a law was enacted which imposes upon the entire Italian banking sector an obligation to renegotiate interest rates on fixed-rate mortgage loans.

Decree Law 394 of December 29, 2000 on usury was enacted into law on February 27, 2001. The law applies to any installments on fixed-rate mortgage loans due after January 2, 2001, and requires banks to renegotiate outstanding loans on the basis of a "substitute rate" of 9.96% for residential and business mortgage loans, reduced to 8% for residential mortgage loans of up to €77,469 for the purchase of a primary residence (provided it is not considered a luxury home).

The Bank and Banco di Napoli are currently taking steps to adjust the interest rates on their outstanding fixed-rate mortgage loans. Using what management believes to be conservative criteria, the Group has estimated the potential impact on it of this law. The potential cost to the Group, in terms of the decrease in net interest income for 2000, is estimated to be approximately €5 million. A provision for this amount has been made. The potential decrease in net interest income for 2001 from this law is estimated to be approximately €24 million. No provision has been made for this amount, as management expects this decrease to be offset by the expected positive trend in total net interest income. Management expects that the negative impact of renegotiated fixed-rate mortgage rates from this law will decrease gradually in the years after 2001.

Current account overdrafts

The Italian banking system is characterized by the relatively large proportion of overdraft financing provided through current accounts. A borrowing is made whenever a customer's drawings exceed the credit balance in the account. An overdraft customer is granted a maximum overdraft limit on the basis of Sanpaolo IMI's lending criteria, and the customer can draw on the overdraft facility. Debit interest on overdraft facilities is typically charged quarterly and at a floating rate. Overdrafts are demand loans and are generally not subject to repayment schedules.

In March 1999, the Italian Supreme Court (*Corte di Cassazione*) entered two judgments against various Italian banks, declaring invalid their practice of capitalizing customers' debit interest on a quarterly basis, while capitalizing credit interest on an annual basis. In August 1999, the Italian government introduced Decree no. 342/99 requiring current account credit interest and debit interest to be capitalized on a current basis. This decree applied to all current accounts opened after April 22, 2000 and, from July 2000, also applied retroactively to all current accounts opened before April 22, 2000. Sanpaolo IMI took appropriate steps to comply with this new decree.

During 2000, the constitutionality of Decree no. 342/99 was challenged. In a ruling published on October 17, 2000, the Italian Constitutional Court (*Corte Costituzionale*) ruled that the provisions of the decree were unconstitutional to the extent that they applied to current accounts opened before April 22, 2000, because the Italian Parliament had not delegated sufficient power to the Italian government to enact such a retroactive provision. The court did not, however, express an opinion on the substantive issue of whether the practice of capitalizing credit interest on an annual basis for current accounts opened before April 22, 2000 was permitted under Italian civil law. The issue therefore remains unsettled. Some recent decisions of Italian courts have taken an approach different from that of the Italian Supreme Court (which under Italian law is permissible), affirming the lawfulness, under certain circumstances, of quartely capitalization of debit interest. Even if this issue were ultimately resolved against the Italian Banks the potential impact on Sanpaolo IMI based on the currently pending legal proceedings, is expected to be immaterial, both for 2000 and for previous fiscal years.

Other forms of finance

Other forms of finance principally include short-term deposits placed with non-financial institutions, both domestically and abroad.

The following table shows net loans by maturity at December 31, 2000:

	At December 31, 2000			
Net Loans(1)	**Within one year**	**Between one and five years**	**Greater than five years**	**Total**
	(in millions of €)			
Mortgages and industrial loans	8,014	21,089	15,942	45,045
Current account overdrafts	11,732	—	—	11,732
Repurchase agreements	7,767	—	—	7,767
Advances with recourse	2,884	6	—	2,890
Import-export loans	2,250	169	112	2,531
Finance leases	475	1,069	333	1,877
Discounted notes	785	304	1	1,090
Personal loans	515	518	95	1,128
Factoring loans	665	42	—	707
Subordinated loans	10	17	47	74
Other forms of finance	18,366	5,206	4,064	27,636
Loans to banks	13,407	486	439	14,332
Non-performing loans(2)	—	1,016	—	1,016
Net loans	66,870	29,922	21,033	117,825

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

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

Loans by Category of Borrower

At December 31, 2000, a single borrower, the Italian Ministry of the Treasury (€3,043 billion), accounted for more than 2% of Sanpaolo IMI's net loans. The largest 20 total loan exposures accounted for 17% of its total loan portfolio, while the largest 50 total loan exposures accounted for 25%. Sanpaolo IMI Group had six ''significant risk exposures'', defined by the Bank of Italy as positions that exceeded 10% of consolidated own funds. These six exposures amounted to a total of €10,318 billion.

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

	At December 31,				
Net Loans(1)	**2000**	**1999**	**1998**	**1997**	**1996**
	(in millions of €)				
Building and construction industry	3,810	3,711	5,013	5,468	5,905
Commercial and similar activities	14,271	11,353	10,877	9,209	10,162
Industrial	20,604	17,081	17,018	12,256	12,319
Governments	10,028	4,471	14,255	11,203	9,656
Other public agencies	4,901	5,469	7,642	3,877	3,460
Transportation	1,929	1,592	3,257	571	2,345
Agriculture	1,400	865	1,044	966	1,000

Net Loans(1)	At December 31, 2000	1999	1998	1997	1996
	(in millions of €)				
Finance, insurance, leasing, etc.	14,871	6,751	12,534	9,157	10,311
Banks	19,119	22,144	23,093	28,239	29,965
Communications	1,424	1,389	1,366	1,088	872
Foreign non-financial business	10,178	7,269	9,208	4,134	2,621
Other	15,290	13,223	4,675	10,048	9,787
Total	117,825	95,318	109,982	96,216	98,403

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

Loans by Geographic Area

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

Net loans(1)	At December 31, 2000		1999		1998		1997		1996	
	(in millions of €, except percentages)									
Loans to residents(2):										
Northern Italy	42,460	46.4%	42,646	59.8%	45,577	52.6%	38,503	56.6%	38,248	54.3%
Central Italy	22,876	25.0%	21,445	30.1%	32,674	37.7%	21,700	31.9%	24,019	34.1%
Southern Italy	26,132	28.6%	7,238	10.1%	8,397	9.7%	7,823	11.5%	8,170	11.6%
Total to residents(2)	91,468	100.0%	71,329	100.0%	86,648	100.0%	68,026	100.0%	70,437	100.0%
Loans to non-residents(2)	26,357		23,989		23,334		28,190		27,966	
Total to residents and non-residents	117,825		95,318		109,982		96,216		98,403	

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

(2) Including banks.

Interest Rate Sensitivity

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

Net Loans (1)	At December 31, 2000 Domestic	International	Total
	(in millions of €)		
Fixed Rate	18,023	5,407	23,430
Floating Rate	26,601	924	27,525
Total	44,624	6,331	50,955

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

	At December 31, 1998		
	Domestic	International	Total
	(in millions of €)		
Fixed Rate	21,715	3,080	24,795
Floating Rate	25,840	1,665	27,505
Total	47,555	4,745	52,300

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

Foreign Country Outstandings

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

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

	At December 31,					
Loans and monetary assets	2000		1999		1998	
	(millions of €)	% of total assets	(millions of €)	% of total assets	(millions of €)	% of total assets
United States	7,488	4.33	4,089	2.92	2,602	1.64
United Kingdom	1,809	1.05	3,348	2.39	3,133	1.98
France	619	0.36	512	0.37	4,666	2.95
Greece	488	0.28	246	0.18	2,275	1.44

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

Loans and monetary assets	Government	Banks and other financial institutions	Commercial industrial and others	Total	% of total assets
		(in millions of €, except for percentages)			
At December 31, 2000:					
United States	35	2,115	5,338	7,488	4.33
United Kingdom	1	658	1,150	1,809	1.05
Japan	31	114	1,269	1,414	0.82
Total	67	2,887	7,757	10,711	6.20
At December 31, 1999:					
United Kingdom	—	618	2,730	3,348	2.39
United States	40	1,742	2,307	4,089	2.92
Total	40	2,360	5,037	7,437	5.31
At December 31, 1998:					
United Kingdom	210	2,453	470	3,133	1.98
United States	220	1,531	851	2,602	1.64
France	114	1,825	2,727	4,666	2.95
Germany	422	713	182	1,317	0.83
Greece	331	883	1,061	2,275	1.44
Total	1,297	7,405	5,291	13,993	8.84

Risk Elements in the Loan Portfolio

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

The Group divides its loan portfolio into five broad categories:

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

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

  (i) In its discretion, Sanpaolo IMI believes that the borrower is experiencing temporary financial difficulties; and

  (ii) Bank of Italy regulations do not require Sanpaolo IMI to consider the loan as a problem loan (*incagli)* in view of the nature of the transaction (the term of the delay in the payment is shorter than prescribed by the Italian regulators).

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

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

- **restructured loans or loans in course of restructuring;** these loans are subject to valuation on a case-by-case basis;
- ***incagli*, or problem loans;** these loans are subject to valuation on a case-by-case basis;
- ***sofferenze*, or non-performing loans;** these loans are subject to valuation on a case-by-case basis;
- **loans exposed to country risk;** these loans are subject to valuation by applying write-down percentages not lower than those set by the Italian Banking Association under Bank of Italy regulations, with the exception of case-by-case valuations of specific positions which, on the basis of objective criteria, are valued consistent with the loan category to which they relate.

The five categories above are currently used within the Sanpaolo IMI Group and are reported in the explanatory notes to the financial statements for 2000 (see Note 12 to the Consolidated Financial Statements) according to the principles in force during the period.

Prior to 1998, Sanpaolo did not employ the category "Restructured loans or loans in course of restructuring," and classified these loans in the other four categories above in accordance with their characteristics. In 1998, Italian regulations were amended to require the presentation of a separate category for "Restructured loans or loans in course of restructuring" and the information relating to Group loans for 2000, 1999 and 1998 is classified accordingly, showing this additional category.

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

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

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

Loans, including principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking into account the financial condition of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the country in which such borrowers are residents. See "Non-accrual of interest" below.

The following table shows, at the dates indicated, the Group's total classified loans by category of loan classification, except for loans exposed to country risk, which are discussed in "Loans exposed to country risk" below. The table below follows U.S. practice and shows total loans that are past due by more than 90 days. All other information in this section of the annual report, including credit quality ratios, follows Italian regulations and industry practices which would, in comparison to U.S. practice, understate classified loans.

Total Loans (1)	**At December 31,**				
	2000	**1999**	**1998**	**1997**	**1996**
	(millions of €, except percentages)				
Loans past due by more than 90 days (but still classified as *in bonis*):					
Domestic	758	262	283	1,087	1,657
- Outstanding principal(2)	551	208	217	898	1,286
- Unpaid installments(3)	207	54	66	189	371
International	73	1	2	17	190
- Outstanding principal(2)	68	1	2	1	57
- Unpaid installments(3)	5	—	—	16	133
Total	831	263	285	1,104	1,847
Restructured loans or loans in course of restructuring					
Domestic	131	112	189	—	—
International	8	43	—	—	—
Total	139	155	189	—	—
Problem loans (*incagli*)					
Domestic	1,213	1,532	1,802	2,017	2,359
International	128	13	144	258	154
Total	1,341	1,545	1,946	2,275	2,513
Non-performing loans (*sofferenze*)					
Domestic	3,331	3,972	4,282	3,997	3,294
International	225	185	244	269	409
Total	3,556	4,157	4,526	4,266	3,703
Total loans overdue by more than 90 days, non-performing, restructured loans and loans in course of restructuring, and problem loans	5,867	6,120	6,946	7,645	8,063
As a percentage of all total loans	4.8%	6.2%	6.1%	11.3%	11.9%

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

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

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

Non-performing Loans

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

(1) when the borrower is in insolvency proceedings;

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

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

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

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

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

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

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

Total non-performing loans (1)	At December 31, 2000		1999		1998		1997	
	(millions of €)	% of total non-performing loans	(millions of €)	% of total non-performing loans	(millions of €)	% of total non-performing loans	(millions of €)	% of total non-performing loans
Non-performing loans to non-financial businesses and personal businesses:								
- to residents of Italy								
Building and construction industry	963	27.1	1,122	27.0	1,270	28.1	1,292	30.3
Wholesale and retail trade	472	13.3	349	8.4	364	8.0	290	6.8
Other sales and distribution service	341	9.6	500	12.0	530	11.7	541	12.7
Agriculture, forestry, fisheries	206	5.8	159	3.8	186	4.1	181	4.2
Food, beverages, tobacco	111	3.1	140	3.4	171	3.8	107	2.5
Textiles, footwear, clothing	103	2.9	78	1.9	80	1.8	57	1.3
Hotels and public services	82	2.3	91	2.2	88	2.0	76	1.8
Metals	68	1.9	65	1.6	65	1.4	64	1.5
Electronics, electrical goods, EDP	61	1.7	59	1.4	51	1.1	34	0.8
Transportation services	58	1.6	57	1.4	35	0.8	32	0.7
Industrial and agricultural machine	46	1.3	50	1.2	65	1.4	52	1.2
Mining, minerals	46	1.3	25	0.6	52	1.1	24	0.6
Miscellaneous industrial products	43	1.2	35	0.8	34	0.8	24	0.6
Paper, printing, publishing	38	1.1	34	0.8	37	0.8	34	0.8
Chemicals	33	0.9	14	0.3	32	0.7	41	1.0
Means of transport	31	0.9	35	0.8	42	0.9	23	0.5
Rubber, plastics	25	0.7	23	0.6	26	0.6	28	0.7
Oil and gas, electric utilities	23	0.6	21	0.5	40	0.9	51	1.2
Communications	2	0.1	1	—	1	—	1	—
Total to residents	2,752	77.4	2,858	68.7	3,169	70.0	2,952	69.2
- to non-residents	204	5.7	202	4.9	224	5.0	253	5.9
Total non-performing loans related to non-financial businesses and personal businesses	2,956	83.1	3,060	73.6	3,393	75.0	3,205	75.1
Other								
Governments	3	0.1	—	—	1	—	—	—
Other public agencies	2	0.1	5	0.1	—	—	14	0.3
Credit Institutions	14	0.4	12	0.3	4	0.1	3	0.1
Financial institutions	83	2.3	137	3.3	156	3.4	172	4.0
Individuals and other operators	498	14.0	943	22.7	972	21.5	873	20.5
Total non-performing loans	3,556	100.0	4,157	100.0	4,526	100.0	4,267	100.0

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

The decrease in the amount of non-performing loans at year-end 2000 compared to year-end 1999 is attributable primarily to the Bank's completion of three non-recourse sales of 20,391 short-term loans, 16,282 mortgage loans and 935 industrial loans. These non-performing loans had a gross book value of €1.554 billion and a net book value of €756 million, and were sold for €848 million. This led to writebacks to the statement of income of €92 million.

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

Problem Loans

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

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

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

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

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

Restructured Loans or Loans in course of restructuring

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

Loans exposed to country risk

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

Country risk is classified in four categories by the Bank of Italy, focusing in particular on credit history, access to the international markets, ratios of debt to gross national product and to exports, debt service ratio and potential and actual extraordinary events for each country. At December 31, 2000, the Group's net exposure in all countries classified as presenting some risk by the Italian Banking Association was €159 million.

Non-accrual of interest

Accrual of interest is treated differently for installment and non-installment loans. In accordance with Italian law on the enforcement of loan contracts, the Group continues to accrue contractual interest on the non-overdue principal of installment loans if the Group has not accelerated the loan, even if the loan is classified as problem or non-performing, except where the borrower is in bankruptcy. The Group capitalizes and includes in the loan balance such accrued but unpaid contractual interest. Such capitalized interest is subject to allowance and adjustments as discussed in "Allowance for possible loan losses and value adjustments to Loans" below. In 2000, the Group included in income before allowances and adjustments €142 million of unpaid contractual interest with respect to classified loans.

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

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

Payments of default interest are accounted for on a cash basis. The amount of default interest collected by Sanpaolo IMI in 2000, 1999, 1998 and 1997 was, respectively, €61 million, €42 million, €53 million and €55 million.

Neither contractual interest nor default interest is calculated on loans to borrowers who have been declared bankrupt or are in bankruptcy proceedings. At December 31, 2000, approximately 23% of Sanpaolo IMI Group's total non-performing loans were to such borrowers.

Allowance for possible loan losses and value adjustments to Loans

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

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

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

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

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

	Year ended December 31,				
	2000	1999	1998	1997	1996
	(millions of €)				
Opening balances	3,458	3,470	2,489	2,333	2,339
Charge off:					
Reported provision	634	664	741	742	558
Value adjustments charged directly to income	—	—	22	287	258
Total charge off	634	664	763	1,029	816
Recoveries:					
Reversal taken to income:	(261)	(159)	(92)	(79)	(87)
Recoveries of value adjustments taken to income	(47)	(68)	(68)	(114)	(42)
Change in estimated loss on loans	(107)	(134)	(94)	(141)	(186)
Total recoveries	(415)	(361)	(254)	(334)	(315)
Net charge off	219	303	509	695	501
Other charges:					
Loans closed or cashed out	(1,036)	(494)	(459)	(744)	(803)
Acquisitions and disposals(1)	813	(23)	670	(51)	—
Gross up to reflect default interest	148	176	212	256	300
Other	64	26	49	—	(4)
Total other	(11)	(315)	472	(539)	(507)
Ending balances	3,666	3,458	3,470	2,489	2,333

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

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

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

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

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

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

	At December 31, 1996		
	Allowance	Percent allowances (1)	Percent to loans (2)
	(millions of €)		
Domestic:			
Government and other public entities	14	0.56%	18.82%
Credit institutions	—	—	0.71%
Non-financial businesses	1,666	71.44%	43.07%
Other	257	11.02%	25.29%
International	367	15.74%	12.11%
Unallocated	29	1.24%	—
Total	2,333	100.00%	100.00%

(1) Allowance in category as percentage of aggregate allowances.
(2) Loans in category as percentage of total loans.

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

	At December 31,				
	2000	1999	1998	1997	1996
Loan loss allowance for non-performing loans as percentage of total non-performing loans	71.43%	59.25%	55.53%	40.90%	41.76%
Loan loss allowance for problem loans as percentage of total problem loans	34.15%	32.10%	24.13%	19.94%	20.23%
Loan loss allowance for loans as percentage of total loans	3.02%	3.50%	3.06%	2.52%	2.32%
Non-performing loans as percentage of total loans:					
Total	2.93%	4.21%	3.99%	4.32%	3.68%
Net	0.84%	1.71%	1.77%	2.55%	2.14%
Problem loans as percentage of total loans:					
Total	1.10%	1.56%	1.71%	2.31%	2.50%
Net	0.73%	1.06%	1.30%	1.85%	1.99%
Net charge off as percentage of average loans and leases to non-credit Institutions	0.30%	0.44%	0.61%	1.09%	0.77%

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

	At December 31,				
Total Loans (1)	2000	1999	1998	1997	1996
	(millions of € except percentages)				
Total Loans	121,491	98,776	113,452	98,705	100,738
Net charge off as a percentage of total loans	0.18%	0.31%	0.45%	0.70%	0.50%
Total allowance at the end of period as a percentage of Total loans	3.02%	3.50%	3.06%	2.52%	2.32%

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

7. Funding Sources

The principal components of the Group's funding are customer deposits (demand and saving accounts), repurchase agreements, certificates of deposit ("CDs"), bonds, subordinated debt and interbank funding. Domestic current and saving accounts are primarily interest-bearing accounts. CDs and bonds are issued both by Sanpaolo IMI, its international branches, Sanpaolo IMI Bank (International) and Banca IMI Group, and have maturities ranging from three months to 10 years. The Group's retail customers are the main source of the Group's funding.

At December 31, 2000, funding in euro represented approximately 80% of the Group's total funding.

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

	At December 31,					
	2000		1999		1998	
	(millions of €, except percentages)					
Customer funds:						
Current accounts	38,531	27.74%	31,344	28.89%	26,264	20.73%
Saving accounts	14,865	10.70%	4,752	4.38%	3,773	2.98%
Repurchase agreements	7,944	5.72%	3,758	3.46%	8,767	6.92%
CDs	8,888	6.40%	9,090	8.38%	12,059	9.52%
Bonds	26,589	19.14%	23,643	21.79%	38,437	30.34%
Commercial papers	3,107	2.24%	2,584	2.38%	1,395	1.10%
Other (1)	4,220	3.04%	3,786	3.49%	6,703	5.29%
Unsubordinated customer funds	104,144	74.98%	78,957	72.77%	97,398	76.88%

	At December 31,					
	2000		1999		1998	
	(millions of €, except percentages)					
Subordinated liabilities	5,158	3.71%	1,524	1.41%	1,511	1.20%
Total customer funds	109,302	78.69%	80,481	74.18%	98,909	78.08%
Due to banks:						
Due to central banks	3,767	2.71%	5,070	4.67%	257	0.21%
Due to other banks	25,829	18.60%	22,942	21.15%	27,505	21.71%
Total due to banks	29,596	21.31%	28,012	25.82%	27,762	21.92%
Total funding	138,898	100.00%	108,493	100.00%	126,671	100.00%

(1) Includes public funds administered at December 31, 2000, 1999 and 1998 amounting to €88 million, €50 million and €69 million, respectively.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

1. Incorporation, Length of Life and Domicile

Sanpaolo IMI is incorporated as a joint stock company with limited liability (*Società per Azioni or S.p.A.*) under the laws of Italy and is registered with the Company Register of Turin under number 06210280019. Sanpaolo IMI was formed on November 1, 1998 by the merger of Sanpaolo and IMI. Sanpaolo IMI is the legal successor of both Sanpaolo and IMI. Pursuant to Article 2504 *bis* of the Italian Civil Code, all rights previously exercised and all obligations and liabilities previously incurred by Sanpaolo and IMI have automatically passed to Sanpaolo IMI.

Sanpaolo was established by a notarial deed dated October 31, 1991 as part of the restructuring project approved according to Law 218 of July 30, 1990 (the "Amato Law") and Legislative Decree 356 of November 20, 1990, with the Decree of the Treasury Minister of October 28, 1991. In 1992, approximately 21% of Sanpaolo's share capital was floated in Italy and the shares were traded on The Stock Exchange Automated Quotation International Systems of the London Stock Exchange Limited (**"**SEAQ International**"**). A charitable foundation, Compagnia di San Paolo, indirectly remained Sanpaolo's majority shareholder until 1997, when certain stable shareholders purchased 22% of Sanpaolo's share capital, while a further 31% was sold in an Italian public offering and a global offering to institutional investors.

IMI resulted from the transformation of the Istituto Mobiliare Italiano - a public entity established by Royal Legislative Decree 1398 of November 13, 1931, converted with modifications in Law 1581 of December 15, 1932 – pursuant to the restructuring project planned according to Law 218 of July 30, 1990 and Legislative Decree 356 of November 20, 1990. There was no public market for IMI's shares prior to 1994. In that year, as part of the Italian government's privatization campaign, the Italian Treasury and several other shareholders in IMI took part in a global offering of more than 33% of IMI's share capital. In connection with such global offering, IMI's shares were listed on the Italian electronic share exchange, Telematico; IMI's ADSs were listed on the NYSE in 1994, and both the shares and the ADSs were traded on SEAQ International. In 1995, shares in IMI held by the Italian Ministry of the Treasury were privately placed with Italian and other European financial institutions and other corporate entities. In July 1996, IMI lead-managed the third offering of its own shares by the Italian Ministry of the Treasury, to institutional investors in Italy, the rest of Europe and the United States.

The duration of Sanpaolo IMI is until December 31, 2100. Any extension of such duration must be approved by an extraordinary meeting of shareholders with a legal majority.

Sanpaolo IMI has its registered office at Piazza San Carlo 156, 10121 Turin, Italy (telephone number +39- 011-5551) and a secondary office, with permanent establishment, at Viale dell'Arte 25, Rome, Italy.

Sanpaolo IMI is licensed as a bank under the terms of Legislative Decree 385 of September 1, 1993. It is registered in the Register of Banks and is also registered as the Reporting Bank for Bank of Italy purposes for the Sanpaolo IMI Banking Group.

2. Recent Developments

The acquisition of Banco di Napoli

In the course of 2000, Sanpaolo IMI acquired Banco di Napoli, a commercial bank based in Naples with 731 branches in Italy, most of which are located in the regions of Southern Italy. With its presence in Southern Italy, Banco di Napoli's branch network is highly complementary with the Sanpaolo IMI branch network The acquisition strengthens the Group's presence in the household and small-and medium-sized business client sectors.

The acquisition of Banco di Napoli was carried out in four successive phases:

- in July 2000, Sanpaolo IMI purchased for €874 million a 49% equity stake held by Banca Nazionale del Lavoro S.p.A. in Banco di Napoli Holding S.p.A. ("Banco di Napoli Holding"), the parent company of Banco di Napoli with a 56.1% interest in Banco di Napoli's ordinary share capital;

- in October 2000, in conjunction with the completion of INA's spin-off of Banco di Napoli Holding, Sanpaolo IMI acquired the remaining 51% of Banco di Napoli Holding, thereby acquiring control of Banco di Napoli. The Banco di Napoli Holding shares acquired by the Group in this phase, valued at €945 million, were purchased against (i) the cancellation of Sanpaolo IMI's residual 9.14% equity stake in INA, valued at €903 million, and (ii) the assignment of 3.6 million Sanpaolo IMI shares, valued at €57 million, to the minority shareholders of INA. In addition, Sanpaolo IMI received a cash consideration of €15 million from Generali, the majority shareholder of INA;

- in November 2000, as required by Commissione Nazionale per le Società e la Borsa, the agency which administers the Italian securities regulations, ("CONSOB"), Sanpaolo IMI launched a public takeover offer for the remaining 43.9% of the ordinary shares in Banco di Napoli held by minority shareholders. The offer was accepted by shareholders representing 41.5% of Banco di Napoli's share capital. The price paid by Sanpaolo IMI was €1.533 per share, for a total outlay for this phase of the acquisition of €1.187 billion. On completion of the public takeover offer, Sanpaolo IMI raised its equity stake in Banco di Napoli to 97.6%.

- in May 2001, Sanpaolo IMI acquired an additional equity stake in Banco di Napoli through a residual public takeover offer, raising its ownership interest in Banco di Napoli to 99.66%. The price paid by Sanpaolo IMI was €1.549 per share, for a total outlay for this phase of the acquisition of €55 million. Sanpaolo IMI has announced, that it will proceed to a squeeze out of outstanding shares.

The acquisition of the Wargny Group

In December 2000, Banca Fideuram acquired Wargny Associés (France) S.A., the holding company of the Wargny Group, which has not only a leading position in the French market in traditional and online securities brokerage, but also a niche presence in private banking. The total acquisition price was €103.2 million. Banca Fideuram contemporaneously sold a 5% stake in Wargny Associés to Banca Finnat Euramerica for €5.4 million.

The alliance with Cassa di Risparmio di Firenze

As a further step forwards strengthening Group operations in the Italian market, in February 2000, Sanpaolo IMI formed a strategic alliance with Cassa di Risparmio di Firenze S.p.A. ("Cassa di Risparmio di Firenze"), a savings bank based in Florence with a network of more than 400 branches in the regions of Central Italy. Under the terms of a share purchase agreement, Sanpaolo IMI acquired a 15% equity stake in Cassa di Risparmio di Firenze for €387 million; in addition to the 4.1% ownership interest Sanpaolo IMI already held, this acquisition raised the Group's total equity stake in Cassa di Risparmio di Firenze to 19.1%. At the same time, Ente Cassa di Risparmio di Firenze, the foundation that is the controlling shareholder of Cassa di Risparmio di Firenze, acquired a 2% ownership interest in Sanpaolo IMI.

The terms of a cooperation agreement between Sanpaolo IMI and Cassa di Risparmio di Firenze provide for a joint commitment to expand operations in the regions of Central Italy, with Sanpaolo IMI acting as the main service provider in the asset management and corporate segments. To this end, CR Firenze Gestion Internationale, a Luxembourg mutual fund management company 20% owned by Sanpaolo IMI and 80% by Cassa di Risparmio di Firenze, was established in October 2000 and became operational in April 2001. CR Firenze Gestion Internationale will distribute CR Firenze branded products through Cassa di Risparmio di Firenze's branch network, while Sanpaolo IMI Group companies will provide it with various asset management and depositary bank services.

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

In November 2000, Sanpaolo IMI and Cassa di Risparmio di Firenze agreed to purchase from Fondazione Cassa dei Risparmi di Forlì, the foundation that is the controlling shareholder of Cassa dei Risparmi di Forlì, a savings bank with approximately 60 branches in the region of Emilia Romagna, an interest in the savings bank. On June 12, 2001, Sanpaolo IMI acquired a 15% equity stake in Cassa dei Risparmi di Forlì for €122 million, while Cassa di Risparmio di Firenze acquired a 5% equity stake. On June 27, 2001, Sanpaolo IMI and Cassa di Risparmio di Firenze jointly launched a public takeover offer for an additional 8.03% equity stake (consisting of both ordinary and preferred shares) in Cassa di Risparmi di Forlì, with Sanpaolo IMI offering to acquire approximately 6% and Cassa di Risparmio di Firenze offering to acquire approximately 2%, at a price of €41.4 per ordinary share and €42.2 per preferred share. If the offer is accepted in full at these prices, the aggregate cost of Sanpaolo IMI and Cassa di Risparmio di Firenze would be €62.2 million.

In January 2001, Sanpaolo IMI entered into an agreement with Fondazione Cassa di Risparmio di Venezia ("Fondazione Carive") for the acquisition of a 10.9% equity stake in Cardine Banca S.p.A. ("Cardine Banca"), a leading bank in the regions of Northeastern Italy with approximately 800 branches. In connection with this transaction, Sanpaolo IMI transferred to Fondazione Carive 27.5 million Sanpaolo IMI shares, valued at €516 million, giving Fondazione Carive a 1.96% equity stake in Sanpaolo IMI.

The relationship with Banco Santander Central Hispano

In the course of 2000, Sanpaolo IMI raised its equity stake in Banco Santander Central Hispano ("BSCH") to 3%. In 2000, BSCH raised its equity stake in Sanpaolo IMI to 7.02% in December 31, 2000 and subsequently reduced it to 6.48% by April 30, 2001. New joint development projects with BSCH were also launched during 2000, the most important ones being:

- an initiative launched together with other leading European banking groups to create an Internet platform to offer treasury and capital market products online to companies and institutional investors;
- an agreement for the distribution of products to Sanpaolo IMI's and BSCH's respective customers in Europe and Latin America; and

See also "Item 7 – Major Shareholders and Related Party Transactions – The Major Shareholders – Agreement Among Certain Shareholders".

Other transactions

On April 27, 2000, Sanpaolo IMI sold its remaining 40% equity stake in Crediop, the former public works and infrastructures subsidiary of the Sanpaolo IMI Group, to Dexia Group for € 400 million, yielding a net capital gain of €134 million.

In May 2001, Sanpaolo IMI entered into an agreement with Compagnia Finanziaria di Investimento S.p.A. for the sale of a 10% equity stake in Beni Stabili S.p.A. ("Beni Stabili"), the company into which Sanpaolo IMI's real estate assets had been transferred as part of a spin-off in 1999. The sale is expected to be completed by the end of June 2001 and to yield a net capital gain of approximately €50 million.

The Group, through Nuova Holding Sanpaolo S.p.A. ("NHS"), acquired from Compagnia di San Paolo a 2.2% stake in FIAT S.p.A. ("FIAT") for €220 million. The acquisition was at the applicable market price. Compagnia di San Paolo is the largest single shareholder of the Bank. IFI/IFIL S.p.A. ("IFI/IFIL") is, together with Compagnia di San Paolo, a stable shareholder of the Group (see "Item 7. Major Shareholders and Related Party Transactions –A.

The Major Shareholders".) As a result of the acquisition NHS became a party to the FIAT shareholders' agreement which includes IFI/IFIL, Assicurazioni Generali S.p.A. ("Assicurazioni Generali") and Deutsche Bank.

Internal Group developments

The principal internal developments, designed to reinforce the Group's operations, were in the Retail Banking, Wealth Management and Personal Financial Services sectors and included:

- the strengthening of the distribution system. The number of exclusive financial agents working for Banca Fideuram and Banca Sanpaolo Invest grew to 5,270 by the end of 2000, an increase of 400 over the end of 1999; in the same period the Commercial Banking network of the Bank in Italy grew by 40 branches to reach a total of 1,332 branches excluding the Banco di Napoli branches;

- the completion of the first phase of a project for the creation, within the Group's Commercial Banking area, of a new multichannel distribution model, using the Internet as a supplementary vehicle to offer services to individuals and as a platform on which to market the Group's products and services to current and prospective corporate clients;

- the establishment of a Wealth Management Business Area, to provide products and services both to distribution structures within the Group (Commercial Banking, Banco di Napoli and Banca Sanpaolo Invest) and to external networks and institutional clients;

- the reorganization of the branches, which will gradually extend to the Group's entire Italian Commercial Banking network, with a view to making each branch specialize in its primary client segment; the principal division will be between retail-oriented and corporate-oriented branches;

- the transformation of Sanpaolo Invest into a bank (named Banca Sanpaolo Invest) in July 2000 and steps to list it on the Italian Stock Exchange;

- the transformation of @IMIWeb into a bank (named IMIWeb Bank S.p.A. ("IMIWeb Bank")) in January 2001 and the extension of its range of activities from e-trading to e-banking; and

- steps taken to transform Finconsumo into a bank, which is expected to occur in mid-2001. Finconsumo securitized without recourse €350 million of performing consumer loans in 2000.

In the Wholesale Banking sector, in an effort to optimize the value of Sanpaolo IMI's specialist banking services, the Corporate Business Area's customer base was redefined. From 2001 onwards, the Corporate Business Area has been given responsibility for all Italian groups and companies with revenues of more than Lit. 500 billion, compared to the previous limit of Lit. 1,000 billion. This expansion was driven by the need to respond more effectively to the demand for more sophisticated products and services now required by medium-sized businesses.

The same need to emphasize the Group's specialist skills also led to the creation within the Group of a separate public works lending Business Area. In July 2000, Sanpaolo IMI transferred the whole of this business to a dedicated subsidiary, IMI Lease S.p.A., which acquired an Italian banking license and changed its name to Banca OPI S.p.A. ("Banca OPI").

Finally, Sanpaolo IMI completed three important transactions, selling non-performing loans without recourse involving a total of 37,608 positions with a gross book value of €1.554 billion and a net book value of €756 million, leading to writebacks to the income statement of €92 million. 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.

Sanpaolo IMI continued this policy into 2001, completing in May 2001 the non-recourse sale of non-performing loans with a book value of €109 million.

3. Principal Capital Expenditures and Divestitures

The following table shows the Group's principal capital expenditures for the first quarter of 2001 and the years ended December 31, 2000, 1999 and 1998. For purposes of this table "principal capital expenditure" means any capital expenditure in excess of €100 million.

Company	Country	Description	Financing	Amount Invested
				(millions of €)
Capital Expenditures 1998				
BSCH	Spain	Acquisition of 0.46% equity stake	Internal	88
Capital Expenditures 1999				
INA	Italy	Increase of equity stake from 3% to 9.2%	Internal	703
BSCH	Spain	Increase of equity stake from 0.46% to 2%	Internal	581
Banca Agricola Mantovana	Italy	Acquisition of 9.6% equity stake	Internal	206
Total 1999				1,490
Capital Expenditures 2000				
Cassa di Risparmio di Firenze	Italy	Acquisition of 15% equity stake	Internal	387
Banco di Napoli	Italy	Acquisition of 97.65% ordinary equity stake	Internal and External	3,006
Wargny Associés	France	Acquisition of 100% equity stake	Internal	103
BSCH	Spain	Increase of equity stake from 2% to 3.05%	Internal	708
FIAT	Italy	Acquisition of 2.2% ordinary equity stake	Internal	220
Total 2000				4,424
Capital Expenditures through June 30, 2001				
Banca Cardine	Italy	Acquisition of 10.9% equity stake	Internal	516
Cassa dei Risparmi di Forlì	Italy	Acquisition of 15% equity stake	Internal	122
Banco di Napoli	Italy	Acquisition of 2.01% ordinary equity stake	Internal	58
ENI	Italy	Acquisition of 0.26% equity stake	Internal	143
Total through June 30, 2001				839

The following table shows the Group's principal capital divestitures for the years ended December 31, 2000, 1999 and 1998. For purposes of this table "principal capital divestiture" means any capital divestiture of €100 million.

Company	Description	Proceeds
		(millions of €)
Capital Divestitures 1998		
None	–	–
Capital Divestitures 1999		
Crediop	Sale of 20% equity stake	218
Telecom Italia	Acceptance of Olivetti's takeover bid for 0.75% equity stake	448
Total 1999		666
Capital Divestitures 2000		
Crediop	Sale of 40% equity stake	403
Wargny Associés	Sale of 4.98% equity stake	5
Total 2000		408

4. Public Takeover Offers

No public takeover offer in respect of Sanpaolo IMI's shares has been made from January 1, 2000 to date.

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

B. Business Overview

At December 31, 2000, Sanpaolo IMI Group was one of the leading banking groups in Italy by total assets (€172.1 billion), loans to customers (€98.7 billion) and customers' financial assets (€304.1 billion), of which 34.2% was represented by direct customer deposits (€104.1 billion), 42.4% by assets under management (€128.9 billion) and 23.4% by assets under administration (€71.1 billion). At the same date, the Group had 2,137 branches in Italy, together with 76 branches (of which 61 retail branches in France through its subsidiary Banque Sanpaolo S.A. ("Banque Sanpaolo")) and 15 representative offices abroad.

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

1. Organization by Business Area

The Group is organized by Business Areas in the following sectors:

- Retail Banking: the products and services geared to households and small- and medium-sized businesses are provided by the Commercial Banking Business Area and, from 2001, also by Banco di Napoli. The activities of Cassa di Risparmio di Firenze (in which Sanpaolo IMI has a 19.1% equity stake) also form part of the Retail Banking sector;

- Wealth Management: a dedicated Business Area was established in April 2001 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 exclusive financial agents 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 S.p.A. ("Banca Sanpaolo Invest"); IMIWeb Bank's e-banking activities are also included in this sector;

- Wholesale Banking: this sector includes the activities of the Corporate, Public Works and Infrastructure, Investment Banking and Merchant Banking Business Areas.

In addition, Central Functions is responsible for holding company activities, treasury, loan recovery, real estate and shareholding management.

The following chart shows the structure of the Sanpaolo IMI Group as of December 31, 2000:

CENTRAL FUNCTIONS
PARENT BANK FUNCTIONS
SHAREHOLDINGS
- Banco Santander Central Hispano (3.0%)
- Beni Stabili (14.2%)
- The Royal Bank of Scotland (0.2%)
- Other shareholdings

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

WORKOUT
- Parent Bank
- Sanpaolo Immobiliare

PROPERTY
- Parent Bank

RETAIL BANKING
COMMERCIAL BANKING
- Parent Bank
- Banque Sanpaolo (France)
- Sanpaolo Leasint
- Finconsumo (50%)
- Inter-Europa Bank (Hungary) (32.5%)

BANCO DI NAPOLI (97.6%) (1)
Minority shareholding and strategic alliance with Cassa di Risparmio di Firenze (19.1%)

WEALTH MANAGEMENT
- Sanpaolo IMI Asset Management
- Sanpaolo Vita
- Sanpaolo Life (Ireland)
- Sanpaolo Bank (Luxembourg)
- Sanpaolo Bank (Austria)
- Sanpaolo Fiduciaria
- Sanpaolo Gestion Internationale (Luxembourg)

PERSONAL FINANCIAL SERVICES
BANCA FIDEURAM GROUP (74%)
- Banca Fideuram
- Wargny Associés (France)
- Wargny Management (France)
- Fideuram Fondi
- Fideuram Vita
- Fideuram Capital
- Fonditalia Mgt (Luxembourg)
- Fideuram GPM
- Fideuram Bank (Luxembourg)
- Interfund Advisory Co (Luxembourg)
- Fideuram Assicurazioni
- Fideuram Fund (Luxembourg)
- Fideuram Fiduciaria
- Fideuram Bank Suisse (Switzerland)
- ISAC (Luxembourg)
- Fideuram Gestions (Luxembourg)
- Fideuram Multimanager Fund (Luxembourg)

BANCA SANPAOLO INVEST
- Sanpaolo Invest Ireland (Ireland)

IMIWEB BANK
- IMIWeb UK (Great Britain)

WHOLESALE BANKING
CORPORATE
- Parent Bank
- Sanpaolo IMI Bank Ireland (Ireland)

PUBLIC WORKS AND INFRASTRUCTURE
- Banca OPI

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

MERCHANT BANKING
NHS Group (51%)
- NHS
- LDV Holding (The Netherlands)

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(1) Shareholding in ordinary shares.

2. Results by Business Area

This section summarizes the financial performance of Sanpaolo IMI Group's Business Areas for the years ended December 31, 2000 and December 31, 1999. The Group was organized into different Business Areas in 1998, and consequently results broken down by the current Business Areas are not available for the year ended December 31, 1998. The percentage changes from 1999 to 2000 for Business Areas whose activities are carried out by the Parent Bank and Subsidiaries are affected by changes in the allocation of various revenue and cost items.

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

The financial results of the Group's Business Areas were prepared as follows:

- for Business Areas whose activities were conducted both by the Parent Bank and by its subsidiaries, the Parent Bank's figures for the Area in question were consolidated with those of the subsidiaries operating in the same Area. The Parent Bank's figures were allocated to the relevant Business Areas on the following bases:
- net interest income was calculated using suitable internal transfer rates;
- in addition to actual commissions, notional commissions were also calculated for services rendered by one Business Area to another; and
- the direct costs of each Business Area were calculated and, on the basis of certain parameters, the operating costs of the central structures of the various Areas (except for those attributable to the holding company functions) were recharged to the relevant Area;
- for Business Areas whose activities were conducted exclusively by subsidiaries, the statements of income of the relevant companies are shown. The contribution made to consolidated net income is also shown, net of minority interests and after consolidation adjustments applicable to the relevant Business Area. Amortization of goodwill arising from investments made by the Parent Bank in the Business Areas was allocated exclusively to Central Functions.

The capital allocated to each Business Area was calculated on the following bases:

- for Business Areas whose activities were conducted both by the Parent Bank and by its subsidiaries, the average amount of capital absorbed by the Parent Bank was consolidated with that absorbed by the relevant subsidiaries. The amount of economic capital absorbed was measured using a Value at Risk ("VaR") approach, distinguishing among various types of risk: lending risk, market risk and operational risk;
- for Business Areas whose activities were conducted exclusively by subsidiaries, the relevant company's average book net equity (excluding net income for the year) was taken into consideration.

The following methodology was used in allocating the Parent Bank's capital to the Business Areas:

- the risks of the relevant Area were calculated with a confidence interval of 99.95% and in line with the rating attributed to the Group; and
- the risks of the Areas were covered entirely by Tier 1 capital allocated to such Areas.

Finally, the profitability of each Business Area was calculated as follows:

- for Business Areas whose activities were conducted both by the Parent Bank and by its subsidiaries, profitability is expressed in terms of RORAC ("Return On Risk-Adjusted Capital"), which calculates the relevant Area's contribution to Group net income as a percentage of the economic capital that it absorbs, quantified using a VaR approach;

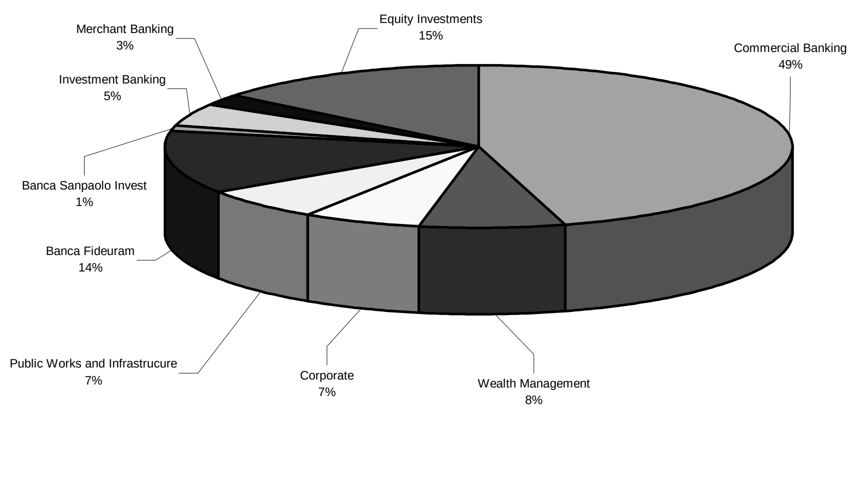
- for Business Areas whose activities were conducted exclusively by subsidiaries, profitability is expressed in terms of ROE ("Return on Equity"), which calculates the relevant Area's contribution to Group net income as a percentage of its average book net equity (excluding net income for the year), in accordance with Group accounting policies.

The following table shows, for the periods indicated, a summary of the results of the Group's Business Areas.

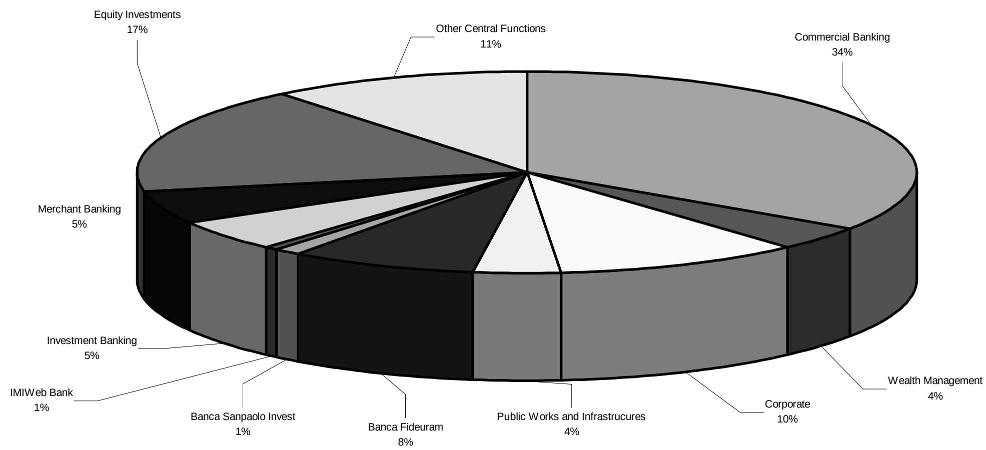
Business Areas	**Contribution to Group Net Income**			**Average Capital**		**Profitability**	
	2000 Restated	**1999**	**Change 2000 Restated / 1999**	**2000 Restated**	**1999**	**2000 Restated**	**1999**
	(millions of €)		**%**	**(millions of €)**		**%**	**%**
Retail Banking(1)							
Commercial Banking	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)			41			
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		
Other Central Functions	(77)	(20)		771	1,250		
Group Total	1,292	1,050	23.0	7,157	7,506	18.1	14.0

(1) Excluding Banco di Napoli.

NET INCOME 2000 BY BUSINESS AREA



ALLOCATED CAPITAL 2000 BY BUSINESS AREA



Commercial Banking

The Commercial Banking Business Area operates, in Italy, through the Parent Bank's network of 1,332 branches; abroad, the Area operates through the Parent Bank's 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 active in consumer credit (Finconsumo S.p.A. ("Finconsumo"), jointly controlled with BSCH) and in leasing (Sanpaolo Leasint S.p.A.) are also part of Commercial Banking.

The following table shows the results of Commercial Banking for the years ended December 31, 2000 and 1999. The decision to set up a separate Business Area dedicated to Wealth Management involved spinning off from Commercial Banking the Group companies providing mutual fund and portfolio management services, private banking services and life insurance services in April 2001. In order to reflect this new situation, the following results for the Commercial Banking are restated without the contribution of those companies.

	Commercial Banking			**Of which: Italian branches**			**Of which: Banque Sanpaolo(1)**		
Statement of Income (€/mil)	**2000**	**1999**	**% Change 2000/1999**	**2000**	**1999**	**% Change 2000/1999**	**2000**	**1999**	**% Change 2000/1999**
Net interest and other banking income	3,321	2,927	13.5	3,000	2,655	13.0	210	166	26.1
Operating costs	(1,908)	(1,847)	3.3	(1,720)	(1,682)	2.3	(129)	(112)	14.4
Operating income	1,413	1,080	30.8	1,280	973	31.7	81	54	50.5
Provisions and net adjustments to loans and financial fixed assets	(230)	(288)	(20.8)	(202)	(256)	(20.9)	(11)	(17)	(35.1)
Income before extraordinary items	1,184	792	49.4	1,078	717	50.4	70	37	89.0
Net extraordinary income	13	(1)	—	2	—	—	9	3	189.3
Income before taxes	1,197	791	51.3	1,080	717	50.6	79	40	96.3
Income taxes for the year	(562)	(388)	44.7	(514)	(355)	44.6	(31)	(6)	—
Net income	635	403	57.6	566	362	56.4	48	34	41.2
Allocated Capital (€/mil)	2,473	2,464	0.4	2,062	2,109	(2.2)	284	257	10.5
Ratios (%)	**2000**	**1999**		**2000**	**1999**		**2000**	**1999**	
RORAC	25.7	16.4		27.4	17.2		16.9	13.2	
Cost/Income ratio	57.5	63.1		57.3	63.5		61.3	67.6	

Operating Data (€/mil)	At 12/31/00	At 12/31/99	% Change 2000/1999	At 12/31/00	At 12/31/99	% Change 2000/1999	At 12/31/00	At 12/31/99	% Change 2000/1999
Total financial assets	161,036	160,561	0.3	147,805	142,652	3.6	13,066	17,534	(25.5)
Direct deposits	34,598	32,511	6.4	29,795	28,739	3.7	4,638	3,397	36.5
Assets under management	71,125	66,627	6.8	65,424	62,524	4.6	5,701	4,103	38.9
Of which: Group products	69,396	64,661	7.3	65,424	62,524	4.6	3,972	2,137	85.9
- Mutual funds and fund-based portfolio management	58,610	55,926	4.8	55,237	54,052	2.2	3,373	1,874	80.0
- Portfolio management	4,848	4,199	15.5	4,249	3,936	8.0	599	263	127.7
- Life insurance policies	5,938	4,536	30.9	5,938	4,536	30.9	—	—	—
Of which: other products	1,729	1,966	(12.1)	—	—	—	1,729	1,966	(12.1)
Assets under administration	55,313	61,423	(9.9)	52,586	51,389	2.3	2,727	10,034	(72.8)
Net inflow for assets under management	7,674	11,011		6,204	10,138		1,470	873	
Net loans to customers, excluding NPLs	39,975	37,183	7.5	36,102	33,613	7.4	3,565	3,006	18.6
Structure									
Employees	17,571	17,473	0.6	16,046	16,027	0.1	1,221	1,163	5.0
Branches	1,393	1,344	3.6	1,332	1,292	3.1	61	52	17.3

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

Actions taken by Commercial Banking in the Italian market in 2000 were geared principally to strengthening its competitive position, and included:

- the creation of a distribution model allowing customers to conduct their business with the Bank in an integrated fashion through branches, the Internet, the call center and mobile banking. The last quarter of 2000 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 under way involving the use of the Internet as a platform for marketing products and services to current and prospective clients;

- the strengthening of the branch network in terms of both quantity and quality. The number of branches increased by 40; particular attention was paid to those branches involved in private banking, which increased by eight during 2000. The entire network is now involved in a reorganization which will lead to the specialization of each branch in its primary client segment, with the principal division being between retail-oriented and corporate-oriented branches;

- the strengthening of its commercial capacity, with priority given to higher-value-added customers and better cross-selling. To improve services to individuals, customer portfolio managers have been assigned and have been given more sophisticated information technology 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 credit risk management. Personnel in this area have been given greater support through new workstations and more modern systems of scoring and monitoring critical positions;

- the strengthening of incentive compensation plans, with a greater focus on commercial results and profitability.

In consumer credit, Finconsumo, which has a market share of 4.3% and ranks eighth among Italian companies in this market, completed the formalities for its transformation into a bank. It is expected to commence banking operations by mid-2001. Finconsumo also completed the securitization of €350 million of performing loans and prepared a plan for the development of credit card operations.

In the French market, Banque Sanpaolo strengthened its distribution structure, acquiring seven branches from Banque Générale du Commerce S.A. in 2000 to bring its network to a total of 61 branches. It also completed a project to upgrade its electronic channels, with the establishment of a new Internet banking service.

Overall, the Commercial Banking Business Area has seen a substantial increase in its profit margins: net income increased by 57.6%; RORAC improved to 25.7% compared with 16.4% in 1999; and the cost-to-income ratio improved to 57.5% from 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 allocated capital compared with the growth in loans.

There was also a significant growth in asset management volumes, with a total of €71.1 billion assets under management at the end of 2000. This figure was achieved through a net inflow of €7.7 billion, of which €1.6 billion was in the insurance sector, as follows:

- the Italian network achieved a net inflow of €6.2 billion, bringing total funds under management to €65.4 billion. The Italian market share of the Group's mutual funds and fund-based portfolio management at the end of 2000 was 10.6%. The most significant increases were 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 achieved a net inflow of €1.5 billion, increasing its total assets under management to €5.7 billion.

The Commercial Banking Area maintained a positive trend in net loans to customers, with an increase in value in 2000 of 7.5%. The main contributors to this result were mortgage loans granted to individuals by the Italian network, for a total of €1.6 billion, and Banque Sanpaolo, whose mortgage loans increased by approximately 23% compared to 1999.

Wealth Management

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 decision to create a separate Business Area devoted to Wealth Management.

This new Area became operational in April 2001. It provides products and services both to the Bank's own distribution structures (Commercial Banking, Banco di Napoli and Banca Sanpaolo Invest) and to external networks.

Wealth Management includes the Group companies providing mutual fund and portfolio management services (Sanpaolo IMI Asset Management SGR S.p.A., Sanpaolo Gestion Internationale S.A., Sanpaolo Fiduciaria S.p.A. and Sanpaolo Services Luxembourg S.A.), private banking services (Sanpaolo Bank Luxembourg S.A. and Sanpaolo Bank Austria AG) and life insurance services (Sanpaolo Vita S.p.A. and Sanpaolo Life Ltd.).

The following table shows, on a pro forma basis, the results of Wealth Management as if it had been a separate Business Area for the years ended December 31, 2000 and 1999.

Statement of Income (€/mil)	**2000 (Pro forma)**	**1999 (Pro forma)**	**% Change 2000/1999**
Net interest and other banking income	261	176	48.4
Operating costs	(62)	(54)	15.9
Operating income	199	122	62.6
Provisions and net adjustments to loans and financial fixed assets	(44)	(4)	—
Income before extraordinary items	156	118	32.1
Income before income taxes	156	118	32.7
Income taxes for the year	(26)	(28)	(7.2)
Change in reserve for general banking risks	3	(1)	—
Net income	133	89	49.5
Contribution to Group net income (1)	106	65	63.1
Allocated Capital (€/mil)	266	233	14.4

Ratios (%)	2000 (Pro forma)	1999 (Pro forma)	
ROE	39.8	27.9	
Cost/Income ratio	23.8	30.4	
Operating Data (€/mil)	**At 12/31/00 (Pro forma)**	**At 12/31/99 (Pro forma)**	**% Change 2000/1999**
Assets under management	74,331	70,257	5.8
Structure			
Employees	343	261	31.4

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

In the course of 2000, the companies that now form part of the Wealth Management Area undertook a number of initiatives designed to expand the range of products and services offered:

- in asset management, 15 new funds were created and the portfolio management capabilities were strengthened;
- in insurance, an Index Linked Multimanager policy was launched and new products dedicated to higher-value-added customers were introduced; and
- in private banking, the establishment of SP Private Banking S.A., a Swiss bank based in Geneva and with a branch in Lugano. SP Private Banking commenced operations in February 2001.

The Wealth Management companies also took steps to extend their distribution channels, entering into agreements for:

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

Activity in the companies now forming part of the Wealth Management Area grew rapidly during 2000. The positive trend in volumes of assets 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% compared to 1999, raising its ROE to almost 40%.

Banca Fideuram

Banca Fideuram, which has a network of 3,782 exclusive financial agents and 74 branches, operates through its own subsidiaries that specialize in asset management services.

The following table shows the results of Banca Fideuram for the years ended December 31, 2000 and 1999.

Statement of Income (€/mil)	2000	1999	% Change 2000/1999
Net interest and other banking income	526	397	32.6
Operating costs	(228)	(187)	22.0
Operating income	298	210	42.0
Value adjustments on goodwill, merger difference and consolidation differences	(34)	(30)	13.5
Provisions and net adjustments to loans and financial fixed assets	(11)	(14)	(18.8)
Income before extraordinary items	253	166	52.1
Extraordinary items	1	3	(65.1)
Income before income taxes	254	169	50.1
Income taxes for the year	(30)	(11)	–
Net income	224	158	41.8
Contribution to Group net income (1)	177	129	37.2
Allocated Capital (€/mil)	544	496	9.7

Ratios (%)	2000	1999
ROE	32.5	26.0
Cost/Income ratio	43.3	47.2

	At 12/31/00	At 12/31/99	% Change 2000/1999
Operating Data (€/mil) (2)			
Financial assets	51,073	44,737	14.2
- Direct deposits	2,725	2,247	21.3
- Assets under management	40,613	36,112	12.5
- Mutual funds and fund-based portfolio management	34,923	31,125	12.2
- Life insurance	5,690	4,987	14.1
- Assets under administration	7,735	6,378	21.3
Net asset management flows	6,150	5,871	
Structure (2)			
Employees	1,587	1,298	22.3
Exclusive financial agents	3,782	3,509	7.8
Branches	74	63	17.5

(1) Relates to the 74% interest held by Sanpaolo IMI and after consolidation of items attributable to this Business Area.

(2) Reflects full consolidation of the Wargny Group.

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

- strengthening its distribution channels by adding 273 exclusive financial agents, opening 11 new branches and developing online operations;
- expanding the product range with a specific emphasis on products (especially a new line of unit-linked policies) geared to the affluent client segment;
- expanding into foreign markets in international private banking. At the end of 2000 the acquisition of the Wargny Group was completed. This group has a leading position in the French market in traditional and online securities brokerage, as well as a niche presence in private banking. With a view to expanding into the Swiss market as well, Banca Fideuram applied for authorization to transform its Swiss subsidiary, Turis A.G., into a bank. In February 2001, Turis A.G. obtained a Swiss banking license and changed its name to Fideuram Bank (Suisse) S.A.

Banca Fideuram's margins increased significantly in 2000, producing ROE of more than 30%. Net commissions in particular grew by 37%, despite the booking of provisions of more than €100 million for Banca Fideuram's exclusive financial agents' incentive bonuses under the 1999-2001 plan. This increase in revenues allowed the bank to absorb the increase in operating costs related to the expansion initiatives taken during the year without penalizing its profitability.

Assets under management grew faster than the average for the Italian banking system, amounting to €40.6 billion at the end of 2000 as a result of a net inflow of €6.2 billion, of which €725 million was in insurance. Banca Fideuram's share of the Italian market for mutual funds and fund-based portfolio management grew by approximately 0.6% to reach 6.3% at the end of 2000. Equity funds showed a particularly positive trend, representing 53.4% of the total funds at the end of 2000.

Banca Sanpaolo Invest

Banca Sanpaolo Invest provides financial services to households through its network of exclusive financial agents.

The following table shows the results of Banca Sanpaolo Invest for the years ended December 31, 2000 and 1999.

Statement of Income (€/mil)	**2000**	**1999**	**% Change 2000/1999**
Net interest and other banking income	69	62	10.7
Operating costs	(49)	(29)	68.6
Operating income	20	33	(39.9)
Income before extraordinary items	20	26	(23.3)
Extraordinary income	6	1	–
Income before taxes	26	27	(4.5)
Income taxes for the year	(10)	(6)	60.5
Net income	16	21	(23.8)
Allocated Capital (€/mil)	89	46	92.2

Ratios (%)	**2000**	**1999**
ROE	18.0	45.7
Cost/Income ratio	71.0	46.6

Operating Data (€/mil)	**At 12/31/00**	**At 12/31/99**	**% Change 2000/1999**
Total financial assets	10,178	9,363	8.7
- Direct deposits	52	1	–
- Assets under management	9,180	8,177	12.3
Of which: Group products	7,469	6,895	8.3
- Mutual funds and fund-based portfolio management	6,733	6,225	8.2
- Portfolio management	270	274	(1.4)
- Life insurance	466	396	17.6
Of which: other products	1,711	1,282	33.5
- Assets under administration	946	1,185	(20.2)
Net asset management flows	1,711	1,253	

Structure			
Employees	176	110	60.0
Exclusive financial agents	1,488	1,356	9.7

Sanpaolo Invest's main priority in 2000 was to strengthen its competitive position with a view to becoming listed on the Italian Stock Exchange. The main developments during the year were:

- its transformation into a bank, separate from Sanpaolo IMI;
- the adoption of a multi-channel distribution model with Internet and telephone banking services, allowing its network of exclusive financial agents to focus on higher-value-added activities; and

- an expansion of is product and service range through the development of banking services and its own asset management products, as well as the adoption of an open-architecture approach. To this end, a specialist fund management company, Sanpaolo Invest Ireland Ltd. had already been established in June 1999. Distribution agreements were also reached with leading international financial institutions active in the funds sector, such as Credit Agricole Indosuez, Credit Suisse, J.P. Morgan and Pictet, involving a total of 200 different types of funds.

Banca Sanpaolo Invest's results were adversely affected by the extraordinary charges incurred for its transformation into a bank and to prepare for its listing on the Italian Stock Exchange. As a result, net income decreased by 23.8% compared with 1999.

In terms of volume, Banca Sanpaolo Invest maintained a high rate of growth in 2000, raising its assets under management to €9.2 billion as result of a net inflow of €1.7 billion. Its market share in the Italian market for mutual funds and fund-based portfolio management increased to 1.3%. Growth was strongly focused on equity funds, which at the end of the year amounted to 69% of the total funds.

IMIWeb Bank

IMIWeb was established at the end of 1999 as the Group's online trading company.

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

Statement of Income (€/mil)	**2000**
Net interest and other banking income	6
Operating costs	(35)
Loss from operating activities	(29)
Extraordinary items, net	1
Net loss	(28)

With a view to gradually extending its activities from e-trading to e-banking, the company applied for a banking license in Italy, which was granted in January 2001. IMIWeb subsequently changed its name to IMIWeb Bank.

In August 2000, Banca IMI transferred to IMIWeb its 100% equity stake in IMIWeb UK, previously IMI Sigeco (UK), so that the subsidiary could launch an online trading activity in the United Kingdom.

IMIWeb closed its first full year of operations in 2000 with a loss of €28 million, primarily as a result of the substantial investments made.

Corporate

The Corporate Business Area extends credit and provides other banking services to medium to large groups and companies. In Italy, it operates through part of Sanpaolo IMI's structure, including central units and six area offices; abroad, it operates through Sanpaolo IMI's branches and representative offices, as well as through Sanpaolo IMI Bank Ireland.

The following table shows the results of the Corporate Business Area for the years ended December 31, 2000 and 1999.

Statement of Income (€/mil)	**2000**	**1999**	**% Change 2000/1999**
Net interest and other banking income	272	233	16.8
Operating costs	(99)	(101)	(1.5)
Operating income	173	132	31.4
Net provisions and adjustments to loans and financial fixed assets	(31)	(32)	(3.8)
Income before extraordinary items	142	100	41.7
Net extraordinary income	1	(1)	
Income before income taxes	143	99	43.5
Income taxes for the year	(59)	(40)	48.4

Statement of Income (€/mil)	2000	1999	% Change 2000/1999
Net income	84	59	42.4
Allocated Capital (€/mil)	750	706	6.2

Ratios (%)	2000	1999
RORAC	11.2	8.4
Cost/Income ratio	36.4	43.5

Operating Data (€/mil)	At 12/31/00	At 12/31/99	% Change 2000/1999
Net loans to customers, excluding non-performing loans	23,460	20,688	13.4
Guarantees	6,832	5,666	20.6
Total loans and guarantees	30,292	26,354	14.9
Structure			
Employees	462	438	5.5
Area offices in Italy	6	6	–
Foreign branches and representative offices	23	22	–

In an extremely competitive market in 2000, the Area sought to improve its profitability by improving its commission revenues, rationalizing its activities and optimizing the amount of capital allocated. To this end:

- activities were focused on structured transactions and participation in syndicated loans where Sanpaolo IMI could take a leading role; the units dedicated to project and export financing were also strengthened;
- the foreign network was broadened and rationalized, splitting it into three macro areas—Europe, America and Asia—while information technology support for the European branches was centralized;
- a cooperation agreement was signed with Banca IMI to develop a common business platform for international corporate clients; and
- a memorandum of understanding was signed with BSCH for cooperation in the Italian corporate and Latin American markets.

Loans increased by 14.9% in 2000, amounting at the end of the year to €30.3 billion. Under the new client base guidelines applicable to the Corporate Business Area, this amount would have been €31.8 billion at year-end 2000.

The Area showed positive results in 2000. The growth in lending volumes, the rise in commissions and the containment of operating costs managed to offset the downward trend in spreads producing RORAC of 11.2%.

Public Works and Infrastructure

The Public Works and Infrastructure Business Area provides financial services to the public sector, in particular the financing of capital investments and major infrastructure projects. In the first half of 2000, the Area's activities were conducted through Sanpaolo IMI. On July 1, 2000, the Area's activities were transferred to a dedicated subsidiary, IMI Lease S.p.A., which acquired an Italian banking license and changed its name to Banca OPI.

The following table shows the results of the Public Works and Infrastructure Business Area for the years ended December 31, 2000 and 1999.

Statement of Income (€/mil)	2000	1999	% Change 2000/1999
Net interest and other banking income	117	90	30.0
Operating costs	(17)	(13)	34.4
Operating income	100	77	29.3
Provisions and net adjustments to loans and financial fixed assets	(8)	(11)	(24.4)
Income before extraordinary items	92	66	37.8
Net extraordinary items	2	1	–

Statement of Income (€/mil)	2000	1999	% Change 2000/1999
Income before taxes	94	67	39.7
Income taxes for the year	(5)	(26)	(81.0)
Net income	89	41	117.1
Allocated Capital (€/mil)	256	205	25.0

Ratios (%)	2000	1999
ROE	34.8	20.0
Cost/Income ratio	14.5	14.1

Operating Data (€/mil)	At 12/31/00	At 12/31/99	% Change 2000/1999
Net loans to customers, excluding non-performing loans	11,973	10,728	11.6
Disbursements during the year	3,128	2,650	18.0
Structure			
Employees	99	110	(10.0)

In 2000, the Public Works and Infrastructure Area concentrated on strengthening its market share and emphasizing its role as a specialist in its market. This was also achieved by creating synergies with the Group's Italian branch network, which was given an origination role with local government agencies. The Area's project financing and advisory services were particularly successful.

The Public Works and Infrastructure Area showed a significant improvement in its profitability in 2000. Net income was also boosted on a one-time basis in 2000 by booking deferred tax assets on the carry-forward tax losses of IMI Lease S.p.A., and by applying the Dual Income Tax mechanism to Banca OPI, the Area's new legal entity**.** Loans to customers rose by 11.6%, as a result of new disbursements in 2000 amounting to €3.1 billion.

Investment Banking

The Investment Banking Business Area conducts all proprietary and client securities brokerage activities, equity and debt capital origination and placement for corporate clients, and corporate finance advisory services. Investment banking activities are conducted by Banca IMI and its subsidiaries, excluding IMIWeb Bank.

The following table shows the results of Investment Banking for the years ended December 31, 2000 and 1999.

Statement of Income (€/mil)	2000	1999	% Change 2000/1999
Net interest and other banking income	250	262	(4.5)
Operating costs	(161)	(140)	15.5
Operating income	89	122	(27.3)
Provisions and net adjustments to loans and financial fixed assets	1	(8)	–
Income from operating activities	90	114	(21.5)
Net extraordinary income	8	5	72.1
Income before taxes	98	119	(17.9)
Income taxes for the year	(31)	(44)	(29.4)
Net income	67	75	(11.1)
Contribution to Group net income (1)	60	76	(21.1)
Allocated Capital (€/mil)	356	362	(1.7)

Ratios (%)	2000	1999
ROE	16.9	21.0
Cost/Income ratio	64.4	53.3

Operating Data (€/mil)	At 12/31/00	At 12/31/99	% Change 2000/1999
Banca IMI S.p.A. trading volumes			

Operating Data (€/mil)	At 12/31/00	At 12/31/99	% Change 2000/1999
- trading	474,918	550,013	(14.0)
- sales	100,060	35,840	179.0
- repurchase agreements	817,939	1,068,123	(23.0)
- placements	19,537	16,864	16.0
Structure			
Employees	683	596	14.6
Branches	2	2	—

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

In 2000 Banca IMI concentrated on strengthening its operational capabilities and extending its range of products and services. To that end, Banca IMI:

- consolidated its leadership position in the Italian market for origination and placement and advisory services. It led and participated in debt offerings for a total of €10.2 billion; in equities, it acted as Global Co-ordinator 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 offerings. Banca IMI also acted as Regional Retail Lead Manager in the offering in Italy of the second tranche of Deutsche Telekom shares and as Co-Lead Manager in the offering in Italy of shares in BSCH;

- strengthened its role as primary dealer in the main European government security markets and increased its presence in trading Eurobonds issued by major issuers; in equities, Banca IMI's volume of client trades on Telematico totaled €100 billion, for a market share of 6.7%;

- increased its transactions in listed covered warrants, and expanded its activity to include the German equity and derivatives market;

- applied for an authorization to establish a hedge fund management company in Italy and to offer individual portfolio management services.

As part of a general rationalization of the Group's activities, at the end of 2000 Banca IMI transferred to NHS a 5% equity stake in Andala S.p.A. ("Andala") which subsequently changed its name to H3G S.p.A., one of the companies to be awarded a UMTS third-generation mobile telephone license in Italy.

The investments made by Banca IMI to strengthen its operational capabilities combined with lower revenues following the slowdown in financial markets in the second part of 2000, had a negative impact on the Investment Banking Area's results compared to 1999. Net income fell to €67 million. The Area's contribution to Group net income fell to €60 million after reversing the intercompany capital gain on the sale of the equity stake in Andala. The profitability of Banca IMI and its subsidiaries, excluding IMIWeb Bank, fell to 16.9%.

Merchant Banking

The Merchant Banking Business Area's objective is to increase the value of its minority shareholdings with a view to realizing capital gains. This activity is carried on by NHS, a 51%-owned subsidiary of Sanpaolo IMI, and its Dutch subsidiary LDV Holding N.V.

The following table shows the results of Merchant Banking for the years ended December 31, 2000 and 1999.

Statement of Income (€/mil)	2000	1999	% Change 2000/1999
Net interest and other banking income	51	88	(41.9)
Operating costs	(9)	(7)	24.5
Operating income	42	81	(47.9)
Provisions and net adjustments to loans and financial fixed assets	(10)	(8)	34.6
Income before extraordinary items	32	73	(56.6)

Statement of Income (€/mil)	2000	1999	% Change 2000/1999
Net extraordinary income	93	3	–
Income before taxes	125	76	65.0
Income taxes for the year	(49)	(23)	113.9
Net income	76	53	44.5
Contribution to Group net income (1)	33	36	(8.3)
Allocated Capital (€/mil)	382	374	2.1

Ratios (%)	2000	1999
ROE	8.6	9.6
ROE on a mark-to-market basis	15.8	–
Cost/Income ratio	17.6	8.2

Operating Data (€/mil)	At 12/31/00	At 12/31/99	Net Flow 2000
Merchant banking direct investments	479	110	369
Other equity investments	460	308	152

Structure	12/31/00	12/31/99	% Change 2000/1999
Employees	52	50	4.0

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

In the course of 2000, NHS made new investments totaling €760 million, including:

- the purchase of a 2.2% equity stake in FIAT from Compagnia di San Paolo at a market price of €220 million. This acquisition brought NHS into the FIAT shareholder syndicate agreement with IFI/IFIL, Assicurazioni Generali and Deutsche Bank;
- the acquisition of a 7% equity stake in Andala for €240 million; as noted above, part of this stake (5% of Andala) was transferred to NHS by Banca IMI;
- investments made in AEFFE, AMPS-Azienda Municipalizzata di Parma, Camuzzi, SAGAT and AEM di Torino.

NHS also promoted the €120 million closed-end Sanpaolo IMI Private Equity Fund I, which invests in medium-sized companies, and itself invested €35 million in the fund. NHS is also planning to establish two new funds in 2001, one to invest in small and medium-sized companies in Southern Italy, and the second to invest in listed and unlisted shares of Italian and European public utilities.

In 2000 NHS sold investments worth €307 million in the market, realizing capital gains of approximately €100 million. These included the complete disposal of interests held in Countrywide Assured, Milano Assicurazioni and Efibanca; the partial disposal of interests held in Tecnost, Buzzi Unicem and Acea; as well as the transfer to Sanpaolo IMI of a 4.1% equity stake held in Cassa di Risparmio di Firenze.

NHS's net income increased in 2000 compared to 1999, primarily as a result of the capital gains realized on the sale of investments, which were booked as extraordinary income. The company's contribution to the Group's net income decreased compared to 1999, partly because a higher share of NHS's earnings was attributable to minority interests following the reduction of Sanpaolo IMI's equity stake in NHS 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 Merchant Banking Area's ROE fell slightly to 8.6% (but would have been 15.8% on adjusted earnings and net equity if the investment portfolio were valued on a mark-to-market basis).

3. Distribution Network

In the course of 2000, the Group made significant investments to strengthen its distribution system, based on the following objectives:

- the development of innovative channels. Following the launch of the online trading service distributed through IMIWeb at the end of 1999, an important development project involving all of the Group's operating sectors was launched. The initiatives carried out by the Commercial Banking Business Area form part of this project. The purpose was to create a multichannel distribution model using the Internet as a supplementary vehicle to provide services to individuals and as a platform to market its products and services to current and prospective clients. 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;

- the strengthening of the Group's networks of exclusive financial agents. Group companies operating in the Personal Financial Services Business Area also invested in more electronic banking tools, allowing their networks of exclusive financial agents to concentrate on higher-value-added activities. At the same time, they expanded the networks: at the end of 2000, Banca Fideuram and Banca Sanpaolo Invest had a total of 5,270 exclusive financial agents, a net increase of 405 compared to the end of 1999; and

- the growth and strengthening of the Group's branch network. The objective of strengthening the Group's position in the Italian domestic market was met primarily as a result of the acquisition of Banco di Napoli, whose 731 branches brought the total number of the Group's Italian branches to 2,137 at the end of 2000; of these, 46% are in Northwestern Italy, 37% in Southern Italy and the Islands, 12% in Central Italy and 5% in Northeastern Italy. In Sanpaolo IMI's network, a policy of selective growth has led to an increase of 40 branches, raising the total number of its branches in the Italian domestic market to 1,332. At the same time, as noted under "Commercial Banking" above, the entire network has been involved in a process of specialization by customer segmentation.

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

	At 12/31/00			Change 12/31/00
	w/Banco di Napoli	w/o Banco di Napoli	At 12/31/99	w/o Banco di Napoli/12/31/99
Distribution network (Italy and abroad)				%
Banking branches and area offices	2,213	1,478	1,419	4.2
Italy	2,137	1,406	1,355	3.8
- Sanpaolo IMI	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
Exclusive financial agents	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

	Sanpaolo IMI		Banco di Napoli		Banca Fideuram		Total	
Distribution network (Italy at 12/31/00)		%		%		%		%
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, Latium, Abruzzo, Molise)	124	9.3	107	14.7	17	23.0	248	11.6
South & Islands (Campania, Apulia, 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

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 S.A.; 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 in Italy were also served through Sanpaolo IMI's widespread network of ATMs and POS terminals, which was further strengthened in 2000. There were 1,836 Bancomat (ATM) terminals at the end of 2000, an increase of 50 compared to the end of 1999, while there were 22,500 POS terminals active at the end of 2000, an increase of approximately 1,500 compared to the end of 1999. For corporate customers, the number of Remote Banking links rose by 18%, amounting to more than 30,000 at the end of 2000. Banco di Napoli's automated structures include approximately 900 Bancomat and 10,000 POS terminals.

4. The Italian Banking System: Supervision and Regulation

Italian Banking Regulations - Overview

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

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

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

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

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

Furthermore, to encourage the reform, new incentives have been introduced pursuant to Law No. 461 of December 23, 1998 (the "Ciampi Law"), which reorganizes the regulatory framework over the Italian banking foundations. Such incentives are currently under the scrutiny of the European Commission, pursuant to the procedure applicable to incentives which may affect the fair competition. Pursuant to the Ciampi Law, Legislative Decree No. 153 has been issued on May 17, 1999; this Decree qualifies the foundations that modified their bylaws and, over the following four years, and progressively divested their control interests in banks and only maintain control interests in entities dealing with social purposes as private not for profit organizations with social purposes (science, education, health and other charitable purposes). The Ministry of Treasury is in charge of authorizing the sales of holdings of banks owned by the foundations; such sales must be in compliance with transparency and non-discriminatory criteria.

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

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

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

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

Supervisory Authorities

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

- the Interministerial Committee for Credit and Savings (the *Comitato Interministeriale per il Credito e per il Risparmio* or "CICR"). The CICR includes the Minister of Treasury and other economic ministers and acts upon proposals of the Bank of Italy, has wide-ranging policy-making and guidance powers.
- Minister of Treasury. The Minister of Treasury has broad powers in relation to banking and other financial activities. Such powers include:
    - authorizing the establishment in Italy of the first branch of non-EU banks,
    - setting eligibility standards for holders of equity interests of a bank and
    - setting the level of professional experience required from directors and executives of banks and other financial intermediaries.

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

- Bank of Italy. Bank of Italy implements the policies set forth by CICR by adopting regulations and instructions concerning the following four main areas:
    - capital requirements;
    - risk exposure;
    - acquisition of equity participations;
    - administrative and accounting organization and internal audit.

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

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

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

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

Participation in the Share Capital of a Bank

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

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

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

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

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

Deposit Insurance

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

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

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

Capital Adequacy Requirements

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

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

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

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

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

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

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

The risks covered by the capital requirements are:

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

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

Lending Limits

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

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

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

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

At December 31, 2000, the Group had one large exposure. See "Item 3. Key Information –B. Selected Statistical Information –6. Loan Portfolio – Loan by Category of borrower" and Note 21 in the Notes to Consolidated Financial Statements.

Equity Participations by Banks

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

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

Higher limits are applied by Bank of Italy upon request by *banche abilitate* (authorized banks), which are banks with at least Lit. 2,000 billion (€1,033 million) in capital and which meet the solvency ratios, and for the so-called *banche specializzate* (specialized banks), which are defined as banks that collect mainly medium- and long-term funds, take no demand deposits, have capital in excess of Lit. 2,000 billion (€1,033 million) and meet the solvency ratios. Bank of Italy has named Sanpaolo IMI as a *banca abilitata*. Therefore, Sanpaolo IMI is empowered to purchase over 15% of the capital of a non-financial company, as long as both the value of the participation and the sum of all other investments exceeding the 15% limit do not exceed 2% of its consolidated capital. The aggregate of the participations in non-financial companies cannot, in any event, exceed 50% of Sanpaolo IMI's consolidated capital (or 25% of its consolidated capital for investments in unlisted companies); investments in a single non-financial company or group of companies may not exceed 6% of the bank's consolidated capital.

Medium- and Long-Term Credit and Funding Activity

The regulations permit all banks to provide, without restriction, medium- and long-term credit to borrowers other than companies. The granting of medium- and long-term credit is permitted without limit to those banks whose shareholders' equity exceeds Lit. 2,000 billion (€1,033 million) as well as to former special credit institutions — regardless of the amount of their shareholders' equity — and to those banks whose liability structure is principally founded on funding raised in the medium- and long-term markets.

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

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

Mandatory Reserves

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

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

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

Financial Intermediaries

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

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

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

Securities Market Control and Legislation

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

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

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

Regulated Markets. The organization and management of the regulated markets is reserved to joint stock corporations: Borsa Italiana S.p.A. ("Borsa Italiana"), for instance, runs the Telematico, the Bond and Government Securities Market, the Traditional Options Market, the Nuovo Mercato, the Mercato Ristretto, the Italian Derivatives Market and the Interest Rate and Derivatives Market. All the Italian regulated markets are entered into a list kept by CONSOB. This Authority continues to exercise supervisory control over listed companies, intermediaries and the markets, as well as the correctness and intelligibility of the information required of companies issuing listed securities and other forms of solicitation relating to securities. CONSOB is also empowered to verify compliance with the legislation regarding insider trading and to report infringements to the public prosecutors.

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

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

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

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

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

In 1999 a committee, coordinated by the Chairman of Borsa Italiana and composed of representatives of Italian banks, industries, insurance companies and associations of issuers and investors, prepared a code of self-regulation (the "Code"), a model of corporate governance that emphasizes the role and the responsibilities of the Board of Directors and ensures a balanced division of power among the executive and non-executive members of the Board, an adequate level of the auditing functions and a correct relation with all the shareholders. Sanpaolo IMI adopted the Code at the shareholders' meeting held on April 30, 2001.

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

C. Organizational Structure

The significant subsidiaries of the Group at December 31, 2000 are as follows:

	Name	Registered Offices	Ownership Held by	%	Voting rights at shareholders' meeting %
1	Banco di Napoli	Italy	Gruppo Bancario Banco di Napoli	52.48	56.08
			Sanpaolo IMI	38.89	41.57
2	Banca Fideuram	Italy	Sanpaolo IMI	74.19	74.19
3	Banca IMI	Italy	Sanpaolo IMI	100.00	100.00
4	Fonditalia Management Company S.A	Luxembourg	Banca Fideuram	99.96	99.96
			Fideuram Vita	0.04	0.04

D. Property, Plants and Equipment

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

In October 1999, Sanpaolo IMI span off a portfolio of certain excess real estate assets to Beni Stabili in order to concentrate on its core banking and financial services activities. Following the transaction, Sanpaolo IMI held 17.23% of the company and subsequently reduced its holding to 14.2% at December 31, 2000. On May 10, 2001, Sanpaolo IMI announced that it had reached an agreement to sell approximately 10% of Beni Stabili to Compagnia Finanziaria di Investimento S.p.A.

Sanpaolo IMI is not aware of any environmental issues that may affect its use of its assets and is fully compliant with Law 626/94 which sets environmental standards for all companies operating in Italy.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion is based on and should be read with the Consolidated Financial Statements which have been prepared in accordance with Italian GAAP. Italian GAAP differs in certain significant respects from US GAAP. For a summary of the significant differences between Italian GAAP and U.S. GAAP, see Note 32 to the Consolidated Financial Statements. The consolidated financial statements included in this report have not been reclassified in order to comply with the format required for the consolidated statements of income and balance sheets of bank holding companies pursuant to Regulation S-X, but have been presented in the same format as that used in the consolidated financial statements included in the annual and interim reports to shareholders, including the 1999 annual report on Form 20-F filed with the SEC.

1. Assumptions

The review that follows is divided into three parts. First, we discuss line by line the statement of income for the year ended December 31, 2000 and compare the results for each line with those for the year ended December 31, 1999. We also compare the results for each line for the year ended December 31, 1999 with those for the year ended December 31, 1998. For purposes of this discussion, it is important to bear in mind the following:

- the figures in the column labeled "2000" are from the audited consolidated statement of income for the year ended December 31, 2000, and reflect full consolidation of the results of Banco di Napoli from July 1, 2000;

- the figures in the column labeled "2000 Restated" are from the unaudited, restated consolidated statement of income for the year ended December 31, 2000, and reflect consolidation of Banco di Napoli at equity. In these figures, the Banco di Napoli results are reflected solely in the line item "Profits from companies carried at equity and dividends from shareholdings". For purposes of greater consistency in comparing the results for the year ended December 31, 2000 with those for the year ended December 31, 1999, management's discussion of that comparison uses the "2000 Restated" figures;

- the figures in the column labeled "1999 Restated" are from the unaudited, restated consolidated statement of income for the year ended December 31, 1999, and reflect (i) the reclassification of net interest income earned by the Banca IMI Group from the line Item "net interest income" to the line Item "profits (losses) on financial transactions and dividends on shares", because that income is more closely related to dealing in securities than earning interest; and (ii) the reclassification of certain adjustments from the line Item "adjustments to intangible and tangible fixed assets" to "adjustments to goodwill merger and consolidation differences" to show the impact of the amortization of goodwill arising from acquisitions and equity investments made in 2000. These reclassifications were made in the interest of greater transparency of results, but they do not materially change the results for the year ended December 31, 1999, since they do not change, for example, the figures for the line Items "income before extraordinary items", "interest before taxes and minority interest" or "net income." For purposes of greater consistency in comparing the results for the year ended December 31, 2000 with those for the year ended December 31, 1999, management's discussion of that comparison uses the "1999 Restated" figures;

- the figures in the column labeled "1999" are from the audited consolidated statement of income for the year ended December 31, 1999. For purposes of greater consistency in comparing the results for the year ended December 31, 1999 with those for the year ended December 31, 1998, management's discussion of that comparison uses the "1999" figures;

- the figures in the column labeled "1998 Pro forma" are from the unaudited, pro forma statement of income for the year ended December 31, 1998, and excludes the results of Crediop – control of which was relinquished in 1999 – from the scope of consolidation. The pro forma statements were prepared by eliminating from every line Item of the audited consolidated statement of income for the year ended December 31, 1998 the contribution made by Crediop and its subsidiaries; the investment in Crediop was then valued at equity. After application of this method, the pro forma consolidated net income remains the same as that shown in the audited consolidated statement of income for the year ended December 31, 1998. For purposes of greater consistency in comparing the results for the year ended December 31, 1999 with those for the year ended December 31, 1998, management's discussion of that comparison uses the "1998 Pro forma" figures; and

- the figures in the column labeled "1998" are from the audited consolidated statement of income for the year ended December 31, 1998.

Second, we discuss the acquisition of the Banco di Napoli and, solely for illustrative purposes, present a comparison among “2000”, “2000 Restated” and “1999” figures. This comparison in particular allows a more detailed quantification of the impact of the Banco di Napoli acquisition to be made.

Third, we discuss certain other data relating to Sanpaolo IMI’s operations for the year ended December 31, 2000, namely: assets managed on behalf of customers; loans to customers, including doubtful loans; the Group’s capital markets activities; and equity investments.

2. Introduction – The Italian Economy and the Italian Banking Sector

The Euro Zone and the Italian Economy

In 2000 economic growth in the euro zone increased to 3.4%, compared to a growth rate of 2.5% in 1999. However, the rate of economic growth fell in the second half of 2000. In 2000, the inflation rate in the euro zone averaged 2.3%, but started rising in the second half of the year, reaching an average of 2.9% in November, largely as a result of higher oil prices and the weakness of the euro. The ECB raised its main refinancing rate to 4.75% in October 2000 from 3.25% in February 2000. The reason for the increase was to slow the rate at which the monetary supply was expanding and to contain the risks of higher inflation in the medium term. After a downward revision of the M3 growth rate, on May 10, 2001, the ECB cut its main refinancing rate to 4.5%. The differences in growth rates among euro zone economies narrowed. However, the contributing factors to GDP growth were different among EU member states. In Spain, the growth rate was supported by a boom in private consumption, while in Italy investments played a crucial role. In Germany and France, net exports were the main drivers of economic growth.

Italy’s GDP grew by 2.9% in 2000. The inflation rate, measured by HCPI, averaged 2.5% for the year, but reached 2.9% in November. Unemployment fell consistently in line with other European countries. A similar trend was experienced in southern Italy, where the level of unemployment, even if it remained higher than in the rest of the country, was the lowest since 1996.

The process of consolidating Italy’s public finances continued, with the deficit falling to 1.5% of GDP (from 1.7% in 1999), while government debt according to the latest data release, fell to 110.5% of GDP (from 114.6% in 1999).

The Italian Banking Sector

Historically, the Italian banking sector has been fragmented and largely shielded from foreign competition. That situation has been changing markedly in the last several years. The process of consolidation in the Italian banking industry continued in 2000, reflecting the need for organizations of sufficient size to address the wider and more competitive European market.

Bank loans increased by over 14% in 2000, the highest rate of growth in the whole euro zone. Loans benefited from higher demand for credit from both companies, as a result of strong growth in investments and numerous extraordinary financing transactions – especially in the energy and telecommunications sectors – and families, due to higher demand for mortgages.

Bank funding statistics showed an increase of 7.3% in the bond component and an increase in current account deposits of 5.4%, while certificates of deposit and time deposits remained stable with an increase of 0.3%.

Securities Brokerage

High trading volumes and an increase in the stock indices, especially in the first part of the year led the Italian equity market to a capitalization of €818.4 billion by the end of 2000, a figure equal to approximately 70% of Italy’s GDP and representing an increase of 12.6% compared to 1999.

The stock indices (MIBTEL and MIB30), after reaching their historical peaks in March, corrected their values in the last months of the year. At the end of 2000, they had increased by 4.65% and 1.7%, respectively, compared to the end of 1999. The finance and banking sectors experienced better performances.

Asset Management

The asset management business – mutual funds, portfolio management and life insurance – after a sustained growth in the first half, reduced its pace in the last six months of the year 2000, as a result of an increase in financial markets' volatility. At the end of 2000, assets invested in Italian and foreign mutual funds exceeded €548 billion, an increase of only 2% compared to 1999. In the life insurance fund segment, the net inflow was particularly strong, while the poor performances of the major stock markets in the last months of the year adversely affected the final results of the equity fund segment.

3. Results of Operations

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

During 2000, the Sanpaolo IMI Group improved its profitability compared with 1999. In particular:

- net income rose to €1.292 billion, an increase of 23%;
- ROE (representing net income after minority interests as a percentage of monthly average shareholders' equity excluding current-year profit) rose from 14% to 18.1%; and
- all operating margins improved.

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, were met and exceeded.

Net interest income – 2000 compared with 1999

The growth in total revenues was made possible in part by the positive trend in net interest income, which from early 2000 showed clear signs of recovery, reversing the downward trend which had characterized the previous year. This positive trend continued throughout the year, which closed with net interest income of €2.168 billion, up 7.2% compared with 1999.

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

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

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

In operating volumes, the Group recorded growth of 1.3% in interest-earning assets, calculated in terms of average deposits, in 2000; in particular, loans to customers, excluding non-performing loans and repurchase agreements, increased by 4.7%. The growth in average interest-bearing liabilities was 2.3%; in particular, customer deposits, made up of amounts due to customers and securities issued, net of repurchase agreements, rose by 1.2%.

This increase resulted from a 9.4% increase in the short-term component and a 7.5% reduction in certificates of deposits and bonds. The higher growth in loans compared to customer deposits was financed by sales of securities from the Group's portfolio and by greater recourse to the interbank market.

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

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

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

(1) Excludes net income.

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

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

Net interest income – 1999 compared with 1998

The following table sets forth the principal components of the Group's net interest income for 1999, pro forma 1998 and 1998. In 1999, net interest income was 44% of the Group's net interest and other banking income.

		1999	1998 Pro forma (Unaudited)	1998
			(in millions of €)	
10	Interest income and similar revenues	5,966	8,642	9,981
10.a)	Dividends from equity investments under 20% of stake, treated as interest	15	–	–
20	Interest expense and similar charges	(3,934)	(6,219)	(7,330)
	Net interest income	2,047	2,423	2,651

Net interest income was affected by the sharp reduction in market rates between 1998 and 1999, following the introduction of the euro, which differentiated the two years considerably: the Euribor three-month interbank rate decreased by an average of two points during 1999, from 5% in 1998 to 3%.

Lower market rates led to smaller spreads being applied to customers. Readily available fund accounts at the Italian branches of the Bank decreased on average by 80 basis points. The rates earned on loans to customers decreased significantly compared to interest rates paid on deposits. Lending rates were affected by the aggressive lending policy pursued by many competitors, which is reflected in an increase in elasticity of lending rates compared with the reduction in market yields. Borrowing rates, on the other hand, suffered from the problems met in shifting all of the decline in market yields onto the interest rates paid on account holders deposits; these fell to little over 1% on average during the year.

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

The general decline in volumes of loans to customers, (a feature that characterized most of 1999), did not make it possible to offset the negative impact of lower rates and spreads on net interest income. This was partly the result of a management decision to review the Group's loan policy, and to reduce all types of higher risk lending that did not generate adequate returns.

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

Interest rates in the fourth quarter of 1999 gradually raised back to the level they were in the same period in 1998; this, together with the gradual upswing in lending volumes, allowed to limit the negative trend in net interest income for the last few months of 1999. The overall decline of 15.5% in net interest income at the end of 1999 was an improvement compared to the result for the first half and the first three quarters, which saw decreases in net interest income of 17.8% and 16.8%, respectively.

The following table compares 1999 average interest rates with 1998 proforma interest rates. For a comparison of 1999 average interest rates with 1998 average interest rates see "Item 3. Key Information –B. Selected Statistical Information –1. Average Balances and Interest Rates".

	1999			Pro forma 1998 (Unaudited)		
	Average balance	**Interest**	**Average rate**	**Average balance**	**Interest**	**Average rate**
	(in millions of €)		**%**	**(in millions of €)**		**%**
Interest-earning assets	113,419	6,031	5.32	131,638	8,660	6.58
Loans to customers	69,115	4,195	6.07	69,992	5,412	7.73
- in €	62,633	3,882	6.20	—	—	—
- in foreign currency	6,482	313	4.83	—	—	—
due from banks	18,174	635	3.49	22,198	1,110	5.00
- in €	14,502	502	3.46	—	—	—
- in foreign currency	3,672	133	3.62	—	—	—
Securities	17,980	913	5.08	26,082	1,475	5.65
- in €	14,658	731	4.99	—	—	—
- in foreign currency	3,322	182	5.48	—	—	—
repurchase agreements	8,150	288	3.53	13,366	663	4.96
- in €	5,996	218	3.64	—	—	—
- in foreign currency	2,154	70	3.25	—	—	—
Non-interest earning assets	21,684			21,749		
Total assets	135,103	6,031		153,387	8,660	
Interest bearing liabilities	108,949	3,984	3.66	124,655	6,237	5.00
due to customers	37,273	622	1.67	36,024	1,209	3.36
- in €	36,137	577	1.60	—	—	—
- in foreign currency	1,136	45	3.96	—	—	—
securities issued	35,677	1,881	5.27	38,229	2,382	6.23
- in €	30,454	1,625	5.34	—	—	—
- in foreign currency	5,223	256	4.90	—	—	—
due to banks	20,966	917	4.37	29,300	1,592	5.43
- in €	14,663	662	4.51	—	—	—
- in foreign currency	6,303	255	4.05	—	—	—
repurchase agreements	12,419	406	3.27	18,243	853	4.68
- in €	10,515	339	3.22	—	—	—
- in foreign currency	1,904	67	3.52	—	—	—
subordinated liabilities	2,614	158	6.04	2,859	201	7.03
- in €	1,697	100	5.89	—	—	—
- in foreign currency	917	58	6.32	—	—	—
Non-interest-bearing liabilities	18,135			20,177		
Shareholder's equity(1)	8,019			8,555		
Total liabilities and shareholder's equity	135,103	3,984		153,387	6,237	
Net interest income		2,047			2,423	

(1) Includes net income.

Net interest and other banking income – 2000 compared with 1999

Group net interest and other banking income in 2000 amounted to €5.051 billion, a 10.5% increase compared to 1999. The main contribution to this growth came from a considerable increase in commissions on services and other net dealing revenues, which rose by 19.5% compared to the previous year.

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

	2000	**2000 Restated**	**1999 Restated**
		(Unaudited)	**(Unaudited)**
		(in millions of €)	
Net interest income	2,572	2,168	2,022
Net commissions and other dealing revenues	2,641	2,469	2,066
Profits/(losses) on financial transactions	263	255	276

	2000	2000 Restated	1999 Restated
		(Unaudited)	(Unaudited)
		(in millions of €)	
Profits of companies carried at equity and dividends on equity investments	146	159	205
Net interest and other banking income	5,622	5,051	4,569

Net interest and other banking income – 1999 compared with 1998

The decline in net interest income was almost entirely offset by the increase in net commissions, largely due to an increase in asset management services to households. An increase of 18.5% in commissions in 1999 compared to 1998 resulted in net interest and other banking income decreasing by 1.9% in 1999 compared to 1998.

The following table sets forth the principal components of the Group's net interest and other banking income for historical 1999, pro forma 1998 and historical 1998.

	1999	1998 Pro forma (Unaudited)	1998
		(in millions of €)	
Net interest income	2,047	2,423	2,651
Net commissions and other dealing revenues	2,066	1,744	1,738
Profits/(losses) on financial transactions	251	316	324
Profits of companies carried at equity and dividends on equity investments	205	173	108
Net interest and other banking income	4,569	4,656	4,821

Net commissions – 2000 compared with 1999

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

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

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

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

Net commissions and other dealing revenues in 2000 amounted to €2.469 billion, an increase of 19.5% compared to 1999. Within this line item, the proportion represented by commissions earned from asset management, dealing and advisory services grew from 73.7% to 77.6%, representing an annual growth rate in such commissions of 25.8%. This resulted from the positive trend in asset management volumes, as well as a higher propensity on the part of customers to invest in equity funds, balanced funds, and unit and index linked policies.

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

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

Net commissions – 1999 compared with 1998

The following table sets forth the principal components of the Group's net commission and other dealing revenues for historical 1999, pro forma 1998 and historical 1998.

		1999	**1998 Pro forma (Unaudited)**	**1998**
			(in millions of €)	
40	Commission income	2,587	2,227	2,230
50	Commission expense	(530)	(473)	(479)
70.a)	Income from sale of merchant banking activities, gains of sale of leased assets, other income (1)	46	28	28
110.a)	Loss from merchant banking activities, losses on the sale of leased assets, other expense (2)	(37)	(38)	(41)
	Net commissions and other dealing revenues	2,066	1,744	1,738

(1) This item is made up of the following components of Item 70. "Other operating income": income from sale of merchant banking activities; gains of sale of leased asset; other income. With respect to 1998 and 1998 proforma, figures have been reclassified to reflect the same accounting criteria used for 1999.

(2) This item is made up of the following components of Item 110. "Other operating expenses": losses from merchant banking activities, losses on the sale of leased asset, expenses for distribution network of financial consultant, other charges on leasing transactions and other expenses. With respect to 1998 and 1998 pro forma, figures have been reclassified to reflect the same accounting criteria used for 1999.

Net commissions and other dealing revenues were €2,066 million in 1999, an increase of 18.5% compared to 1998; the year end result confirmed the positive trend during the year, which showed an increase of 11% in the first half and an increase of 14.6% in 1999 in the first nine months.

Commissions earned by the asset management, dealing and advisory area, in particular, increased by 25% in 1999. This was mainly due to the growth in mutual funds, portfolio management schemes and insurance policies sold to customers, which rose by more than 32% with a flow of more than €26,800 million; this increase was also due to the growing importance of equity mutual funds and higher value-added products, especially unit linked and index linked policies. The proportion of equity funds increased over the 12 months from 24% to 38%, while unit linked and index linked policies rose by 115%.

In addition, other commissions and net dealing revenues benefited from the increase in income from merchant banking activities, which went from €8 million in 1998 to €26 million in 1999.

The increase in commissions led to a further improvement in the ratio between commissions and payroll expenses, which rose from 114% at the end of 1998 to 135% at the end of 1999. The ratio between commissions and total administrative costs also improved from 71% in 1998 to 84% in 1999.

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

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

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

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

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

Profits on financial transactions and dividends on shares – 1999 compared with 1998

The following table sets forth the principal components of the Group's profits on financial transactions and dividends on shares for historical 1999, pro forma 1998 and historical 1998.

		1999	1998 Pro forma (Unaudited)	1998
			(in millions of €)	
30.a)	Dividends and other revenues from shares and other equities	148	118	118
60.	Profits (losses) on financial transactions	103	198	206
	Profits (losses) on financial transactions and dividends on shares.....................................	251	316	324

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

This item is by its nature subject to market volatility.

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

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

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

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

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

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

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

Profits of companies carried at equity and dividends on equity investments – 1999 compared with 1998

The following table sets forth the principal components of the Group's profits of companies carried at equity and dividends on equity investments for historical 1999, proforma 1998 and historical 1998.

		1999	1998	1998
			Pro forma (Unaudited)	
			(in millions of €)	
	Dividends and other revenues on equity investments (1)	87	25	26
170.a	Income (losses) from investments carried at equity, less losses from restructuring debt companies	118	148	82
	Profits (losses) of companies carried at equity and dividends on equity investments	205	173	108

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

Earnings by companies valued at net equity and dividends on equity investments increased by 18.5% in 1999 compared to 1998. In particular, Sanpaolo Vita and Fideuram Vita, the Group's insurance companies that operate in the field of life insurance, contributed €80 million to consolidated net income, an increase of 5% compared to 1998. Dividends amounted to €87 million in 1999, compared to €25 million in 1998. The increase was due to the Group's purchase of additional equity investments during the year and includes €38 million of extraordinary dividends paid out by INA in November, 1999.

Operating expenses – 2000 compared with 1999

The following table sets forth the principal components of the Group's operating expenses for 2000, 2000 restated and 1999 restated.

		2000	2000 Restated	1999 Restated
			(Unaudited)	(Unaudited)
			(in millions of €)	
80.	Administrative costs			
80. a)	Payroll	(1,929)	(1,620)	(1,534)
80. b)	Other	(1,147)	(1,032)	(932)
	other administrative costs	*(958)*	*(859)*	*(763)*
	other indirect taxes	*(189)*	*(173)*	*(169)*
	Total administrative costs	(3,076)	(2,652)	(2,466)

		2000	2000 Restated	1999 Restated
			(Unaudited)	(Unaudited)
			(in millions of €)	
70. b)	Operating income (1)	237	206	178
110 b)	Operating expenses (2)	(24)	(19)	(3)
90. a)	Adjustments to intangible and tangible fixed assets (3)	(299)	(237)	(209)
	Operating expenses	(3,162)	(2,702)	(2,500)

(1) This item is made up of the sum of Item 70. "Other operating income" less Item 70.a) "income from sale of merchant banking activities, other income from leasing activities".

(2) This item is made up of the sum of Item 110. "Other operating expenses" less Item 110.a) "Loss from merchant banking activities, other charges on the leasing activities".

(3) This item is made up of the sum of Item 90. "Adjustments to intangible and tangible fixed assets" less Item 90.b) "Adjustments to goodwill, merger and consolidation differences".

Operating expenses in 2000 amounted to €2.702 billion, an increase of 8.1% compared to 1999. The growth in investments related to projects was accompanied by continuing efforts to contain current costs. Those of the Parent Bank, where the bulk of rationalization was concentrated, showed an increase of 2.6%, almost entirely attributable to projects to strengthen its distribution channels.

Despite the increase in operating expenses, the process of reducing the cost to income ratio continued. In 2000 the cost to income ratio improved to 53.5% from 54.7% in 1999.

Operating expenses – 1999 compared with 1998

The following table sets forth the principal components of the Group's operating expenses for historical 1999, pro forma 1998 and historical 1998.

		1999	1998	1998
			Pro forma (Unaudited)	
			(in millions of €)	
80.	Administrative costs			
80.a)	Payroll	(1,534)	(1,526)	(1,543)
80.b)	Other	(932)	(940)	(952)
	other administrative costs	*(763)*	*(769)*	*(780)*
	other indirect taxes	*(169)*	*(171)*	*(172)*
	Total administrative costs	(2,466)	(2,466)	(2,495)
70. b)	Operating income (1)	178	197	195
110b)	Operating expenses (2)	(3)	(13)	(1)
90.	Adjustments to intangible and tangible fixed assets	(293)	(302)	(307)
	Operating expenses	(2,584)	(2,584)	(2,608)

(1) This item refers to the sum of Item 70. "Other operating income" less Item 70.a) "Income from sale of merchant banking activities, gains of leased assets, other income".

(2) This item refers to the sum of Item 110. "Other operating expenses" less Item 110a) "Loss from merchant banking activities, losses on the sale of leased assets, other expenses, expenses for distribution network of financial consultants, other charges on leasing transactions".

Administrative costs, amortization and depreciation, for a total of €2,584 million, net of cost recoveries, remained substantially unchanged in 1999 compared to 1998. The Bank's operating costs in 1999 decreased, mainly due to measures implemented to rationalize and to boost efficiency, but these were offset by the higher costs incurred on the various projects initiated by the Bank and other Group companies operating in areas with higher growth potential, especially in the field of asset management and trading online. The investments made in these projects led to an interruption of the decline trend of the cost to income ratio, including depreciation and net of recoveries, such ratio was 56.6% at the end of 1999 compared to 55.5% at the end of 1998.

The steps taken by Sanpaolo IMI to rationalize operating costs were effective: payroll expenses were reduced by 2%, while other administrative expenses by 5.8%. The workforce was reduced by 500 people, leading to a reduction of almost 1,300 jobs over the two-year period ended in December 1999.

Net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries – 2000 compared with 1999

Group income before extraordinary items amounted to €1.806 billion in 2000, an increase of 20.1% from 1999. The positive trend in this item of the statement of income was affected by the considerable improvement in asset quality achieved by the Group. This made it possible to reduce further the net provisions and adjustments to loans and financial fixed assets to €454 million, a 5.6% decrease compared to 1999.

The following table sets forth the principal components of the Group's net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries for 2000, 2000 restated and 1999 restated:

		2000	2000 Restated	1999 Restated
			(Unaudited)	(Unaudited)
			(in millions of €)	
100.	Provisions for risks and charges	(323)	(249)	(81)
120.	Adjustments to loans and provisions for guarantees and commitments	(647)	(580)	(664)
130.	Writebacks of adjustment to loans and provisions for guarantees and commitments	417	403	361
140.	Provisions to the reserve for possible loan losses	(8)	(8)	(10)
	Adjustments to loans and provisions for guarantees and commitments, net	(238)	(185)	(313)
150.	Adjustment to financial fixed assets	(35)	(35)	(89)
160.	Writebacks of adjustment to financial fixed assets	15	15	2
	Adjustment to financial fixed assets, net	(20)	(20)	(87)
	Net value adjustment and provision for loan losses and equity in earnings of unconsolidated subsidiaries	(581)	(454)	(481)
90. b)	Adjustments to goodwill, merger and consolidation differences (1)	(90)	(89)	(84)

(1) This item refers to certain components of Item 90. "Adjustments to intangible and tangible fixed assets: amortization of goodwill arising on application of equity method, amortization of merger differences, amortization of goodwill and amortization of goodwill arising on consolidation.

The reduction of net provisions and adjustments to loans and financial fixed assets is particularly encouraging in light of the provisions and adjustments that were made during 2000, for a total of €287 million, to raise the general writedowns made against performing loans, as well as to cover possible costs that may arise from renegotiating mortgage loans. See "Item 3. Key Information –B. Selected Statistical Information –6. Loan Portfolio." The Group also booked net recoveries of principal and interest of €293 million in 2000, of which €92 million was attributable to the sale without recourse of non-performing loans.

Net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries – 1999 compared with 1998

The improvement in asset quality in 1999 compared to 1998, resulted in lower provisions and value adjustments. This enabled the Group to achieve income before extraordinary items of €1,504 million, an increase of 9.5% in 1999 compared to 1998.

The following table sets forth the principal components of the Group's net value adjustments and provisions for loan losses and equity in earnings of unconsolidated subsidiaries for historical 1999, pro forma 1998 and historical 1998.

		1999	1998	1998
			Pro forma (Unaudited)	
			(in millions of €)	
100.	Provisions for risks and charges	(81)	(100)	(125)
120.	Adjustments to loans and provisions for guarantees and commitments	(664)	(779)	(780)
130.	Writebacks of adjustment to loans and provisions for guarantees and commitments	361	254	254
140.	Provisions to the reserve for possible loan losses	(10)	(6)	(6)
	Adjustments to loans and provisions for guarantees and commitments, net	(313)	(531)	(532)
150.	Adjustment to financial fixed assets	(89)	(67)	(67)
160.	Writebacks of adjustments to financial fixed assets	2	—	—
	Adjustment to financial fixed assets, net	(87)	(67)	(67)
	Net value adjustment and provision for loan losses and equity in earnings of unconsolidated subsidiaries	(481)	(698)	(724)

Adjustments to the value of loans and investment securities, together with provisions, decreased by 31.1% to €481 million. A lower flow of doubtful loans and more effective recovery procedures were reflected in a 15.5% decrease in net non-performing loans since the beginning of 1999, as well as 28.5% decrease in problem loans and net loans being rescheduled and a 29.5% decrease in unsecured loans to residents in countries at risk. In addition, a large portion of doubtful loans was collected for amounts higher than their net book value, written down in previous years; €224 million of principal and interests were reinstated, while losses on transactions and disposals were at €31 million, confirming the rigorous valuation policy adopted by the Group.

Value adjustments include a writedown equal to €58 million of the 18% Group's interest in Beni Stabili, which was prudentially adjusted to average market prices for the second half of 1999. Value adjustments also include €60 million of writedowns of unsecured loans and investment securities of Russian residents, whose coverage was raised from 60% in 1998 to 85% in 1999 of their nominal value.

Extraordinary income – 2000 compared with 1999

The following table sets forth the principal components of the Group's extraordinary income for 2000, 2000 restated and 1999 restated.

		2000	2000 Restated	1999 Restated
			(Unaudited)	(Unaudited)
			(in millions of €)	
190.	Extraordinary income	451	413	367
200.	Extraordinary expenses	(55)	(44)	(73)
	Net extraordinary income	396	369	294

Net extraordinary income for 2000 amounted to €369 million which was broken down as follows:

- €134 million in connection with the sale of the residual 40% stake in Crediop to Dexia. The capital gain, initially quantified at €150 million, was subsequently recalculated in accordance with the terms of the sale contract, to take account of the legislative changes that had taken place in the meantime to the tax rules governing disposals of significant equity investments;

- €83 million from the sale of Sanpaolo IMI shares by the Parent Bank;

- €77 million from the disposal of minority interests by NHS;

- €15 million from the sale of a 4% equity stake in Beni Stabili;

- €12 million from reducing Sanpaolo IMI's equity stake in The Royal Bank of Scotland from 0.29% to 0.20%.

Extraordinary income – 1999 compared with 1998

The following table sets forth the principal components of the Group's extraordinary income for 1999, 1998 proforma and 1998.

	1999	1998	1998
		Pro forma (Unaudited)	
		(in millions of €)	
190. Extraordinary income	367	176	223
200. Extraordinary expenses	(73)	(56)	(64)
Net extraordinary income	294	120	159

Net extraordinary income for 1999 amounted to €294 million, mainly due to two transactions that took place in the first half of 1999:

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

Minority interest in income of consolidated subsidiaries – 2000 compared with 1999

The following table sets forth the minority interest in income of consolidated subsidiaries for 2000, 2000 restated and 1999 restated.

	2000	2000 Restated (Unaudited)	1999 Restated
		(in millions of €)	
250. Minority interests	(94)	(90)	(62)

Minority interest in income of consolidated subsidiaries increased by 45.2% in 2000 compared to 1999 restated. The change is mainly due to the increase in the net income attributable to minority shareholders of NHS and Banca Fideuram.

Minority interest in income of consolidated subsidiaries – 1999 compared with 1998

The following table sets forth the minority interest in income of consolidated subsidiaries for historical 1999, proforma 1998 and historical 1998.

	1999	1998	1998
		Pro forma (Unaudited)	
		(in millions of €)	
250. Minority interest	(62)	(43)	(93)

Minority interest in income of consolidated subsidiaries increased by 44.2% in 1999 compared to proforma 1998. The change is mainly due to the increase in the net income attributable to minority shareholders of NHS. The capital of NHS is 49% owned by shareholders other than the Group.

Income taxes – 2000 compared with 1999

The following table sets forth the principal components of the Group's income taxes for 2000, 2000 restated and 1999 restated.

	2000	2000 Restated (Unaudited)	1999 Restated (Unaudited)
		(in millions of €)	
240. Income taxes	(785)	(795)	(685)

Income taxes have been calculated along the usual principles, as explained in the note to the Consolidated Financial Statements. 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 in violation of applicable EU regulations, 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 Sanpaolo IMI's conviction that the Ciampi Law was enacted in full compliance with EC regulations. In line with this approach, on allocation of the net income for 2000, it was proposed to transfer €381 million to a special "Ciampi Reserve". The amount of the provision is equal to the amount of income for 2000 benefiting from the terms of the law 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. However, given the uncertainty caused by the EU's investigation, 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.

Income taxes – 1999 compared with 1998

The following table sets forth the principal components of the Group's income taxes for historical 1999, proforma 1998 and historical 1998.

	1999	1998	1998
		Pro forma (Unaudited)	
		(in millions of €)	
240. Income taxes	(685)	(534)	(630)

Income taxes for 1999 amounted to €685 million, representing a 38.1% pre-tax income rate.

4. Impact of Banco di Napoli Acquisition – 2000 Compared with 1999

The following table presents in summary a comparison of figures derived from the audited, consolidated statement of income for the year ended December 31, 2000, reflecting full consolidation of the results of Banco di Napoli from July 1, 2000 (in the column labeled "2000" and "A"); from the unaudited, restated consolidated statement of income for the year ended December 31, 2000, reflecting consolidation of Banco di Napoli at equity (in the column labeled "2000 Restated" and "B"); and from the audited, consolidated statement of income for the year ended December 31, 1999 (in the column labeled "1999" and "C").

This table, which is presented for illustrative purposes only, presents a comparison between the "2000" figures and the "1999" figures (in the column labeled "A-C"), which shows the full impact of the Banco di Napoli acquisition and all other results in 2000 compared with 1999, including the immaterial impact of (i) the reclassification of certain income earned by Banca IMI Group from net interest income to profits on financial transactions, and (ii) the reclassification of certain adjustments from adjustments to intangible and tangible fixed assets to adjustments to goodwill merger and consolidation differences.

The table also presents a comparison between the "2000" figures and the "2000 Restated" figures (in the column labeled "A-B"), which shows the impact of full consolidation of Banco di Napoli from July 1, 2000 compared with consolidation of Banco di Napoli at equity.

Reclassified consolidated statement of income (€/mil)	**Year ended December 31,**				
	2000	**2000**	**1999**		
		Restated (Unaudited)			
	(A)	**(B)**	**(C)**	**(A)-(C)**	**(A)-(B)**
Interest income and similar revenues	7,695	6,752	5,981	1,714	943
Interest expense and similar charges	(5,123)	(4,584)	(3,934)	(1,189)	(539)
Net interest income	2,572	2,168	2,047	525	404
Net commission & other dealing revenues	2,641	2,469	2,066	575	172
Profits/(losses) on financial transactions & investments of income	263	255	251	12	8
Profits/(losses) of companies carried at equity and dividends on equity investments	146	159	205	(59)	(13)
Net interest and other income	5,622	5,051	4,569	1,053	571
- payroll	(1,929)	(1,620)	(1,534)	(395)	(309)
- other administrative costs	(958)	(859)	(763)	(195)	(99)
- indirect taxes and similar dues	(189)	(173)	(169)	(20)	(16)
Administrative costs	(3,076)	(2,652)	(2,466)	(610)	(424)
Other operating income, net	213	187	175	38	26
Adjustments to intangible and tangible fixed assets	(299)	(237)	(293)	(6)	(62)
Operating income	2,460	2,349	1,985	475	111
Adjustments to goodwill merger and consolidation differences	(90)	(89)	—	(90)	(1)
Provisions for risks and charges	(323)	(249)	(81)	(242)	(74)
Adjustments to loans and provisions for guarantees and commitments, net	(238)	(185)	(313)	75	(53)
Adjustments to financial fixed assets, net	(20)	(20)	(87)	67	—
Income before extraordinary items	1,789	1,806	1,504	285	(17)
Net extraordinary income	396	369	294	102	27
Income before taxes and minority interest	2,185	2,175	1,798	387	10
Income taxes	(785)	(795)	(685)	(100)	10
Change in reserve for general banking risks	2	2	(1)	3	—
Net income attributable to minority interests	(94)	(90)	(62)	(32)	(4)
Reversal of second half income Banco di Napoli Group	(16)	—	—	(16)	(16)
Net income	1,292	1,292	1,050	242	—

At December 31, 2000, Banco di Napoli had total assets of €34.6 billion, customer financial assets of €38.8 billion and loans to customers (excluding a €2.7 billion exposure to Società per la Gestione de Attività S.p.A. ("SGA"), the company established to recover doubtful loans) of €15.9 billion. In profitability, operating income for the year amounted to €251 million, up 26.4% from 1999. Net income dropped 29.8% to €91.7 million, largely as a result of substantial provisions taken to cover restructuring costs associated with relaunching Banco di Napoli and bringing accounting principles in line with those of Sanpaolo IMI.

For Sanpaolo IMI, the Banco di Napoli acquisition is a step towards the achievement of size and market presence appropriate to the developing competitive environment in the banking and financial services sector. The aggregation of the two banking groups, both of which have solid roots in their traditional regions provides excellent coverage of a significant part of Italy and the development of a complete range of financial services to a client base of millions of families, companies and smaller entrepreneurs.

The business model envisages the maintenance of two separate retail banks, with an exploitation of the role of Banco di Napoli where there exists the greatest potential to create value and achieve levels of excellence.

Banco di Napoli will be able to take advantage of the management systems (above all, in risk monitoring and management) where Sanpaolo IMI is at the cutting edge. Furthermore, Banco di Napoli will be able to benefit from the important development programs already launched by the Sanpaolo IMI Group in new technology. The two distribution networks are complementary in geographical terms and there will be little overlap requiring closures or redundancies. Benefits will also flow from the reorganization of the product companies to provide a wider range of products. The planned changes will contribute to significant synergies and income improvements with prospects for solid development in the medium term and further improvements in profitability.

5. Assets Managed on Behalf of Customers

The financial assets of customers of the Group at year-end 2000, prior to the consolidation of Banco di Napoli, amounted to €265.5 billion, for a net inflow during the year of €5.4 billion, an increase of 2.1% compared to year-end 1999. The addition of Banco di Napoli raised this total to €304.1 billion.

The importance given to asset management is reflected in the fact that assets under management have grown further as a proportion of total customers' financial assets. At year-end 2000, prior to the consolidation of Banco di Napoli, assets under management, as a proportion of total customers' financial assets, increased to 46.1% compared with 43% at year-end 1999. This increase counterbalanced the decline in assets under administration (including assets held in custody), which slipped from 26.6% to 23.9% of total customers' financial assets. The proportion of direct customer deposits remained stable at approximately 30% of total customers' financial assets.

The following table shows the total amounts of customers' financial assets, broken down by main category, held by the Group at the dates indicated.

	At December 31,						
Customers' financial assets	**2000**		**2000 Restated (1)**		**1999**		**Change 2000 Restated/1999**
	(€/mil)	**%**	**(€/mil)**	**%**	**(€/mil)**	**%**	**%**
Assets under management	128,913	42.4	122,357	46.1	111,753	43.0	9.5
Assets 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	304,141	100.0	265,468	100.0	260,026	100.0	2.1

(1) Excluding Banco di Napoli.

Asset management and administration

In 2000, the Group's asset management business grew faster than the market average. Volumes expanded by 9.5% over the year, reaching more than €122 billion by year-end 2000, a figure that increased to €128.9 billion after the consolidation of Banco di Napoli. The flow for 2000 was €10.6 billion, which was generated by net inflow of €16 billion, partially offset by a negative performance effect of €5.4 billion caused by the downward trend in share prices. In 1999, net inflow had been €16.8 billion with a positive performance effect of €10.2 billion. Market share based on assets under management was approximately 13.4% at year-end 2000, compared with 12.9% at year-end 1999, and is expected to be 14.2% with the consolidation of Banco di Napoli.

The increase in the Group's asset management business affected all types of customer investments. At year-end 2000, mutual funds and fund-based portfolio management amounted to €100.9 billion, a 7.9% increase compared to the year-end 1999 figure of €93.6 billion. Net inflows for 2000 amounted to €12.6 billion, which accounted for more than a third of the inflow of the entire Italian market. This allowed Sanpaolo IMI to raise its market share in mutual funds and fund-based portfolio management from 17.5% at year-end 1999 to 18.1% at year-end 2000; this figure increases to 18.9% after the inclusion of Banco di Napoli. This increase came primarily from equity and balanced funds, to the detriment of bond funds. At the Group level, equity funds at year-end 2000 represented 39.4% of total funds, compared with 36% at year-end 1999; at year-end 2000 balanced funds rose to 19.1% of total funds at year-end 2000 compared to 14.7% at year-end 1999.

The funds managed by the Group on behalf of insurance companies, banks, pension funds and other entities amounted to almost €6.9 billion at year-end 2000, an increase of 4% compared to year-end 1999. In the area of pension funds, the Group continued to operate with the open-ended funds distributed by the Sanpaolo IMI's branch network and by the exclusive financial agents of Banca Sanpaolo Invest and Banca Fideuram.

The results achieved in the insurance sector were also positive. The technical reserves of the Group's insurance companies amounted to €12.4 billion at year-end 2000, an increase of 25% compared to year-end 1999 and an Italian market share of approximately 7.1%. Net inflows amounted to €2.7 billion. There was strong growth in unit-linked and index-linked policies, which represented 72% of net premiums.

Assets under administration came to €63.5 billion at year-end 2000, down 8.3% compared to year-end 1999. The reduction mainly concerned assets administered on behalf of institutional customers. Including Banco di Napoli's volumes, the Group's assets under administration at the end of the year amounted to €71 billion.

The following table shows the amounts of assets under management, broken down by main category, held by the Group at the dates indicated.

	At December 31,						
Assets under Management	**2000**		**2000 Restated (1)**		**1999**		**Change 2000 Restated/1999**
	(€/mil)	**%**	**(€/mil)**	**%**	**(€/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
Third-party products	4,006	3.1	3,440	2.8	3,248	2.9	5.9
Total	128,913	100.0	122,357	100.0	111,753	100.0	9.5

(1) Excluding Banco di Napoli.

The following table shows the amounts of net asset management inflows (subscriptions in net of redemptions) from Group and third-party products at the dates indicated.

	At December 31,		
Net Asset Management Inflows	**2000**	**2000 Restated(1)**	**1999**
	(€/mil)	**(€/mil)**	**(€/mil)**
Group products	14,846	15,896	16,205
Third-party products	267	190	642
Net asset management inflows	15,113	16,086	16,847

(1) Excluding Banco di Napoli.

The following table shows the Group's Italian market share of assets under management and direct customer deposits at the dates indicated.

Market Share of Assets under Management and Direct Customer Deposits	At December 31, 2000	2000 Restated(1)	1999
	%	%	%
Asset management	14.2	13.4	12.9
Of which:			
– 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

(1) Excluding Banco di Napoli.

The following table shows mutual funds by type held by the Group at the dates indicated.

Mutual Funds by Type	At December 31, 2000	2000 Restated(1)	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

(1) Excluding Banco di Napoli.

6. Direct Deposits

Excluding Banco di Napoli, direct customer deposits increased slightly in 2000, amounting to €79.6 billion at year-end. This figure grows to €104.1 billion after Banco di Napoli is included, as Banco di Napoli has a high proportion of direct deposits to total customers' financial assets (approximately 63%).

Group customers generally preferred short-term deposits in 2000. Current and deposit accounts increased by 7.1% compared to year-end 1999; and, as a proportion of total direct deposits they increased, from 45.7% at year-end 1999 to 48.6% at year-end 2000. Repurchase agreements, following a decline in 1999, increased 49.1% to €5.604 billion from year-end 1999 to year-end 2000.

In medium- and long-term deposits, the process of transforming certificates of deposit into assets under management continued, with the result that certificates of deposits decreased by 32.1% by year-end 2000. Bonds also decreased by 6.4% by year-end 2000. This result was in part affected by the Group's funding policies, which in 2000 were more oriented towards hybrid instruments, subordinated debt and forms of medium-and long-term funding from banks.

At year-end 2000, the Group's share of the Italian market for customer deposits, based on those of the entire banking sector as made available recently by the Bank of Italy, was 6%, rising to 8.6% with the inclusion of Banco di Napoli.

The following table shows the amount of direct customer deposits held by the Group at the dates indicated.

Direct customer deposits	At December 31, 2000		2000 Restated (1)		1999		Change 2000 Restated/1999
	(€/mil)	%	(€/mil)	%	(€/mil)	%	%
Current accounts and deposits	53,396	51.3	38,642	48.6	36,096	45.7	7.1
Certificates of deposits	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)

Direct customer deposits	2000 (€/mil)	2000 %	2000 Restated (1) (€/mil)	2000 Restated (1) %	1999 (€/mil)	1999 %	Change 2000 Restated/1999 %
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

At December 31,

(1) Excluding Banco di Napoli.

7. Customer Loans

Group net customer loans at year-end 2000, excluding non-performing loans and Banco di Napoli, amounted to €79.3 billion. This represented a 10.9% increase compared to year-end 1999, a clear recovery from a period which had been affected by a revision of the Group's loan policy. The total is €97.7 billion with the inclusion of Banco di Napoli's loans.

Within the loan book, the most dynamic element was the short-term portion, which grew 22.8% in 2000; 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 acquisitions and other extraordinary operations.

In 2000, medium- and long-term loans rose by 3.8%. At year-end 2000, new mortgage loans to households made by the Bank were €1.6 billion, for a total of €9.4 billion, an increase of 9.2% from year-end 1999.

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

The following table shows the Group's loans to customers, broken down by types of loans, at the dates indicated.

At December 31,

Loans to customers	2000 (€/mil)	2000 %	2000 Restated (1) (€/mil)	2000 Restated (1) %	1999 (€/mil)	1999 %	Change 2000 Restated/1999 %
Short-term loans	41,438	42.0	32,790	41.0	26,701	36.5	22.8
Medium- and long-term loans	56,253	57.0	46,477	58.1	44,779	61.2	3.8
Loans to customers, excluding non-performing loans	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 Loans	98,706	100.0	80,025	100.0	73,174	100.0	9.4

(1) Excluding Banco di Napoli.

There was a significant increase in the amount of loans granted by the Group's international network (almost 40% compared to year-end 1999), although this increase depended in part on the devaluation of the euro against the other main currencies.

Analyzing loans by customer sectors, those to households grew by 3.2%, a slower rate of growth than in 1999, when they rose by more than 13%. This trend was also affected by the sale by Sanpaolo IMI of non-performing loans without recourse, involving mainly mortgage loans to private individuals, as well as the securitization by Finconsumo of €350 million worth of loans, 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 rising from 9.2% at year-end 1999 to 12.2% at year-end 2000. This growth appears to be related mainly to the needs of large Italian groups to finance extraordinary transactions, such as acquisitions. There was also a strong rise in lending to governments and public entities, driven by the loans made by Banca OPI for a total of €3.1 billion.

With respect to concentration risks, at December 31, 2000 the Group, including Banco di Napoli, had an exposure of €4.1 billion to the telecommunications industry (i.e. fixed and mobile telephone companies, Internet providers and producers of telecommunications infrastructure, equipment and components). As of December 31, 2000, management believes the quality of the telecommunication portfolio is 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 6% of the overall exposure that is non-investment grade is to companies that are owned by large groups.

The Group's market share of total loans to customers in Italy at year-end 2000, measured against the whole Italian banking system, was 7.3%. This figure rose to 9.2% after the consolidation of Banco di Napoli.

The following table shows the Group's loans to customers, broken down by types of borrower, at the dates indicated.

	At December 31,						
Loans to customers by counterparty	**2000**		**2000 Restated** (1)		**1999**		**Change 2000 Restated/1999**
	(€/mil)	**%**	**(€/mil)**	**%**	**(€/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 loans	98,706	100.0	80,025	100.0	73,174	100.0	9.4

(1) Excluding Banco di Napoli.

The following table shows the Group's loans to customers, broken down by type of loan and category of customer, at the dates indicated.

	At December 31,						
Loans to customers by category	**2000**		**2000 Restated** (1)		**1999**		**Change 2000 Restated/1999**
	(€/mil)	**%**	**(€/mil)**	**%**	**(€/mil)**	**%**	**%**
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)
– mortgages	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)
Family businesses, companies, governments, public bodies and other	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

Loans to customers by category	2000		2000 Restated (1)		1999		Change 2000 Restated/1999
– leasing	1,753	1.8	1,753	2.2	1,580	2.2	10.9
– mortgages	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 loans	98,706	100.0	80,025	100.0	73,174	100.0	9.4

At December 31,

(1) Excluding Banco di Napoli.

8. Doubtful Loans

The Group made considerable progress in terms of credit quality in 2000. Various actions were contributed to this result: the use of rigorous loan 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. These sales helped reduce the amount of capital allocated and gave rise to writebacks of €92 million, which were booked to the statement of income. See "Item 3. Key Information –B. Selected Statistical Information".

The Group succeeded in reducing its net amount of non-performing loans by €936 million during 2000, lowering them to €758 million at year-end 2000. As a proportion of total customer loans, non-performing loans fell to 0.9% at year-end 2000, compared with 2.3% at year-end 1999. After consolidation of Banco di Napoli, net non-performing loans rise to €1.015 billion, or 1% of total customer loans.

In 2000, there was a considerable decline in other net doubtful loans, represented by problem and restructured loans and unsecured exposures to customers subject to country risk, which in total amounted to €829 million at year-end 2000, 31.5% less than at year-end 1999. As a proportion of total net customer loans, net doubtful loans fell from 1.7% at year-end 1999 to 1% at year-end 2000. After the consolidation of Banco di Napoli, other net doubtful loans rose to €1.088 billion, or 1.1% of total customer loans. Of the outstanding amount of non-performing loans, 81.8% is covered by provisions. Of the outstanding amount of problem and restructured loans, 40% is covered by provisions. After consolidation of Banco di Napoli, these figures decrease to 79.8% and 37.3%, respectively.

The following table shows the Group's doubtful loans at the dates indicated.

	At December 31,						
Doubtful Loans	2000		2000 Restated (1)		1999		Change 2000 Restated/1999
	(€/mil)	%	(€/mil)	%	(€/mil)	%	%
Non-performing loans	1,015	1.0	758	0.9	1,694	2.3	(55.3)
Problem, restructured, in the course of being restructured	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 loans	98,706	100.0	80,025	100.0	73,174	100.0	9.4
Non-performing and under-performing loans to banks	1		1		—		—
Loans to countries at risk – banks	53		53		105		(49.5)

(1) Excluding Banco di Napoli.

9. Capital Markets Activities

Brokerage

The Group's securities portfolio at year-end 2000, excluding Banco di Napoli, amounted to €18.366 billion, which is substantially in line with the figure at year-end 1999. Investment securities fell to €1.469 billion, or 8% of the total securities portfolio, compared with 9.5% at year-end 1999.

The dealing portfolio held by Banca IMI increased to €9.704 billion at year-end 2000, an increase of 28.2% compared with year-end 1999. The composition of the portfolio was approximately 50% of government securities and approximately 30% other types of bonds.

Sanpaolo IMI's treasury securities portfolio at year-end 2000 amounted to €4.598 billion, a decrease of 16% compared with year-end 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 composed of approximately 60% Italian Treasury credit certificates (*CCTs*), with the remainder consisting of securities with maturities of less than one year. The total volume of securities traded by Sanpaolo IMI was €20.4 billion. The Group's trading volume in repurchase agreements amounted to €222 billion (of which €112 billion was traded on the MTS/PCT Electronic Secondary Market for Repo platform), primarily for retail and corporate clients.

Transactions on the interbank market were executed by Sanpaolo IMI and by subsidiaries specialized in raising funds on international markets. Sanpaolo IMI was a participant in the Euribor panel and took an active role in the initiatives carried out within the ambit of the euro-system, such as the launch of e-Mider, the new European electronic market for short-term derivatives. Total transactions on the interbank market by Sanpaolo IMI totalled €986 billion, of which €399 billion were on the e-Mid circuit, representing a market share of 3.6%.

As regards medium/long-term funding, the Group's activities featured important fund-raising transactions which, in terms of volumes and investor appreciation, ranked Sanpaolo IMI as one of the leading issuers on the international market. In November 2000 an affiliate of Sanpaolo IMI issued €1 billion of noncumulative trust preferred securities qualifying as Tier 1 capital. Between April and December 2000, Sanpaolo IMI issued €1.850 billion of Lower Tier 2 subordinated debt, and, in October and November 2000, it issued €601 million of Tier 3 subordinated debt. In the categories of senior debt, €2.160 billion of bonds were placed on the domestic retail market. On the international market, two offerings to institutional investors were also made through Sanpaolo IMI Bank International of Madeira, of a €750 and €500 million, respectively. Sanpaolo IMI also issued Euro Medium Term Notes and entered into non-securities funding transactions amounting to a total of €650 million.

The following table shows the Group's securities interbank and derivatives positions at the dates indicated.

Securities, interbank positions and derivatives	At December 31, 2000		2000 Restated (1)		1999		Change 2000 Restated/1999
	(€/mil)	%	(€/mil)	%	(€/mil)	%	%
Investment securities	6,671	26.7	1,469	8.0	1,756	9.5	(16.3)
Dealing securities(2)	18,329	73.3	16,897	92.0	16,645	90.5	1.5
Securities 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) Excluding Banco di Napoli.

(2) This item includes €42 million (at 12/31/2000) and €21 million (at 12/31/1999) of Sanpaolo IMI shares purchased by subsidiaries as part of their securities dealing activities.

Placement and advisory business

For a discussion of Banca IMI's role in debt and equity offerings in 2000, please see "Item 4. Information on the Company –B. Business Overview –2. Results by Business Area –Investment Banking."

Equity investments

The Group's investments in companies not consolidated on a line-by-line basis amounted to €3.573 billion at year-end 2000, after the consolidation of Banco di Napoli, representing a net increase of €226 million compared with year-end 1999. For a discussion of the principal transactions, see "Item 4. Information on the Company –A. History and Development of the Company –2. Recent Developments".

Disposals during the year amounted to €841 million, which led to a total pre-tax gain of €270 million. For a discussion of the principal transactions, see "Item 4. Information on the Company –A. History and Developments of the Company –3. Principal Capital Expenditures and Divestitures."

The following table shows the Group's non-consolidated equity investments at the dates indicated.

Non-consolidated equity investments	December 31, 2000		2000 Restated (1)		1999		Change 2000 Restated/1999
	(€/mil)	%	(€/mil)	%	(€/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

(1) Excluding Banco di Napoli

B. Liquidity and Capital Resources

1. Liquidity

See table in "Item 3. Key Information –B. Selected Statistical Information –7. Funding Sources".

Sanpaolo IMI has traditionally financed acquisitions internally (see "Item 3. Key Information –B. Selected Statistical Information –7. Funding Sources"). In 2000, principally in connection with the acquisition of control of Banco Napoli and to ensure the maintenance of capital adequate ratios above the minimum levels required for supervisory purposes, Sanpaolo IMI issued approximately €3.5 billion in debt securities, making use of the Group's credit standing and access to traditional and innovative market structures. These included €2.5 billion in various new issues of subordinated debt and €1 billion in Trust Preferred Securities.

Sanpaolo IMI has access to a wide range of funding at various maturities and in different forms, including current and deposit accounts, repurchase agreements, securities. Such funding originates from Sanpaolo IMI domestic customer base, the domestic and international interbank markets and the issuance of commercial paper and debt securities in the United States (through Sanpaolo IMI US Financial Co.) and in the Euromarkets (through Sanpaolo IMI International S.A.). Sanpaolo IMI US Financial Co.'s commercial paper program has a limit of $5 billion while Sanpaolo IMI International's commercial paper program allows issuance of commercial paper and certificates of deposit up to €1.5 billion and its euro medium-term notes program is for €7.5 billion.

The following table sets forth the principal components of Sanpaolo IMI's funding by geographical distribution and other data. Approximately 64% of total funding is derived from Italy; other EU countries include principally France, where the subsidiary Banque Sanpaolo IMI operates, and the London branch of the Parent Bank and Sanpaolo IMI International; other countries include branches in New York, Singapore and Tokyo.

	12/31/00				12/31/99			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
				(in millions of €)				
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

The following table sets forth the principal components of Sanpaolo IMI's funding by maturity and other data. The majority of the funding is towards the short end of the range: on demand deposits make up approximately 15%, on demand and short-term together (up to three months) around half while the balance is composed fixed and floating rate funds including subordinated debt.

	Specified duration								
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years			
				Fixed rate	Indexed rate	Fixed rate	Indexed rate	Unspecified	Total
				(in millions of €)					
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

In the course of 2001, Sanpaolo IMI made substantial investments to develop its business, most importantly in the acquisition of control of Banco di Napoli. To complete these investments and to ensure the maintenance of solvency ratios appropriate to the business, Sanpaolo IMI issued certain traditional and innovative capital securities and debt for a total of €3,459 million.

- €1 billion in Trust Preferred Securities issued by Sanpaolo IMI Capital Company I LLC, a Delaware business trust established for the purposes of the offer, on November 7, 2000. The securities bear a fixed interest rate of 8.126% for 10 years and then 350 basis points over 12-month Euribor and are callable, in whole or in part, prior to maturity.

- €1,850 million in Tier 2 subordinated debt. These issues (€500 million in 6.38% fixed and €350 million in floating rate 10-year notes on April 6, 2000, €1 billion in floating rate 10-year notes on September 27, 2000,were issued on the basis of the MTN program.

- €601 million in Tier 3 subordinated debt. These issues (€456million in 5.63% fixed three-year notes on October 3, 2000, €145 million in floating rate three-year notes on November 6, 2000) were issued in the domestic market.

The following table analyzes the subordinated debt issued by Sanpaolo IMI by currency and maturity.

Loan	Book value as of 12/31/00 (millions of €)	Original currency (millions)	Interest rate	Issue date	Maturity date	Book value as of 12/31/99 (millions of €)
Preferred Securities in Euro	1,000	1,000	8.126%(a)	10/11/00	(b)	—
Total innovative capital instruments (Tier 1)	1,000					
Notes in Luxembourg francs	—	1,000	7.75%	05/26/93	05/26/00	25
Notes in Luxembourg francs	25	1,000	7.63%	07/09/93	07/09/01	25
Notes in Luxembourg francs	—	1,000	9%	02/10/92	02/10/00	25

Loan	Book value as of 12/31/00 (millions of €)	Original currency (millions)	Interest rate	Issue date	Maturity date	Book value as of 12/31/99 (millions of €)
Notes in US dollars	178	165	floating	07/12/93	07/30/03	165
Notes in US dollars	86	79	floating	09/24/93	09/24/93	79
Notes in US dollars	101	94	floating	11/30/93	11/30/05	94
Notes in US dollars	—	32	floating	08/25/95	08/25/00	32
Notes in Canadian dollars	108	151	floating	11/10/93	11/10/03	104
Notes in Italian lire	356	690,000	10.40%	06/30/94	06/30/04	356
Notes in Italian lire	29	56,130	floating	06/15/93	06/15/03	—
Notes in Italian lire	36	69,790	floating	10/15/93	10/15/03	—
Notes in Euro	150	150	5.75%	09/15/99	09/15/09	—
Notes in Eurolire	—	198,000	floating	07/06/95	07/06/00	102
Notes in Eurolire	27	52,000	floating	12/30/96	01/20/02	27
Subordinated loan in US dollars	108	100	floating	09/15/93	09/15/03	—
Subordinated loan in US dollars	11	10	floating	03/25/91	03/25/01	—
Subordinated loan in Italian lire	39	75,000	5.10%	06/01/98	06/01/03	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	02/01/98	02/01/03	115
Subordinated loan in Euro	500	500	6.38%	04/06/00	04/06/10	—
Subordinated loan in Euro	350	350	floating	04/06/00	04/06/10	—
Subordinated loan in Euro	1,000	1,000	floating	09/27/00	09/27/10	—
Subordinated loan in Euro	200	200	floating	10/01/99	10/01/09	200
Subordinated loan in Euro	65	65	floating	10/12/99	10/12/09	—
Subordinated loan in Euro	8	8	floating	12/22/00	12/22/10	—
Total subordinated liabilities (Tier 2)	3,557					1,524
Subordinated loan in Euro	456	456	5.63%			
Subordinated loan in Euro	145	145	floating			
Total subordinated liabilities (Tier 3)	601					
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.

The working capital requirements of the Group are fully met through its funding strategies and Sanpaolo IMI believes that its credit standing will continue to give it access to both traditional and innovative funding.

There are no legal or economic restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends, loan or advances and the impact such restrictions have on the ability of the company to meet its cash obligations.

2. Capital and Reserves

Shareholders' equity

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

	Movements in shareholders' equity
	(in millions of €)
Shareholders' equity as of January 1, 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
Shareholders' equity as of December 31, 2000	7,353

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

The compensation for consolidation differences is explained in the notes.

Own shares

At December 31, 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.

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 treasury shares (with a total nominal value of €76.8 million and a carrying value of €335.6 million). During 2000 it bought 54,195,250 shares (of total nominal value €151.7 million for an outlay of €891.4 million) and sold 42,280,768 shares (of total nominal value €118.4 million and proceeds of €612 million). At the end of 2000 the Parent Bank held 39,345,982 nominal shares (with a total nominal value of €110 million and a carrying value of €697 million);

- at the end of 1999 Banca IMI during the year held 1,556,657 Sanpaolo IMI shares (total nominal value €4.4 million and carrying value €20.9 million). In 2000, Banca IMI, as part of its institutional brokerage activities, bought 23,285,982 Sanpaolo IMI shares (total nominal value €65.2 million for an outlay of €372.5 million) and sold 22,405,239 shares (total nominal value €62.7 million with proceeds of €356.9 million). At the end of 2000 Banca IMI held 2,437,400 shares (total nominal value €6.8 million and a carrying value of €42.1 million).

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 contributed to Ente Cassa di Risparmio di Firenze in connection with the alliance with Cassa di Risparmio di Firenze. See Item 4. Information of the Company –A. History and Development of the Company –2. Recent Developments –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. See Item 4. Information of the Company –A. History and Developments of the Company –2. Recent Developments – Other steps taken to reinforce the Group's presence in the Italian market". As of March 15, 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.

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%.

The following table sets forth the Tier I and the Tier II capital levels and the relative ratios of the Sanpaolo IMI group at December 31, 1999 and 2000. According to Bank of Italy regulations, the ratios set forth with respect to the capital of Sanpaolo IMI have been calculated net of any dividend distributions:

	At December 31,	
	2000	1999
	(millions of €, except ratios)	
Tier I capital		
Share capital	3,931	3,926
Additional paid-in capital	—	—
Reserves	4,024	4,261
Preferred Securities in €	1,000	—
Less: intangible assets	(2,087)	(682)
Tier I capital	6,868	7,505
Tier II capital		
Revaluation reserves	12	—
Subordinated debt	3,297	1,355
Other positive items	78	74
Other negative items	(130)	(174)
Tier II capital	3,257	1,255
Less: financial investments	(1,259)	(737)
Total Tier I and Tier II capital ("Own Funds")	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 capital/Total risk-weighted assets	7.1%	9.6%
Total capital/Total risk-weighted assets	9.2%	10.3%

Tier 3 subordinated debt issued in 2000 amounted to a total of €601 million. 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. Moreover, with the new equity investments acquired during the year, the Group raised its regulatory capital by issuing €1.850 billion of Tier 2 subordinated debt. An issue of preferred shares of €1 billion 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%.

3. Material Commitments for Capital Expenditures

See "Item 4. Information on the Company –A. History and Developments of the Company –2. Recent Developments" above for information concerning Sanpaolo IMI's public takeover offer for an additional equity stake in operation Cassa dei Risparmi di Forlì.

C. Trend Information

The Board of Directors approved on May 15, 2001 the Group's results for the first quarter of 2001.

In a difficult market scenario, the Group achieved quarterly net income of €327 million. Income was up by €19 million compared to the quarterly average of the previous year, restated in consistent terms taking the acquisition of

Banco di Napoli from January 1, 2000. Comparison with the first quarter of 2000 shows a fall in income of 10.2%. The first quarter of the previous year had in fact registered an exceptional income flow, in a particularly positive market context in asset management and trading. The decrease in net income in the first quarter of 2001 was primarily attributable to asset management and securities dealing, while net interest income was slightly positive.

The Board of Directors also examined the initiatives taken by the management to confront this lower income. In particular, actions to contain costs have been identified. Management believes that these initiatives should contribute to the achievement in 2001 of ordinary income in advance of that in 2000.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

1. Board of Directors

The following table sets forth, as of June 13, 2001, the names of the members of the Board of Directors (the "Board") of Sanpaolo IMI, their current position, and the year of appointment as Director. The current Board's mandate will expire as of the date of the shareholder's general meeting called to approve the financial statements for the year ending December 31, 2003.

Name	Age	Position	Appointed	Other directorships
Rainer Stefano Masera	57	Chairman	1997(1)	Director of Banca Europea per gli Investimenti
Enrico Salza	64	Deputy Chairman	1998(2)	Director of Compagnia di Sanpaolo
Alfonso Iozzo	58	Managing Director	2001	Director of Munchener Ruck Italia
Luigi Maranzana	60	Managing Director	1997	Director of Banco Di Napoli
Alberto Carmi	77	Director	2000	Chairman of Ente Cassa di Risparmio di Firenze
Giuseppe Fontana	47	Director	1998	Deputy Chairman of Fontana Finanziaria
Gabriele Galateri di Genola e Suniglia	54	Director	1997	Managing Director of IFI/IFIL
Richard Gardner	73	Director	2001	Member of International Advisory Board of BSCH
Mario Manuli	61	Director	2001	Director of Banca Regionale Europea
Virgilio Marrone	54	Director	1998	Co-Chief Executive Manager of IFI
Abel Juan Matutes	59	Director	2001	Member of Trilateral Commission
Iti Mihalich	69	Director	1997	Director of Società Reale Mutua Assicurazioni
Emilio Ottolenghi	69	Director	1995	Managing Director of La Petrolifera Italo Rumena
Remi François Vermeiren	61	Director	1998	Chairman of KBC Bank

(1) Became Chairman in 2001.
(2) Became Deputy Chairman in 2001.

For a discussion of the election of the Board of Directors see "Item 7. Major Shareholders and Related Party Transactions –A. The Major Shareholders. –1. Agreement Among Certain Shareholders."

2. Senior Management

The following table sets forth the senior management of Sanpaolo IMI as of June 13, 2001, their age and their positions with Sanpaolo IMI.

Name	Age	Position	Appointed
Alfonso Iozzo	58	Managing Director	2001
Luigi Maranzana	60	Managing Director	1997
Enrico Fioravanti	63	Chief Legal Officer	1998
Bruno Picca	51	Chief Financial Officer	1997
Vittorio Serafino	50	Chief Commercial Banking Officer	1998

3. Board of Statutory Auditors

Pursuant to Italian law, in addition to appointing the Board of Directors, shareholders appoint a Board of Statutory Auditors which is composed of five auditors; two alternate auditors are also appointed. At least two of the members of the Board of Statutory Auditors must be elected by minority shareholders. In case any of the statutory auditors ceases for any reason to serve in such capacity, the alternate auditor automatically replaces him until the next shareholders' meeting, at which a replacement will be appointed by the shareholders.

The statutory auditors are called to serve for a three-year term and may be reappointed. Statutory auditors are required to attend General Meeting of Shareholders, Board of Directors meetings and Executive Committee meetings.

The board of Statutory Auditors is responsible for reviewing the management of a company and controlling the compliance with laws and a company's bylaws. In addition, the Board of Statutory Auditors checks upon the adequacy of the company's structure, of the internal review mechanisms, and of the book-keeping systems in place. Also, the statutory auditors are responsible for reviewing the exchange of information system between the parent company and its subsidiaries, to ensure compliance with the reporting requirements of the law.

The following table sets forth, as of June 13, 2001, the names of the members of the Board of Statutory Auditors of Sanpaolo IMI, who were designed by the General Meeting of Shareholders on April 30, 1999, for a three-year term.

Name	Age	Position
Mario Paolillo	70	Chairman of Board of Auditors
Aureliano Benedetti	65	Auditor
Maurizio Dallocchio	43	Auditor
Angelo Miglietta	39	Auditor
Ruggero Ragazzoni	61	Auditor
Carlo Pasteris	74	Alternate Auditor
Alessandro Rayneri	69	Alternate Auditor

4. Independent Auditors

The financial statements of Sanpaolo IMI are required to be audited by an independent auditing firm whose assignment has to be approved by the General Meeting of Shareholders that approves the annual financial statements. The General Meeting of Shareholders resolution authorizing such appointment must be furnished to CONSOB together with the Board of Statutory Auditors' opinion on the appointment. According to Italian law, such appointment is for three years and the General Meeting of Shareholders may not appoint the same external auditors for more than three consecutive three-year terms. The report issued at the end of the audit is defined as an opinion with or without qualification and not a "certification". Arthur Andersen has audited, as required by Italian law, the financial statements of Sanpaolo IMI, and its predecessor, since the fiscal year ending December 31, 1992 and terminated its assignment with the opinion for the fiscal year 2000. PricewaterhouseCoopers was appointed by the General Meeting of Shareholders of April 28, 2000 for the three-year term 2001-2003.

B. Compensation

The following tables set forth the compensation paid to or accrued by Directors and Statutory Auditors of Sanpaolo IMI for the year ended December 31, 2000.

Surname and Name	Description of office	Time in office	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives (1)	Other compensation (2)	Bonuses (6)
			(in thousands of €)				
ARCUTI Luigi	Chairman(4)	1998/2000	381	–	90	44 (3)	162
ALBANI CASTELBARCO VISCONTI Carlo	Director	1998/2000	57	–	69	14 (3)	152
BOTIN Emilio	Director	1998/2000	39	–	21	–	32
CARMI Alberto	Director	28/04/00-2000	27	–	–	–	22

Surname and Name	Description of office	Time in office	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives (1)	Other compensation (2)	Bonuses (6)
		2000					
FABRIZI Pier Luigi	(5)	–	–	–	42	–	
FONTANA Giuseppe	Director	1998/2000	58	–	80	53	152
GALATERI DI GENOLA Gabriele	Director (4)	1998/2000	101	–	90	40 (3)	130
GRONCHI Divo	(5)	–	–	–	(a)	(a) (3)	
INCIARTE Juan Rodriguez	Director (4)	1998/2000	69	–	80	40 (3)	130
MARANZANA Luigi	Managing Director (4)	1998/2000	239	–	516	(b) (3)	
	General Manager		418	3			
MARRONE Virgilio	Director	1998/2000	(c)		(c)	–	(c)
MASERA Rainer Stefano	Managing Director (4)	1998/2000	239		516	(d) (3)	
	General Manager		418	17			
MASINI Mario	Director (4)	1998/2000	68	–	90	40 (3)	162
MIHALICH Iti	Director (4)	1998/2000	101		69	25	152
OTTOLENGHI Emilio	Director	1998/2000	59	–	90	107 (3)	152
PREDA Stefano	Director (4)	1998-28/06/2000	43	–	64		97
SALZA Enrico	Director (4)	1998/2000	87	–	85	41 (3)	162
SCLAVI Antonio	Director (4)	25/5/99-2000	69	–	32	25	141
VERCELLI Alessandro	Director	22/6/99-2000	41	–	27	–	141
VERMEIREN Remi François	Director	1998/2000	39	–	–		–
PAOLILLO Mario	Chairman of Statutory Auditors	1999/2001	95	–	–	122 (3)	–
BENEDETTI Aureliano	Statutory Auditor	1999/2001	63	–	–	99	
DALLOCCHIO Maurizio	Statutory Auditor	1999/2001	67	–	–	25	
MIGLIETTA Angelo	Statutory Auditor	1999/2001	67	–	–	51 (3)	
RAGAZZONI Ruggero	Statutory Auditor	1999/2001	67	–	–	38	

(1) This column includes the bonus due to Directors for 1999 (€1.05 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.

(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 statement 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.

(6) Bonus based on the Group's result for the year ended 31 December 2000, calculated on the basis of each Director's attendance and participation rate to the Board of Meetings and distributed after the approval of the financial statements 2000.

(a) €26,856 bonus and other incentives and €15,561 in other compensation paid to Monte dei Paschi di Siena S.p.A.

(b) €53,711 paid to Sanpaolo IMI.

(c) €74,886, in emoluments, €90,380, in bonus and other incentives and €152,000, in other bonuses paid to "IFI S.p.A.

(d) €52,678, paid to Sanpaolo IMI.

The aggregate compensation for the year ended December 31, 2000 for the Senior Managers other than Managing Directors was Lit. 5.3 billion (€2.7 million) including the compensation of two Senior Managers who no longer hold such positions. The above-mentioned compensation includes bonuses of approximately Lit. 2.0 billion (€1.0 million), calculated in relation to the performance of the group and of the business area.

Stock option plan for the year ended December 31, 2000

On July 31, 1998, the shareholders approved 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, as subsequently defined, equal to 14,285,714 shares.

Implementing this resolution, the Board of Directors launched 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.

- *Exercising rights*: a third of the rights may be exercised after the payment of the dividends, if any, for 1999, 2000 and 2001, respectively. Rights not exercised will expire by March 31, 2003. Rights may be exercised during four 25 day periods in any given year, following the approval of the Group's quarterly results.

- *Subscription price*: initially set at €12.7746, which was the average market price of Sanpaolo IMI shares in the final quarter of 1998; subsequently adjusted to 12.3960 euro to take account of the real estate spin-off to Beni Stabili in October 1999. uer the 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 June 27, 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 ordinary 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 the other 122 managers.

- *Exercising rights*: after the payment of the dividends, if any, for 2002. Rights not exercised will expire by March 31, 2005. Rights may be exercised during four 25 day periods in any given year, following the approval of the Group's quarterly results.

- *Subscription price*: €16.45573, 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 December 31, 2000 entailed an increase in capital of €5 million, equal to 0.1% of the share capital, and the booking of a share premium reserve of €18 million. If the rights assigned but not yet exercised were to be exercised, this would entail further increases in capital of €23 million, equal to 0.6% of the share capital and the booking of a share premium reserve of €93 million.

Development of stock option plans in 2000

	Number of shares	Average exercise price	Market price	
Rights at 1/1/2000..	6,772,000	12.39600	13.424	(a)
New rights assigned in 2000......................................	3,378,270	16.45573	16.989	(b)
Rights exercised in 2000..	(1,833,250)	12.39600	17.151	(c)
Rights expired in 2000(d)..	(90,000)	–	–	–
Rights at 12/31/2000..	8,227,020	14.16795	17.780	(e)
Of which: exercisable at 12/31/2000 (f).....................	–	–	–	–

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

(b) Market price at the time of the resolution of the Board of Directors (6/27/2000).

(c) Average of market prices weighted for quantities exercised on market days within the "exercise period 2000".

(d) Rights no longer exercisable following termination of employment.

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

(f) At 12/31/2000 no rights were exercisable in that the date is not included in the infra-annual period for the exercise of rights. It should be noted that, at 12/31/2000, there were 394,083 residual rights exercisable in 2000, at the price of €12.396; these rights will again be exercisable from 2001.

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.

C. Board Practices

1. Directors' Benefit Arrangements on Termination

As of December 31, 2000, there were no service contracts between any Director and the Company providing for benefits upon termination of employment.

2. Audit and Remuneration Committee

The Company is subject to the strict rules of Bank of Italy concerning internal auditing standards. According to the Bank of Italy guidelines, the Board of Directors approved internal regulations which described the activities requested to ensure an efficient auditing organization. An Audit Committee was also appointed in order to determine and control the guidelines on the issue of preventing and monitoring the risks of dysfunction in the ordinary course of business and of considering the adequacy of internal information. The Committee can also indicate directives on the issue of managerial initiatives and/or disciplinary measures consequent to serious illegalities or serious liabilities with patrimonial damages.

The member of the Audit Committee are: Giuseppe Fontana and Virgilio Marrone.

The Board also appointed a Remuneration Committee in order to evaluate - in agreement with the Chairman of Statutory Auditors - the remuneration of the Directors with special offices. The committee has also the duty to examine the whole remuneration of the Directors, in consideration of additional directorships in the Boards of subsidiaries or other entities they accepted in the interest of the Company.

The members of the Remuneration Committee are: Gabriele Galateri and Iti Mihalich

D. Employees

The total number of employees of the Sanpaolo IMI Group at the end of 2000 was 35,729. Excluding Banco di Napoli personnel, Group personnel at the end of 2000 comprised 25,088 employees, 955 more than at the end of 1999.

The increase in personnel (excluding Banco di Napoli) is attributable to Sanpaolo IMI (a net increase of 271, with 957 new employees and 686 departures, excluding those transferred to Banca OPI with Public Works and Infrastructure); the acquisition of the Wargny Group (an addition of 214 employees); and other companies in the Group (a net increase of 470 employees). The increase was largely due to the development plans launched during 2000 in the sectors and Business Areas with higher potential for value creation: Retail Banking, Wealth Management and Personal Financial Services.

This trend comes after two years of rationalization, during which the number of Sanpaolo IMI personnel was reduced by approximately 1,300 employees. It also results from a generational change, as younger people and those with specialist professional skills are hired. Given this policy, the incentive plan to encourage voluntary severance continued and was accepted by a total of 243 employees of Sanpaolo IMI.

The following table shows the Group's total headcount at the dates indicated.

	At 12/31/00						Change 12/31/00 w/o Banco di Napoli 12/31/99
	w/Banco di Napoli		w/o Banco di Napoli		At 12/31/99		
		%		%		%	%
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

Employees by main category of activity and by geographic location

	12/31/2000
Retail	***28,212***
Commercial Banking	*17,571*
Italy	16,350
France	1,221
Banco di Napoli	*10,641*
Wealth Management	***343***
Italy	217
Luxembourg	114
Austria	12
Personal Financial Services	***1,849***
Italy	1,508
France	214
Luxembourg	110
United Kingdom	17
Wholesale Banking	***1,296***
Corporate	*462*
Italy	454
Ireland	8
Public Works and Infrastructures	*99*
Italy	99
Investment Banking	*683*
Italy	562
United States	44
Luxembourg	77
Merchant Banking	*52*
Italy	52
Corporate Centre	***4,029***
Italy	4,027
Portugal	2
Total	**35,729**

The number of Parent Bank temporary employees on an average during the most recent financial year was 50 people.

Employment Agreements

National collective contracts in Italy are generally negotiated between the national association of banks and the national unions. The relations of the individual banks with their employees must be based on and respect the guidelines set out by the national collective contracts. The national collective contract for non-management staff (which covers almost all Sanpaolo IMI employees) was renewed on July 11, 1999 and will be valid until December 31, 2001.

The new contract has unified the existing two categories of employees, classified as cadres ("*quadri*") and middle management ("*funzionari*"), into a single intermediate category with no further distinction. This category now covers most present managerial staff, a small percentage of which may become executives ("*dirigenti*" not more than 2.5% of total employees).

The new contract also allows companies to adopt special rules on working hours, salary for newly-hired staff and duties, for those activities not typically linked with the Bank's business which include important technical, administrative and IT sectors. For these activities companies other than the Bank may also be used, whether they are controlled or not.

To improve customer relationship, working hours have been made more flexible in order to reach a longer average during the day, especially for the computer-based banking services.

The cost of workforce was stable and reductions were due to cuts in seniority pay, bonuses and the starting salary for newly-hired. Moreover, hirings are more flexible as a result of the adoption of temporary or part-time contracts.

The new contract for the executives has been renewed in December, 2000, with costs in line with those agreed upon in the renewal of the contract for employees and cadres, and allows banks to dismiss executives by surcharging the notices of dismissal.

Sanpaolo IMI encourages employees to retire – at a national level new incentives will be available in case of restructuring or mergers – and has increased its staff performance-related bonus schemes.

The incentive scheme is aimed principally at the distribution network. It provides for cash bonus payments, calculated and communicated in advance, both for the branch managers and for the staff. It is directly related to the achievement of set targets. This system currently covers more than 80% of employees.

For 2001 the extensions of the system is ongoing for all areas of the Bank with specific volume or profitability targets.

Sanpaolo IMI has set up a Stock Option Plan for managing directors and other top executives. Cash incentives linked to the achievement of performance targets also have been set up for all bank's employees.

Benefits

Sanpaolo IMI provides certain retirement benefits to its employees. From December 31, 1990, Sanpaolo and its employees began to make certain contributions to the *Istituto Nazionale per la Previdenza Sociale* ("INPS"), the state-run pension scheme, which provides a flow of income to employees upon retirement.

Until December 31, 1990, employees of Sanpaolo were entitled to retirement benefits from the *Cassa di Previdenza*, a private pension scheme funded by Sanpaolo and by Sanpaolo's employees. In accordance with the Amato Law, Sanpaolo was no longer due to make payments to the *Cassa di Previdenza* after December 31, 1990. After December 31, 1990 those employees who were employed by Sanpaolo as of that date became entitled to receive from the *Cassa di Previdenza* supplemental benefits which, when added to the payments from INPS, provide such employees with equivalent retirement coverage as was previously extended to them under the *Cassa di Previdenza* plan before December 31, 1990. Approximately 10,000 employees of Sanpaolo IMI shall benefit from this retirement plan. As of December 31, 2000 Sanpaolo IMI had set aside a total of €105.4 million during the previous years with respect to this specific retirement coverage.

Sanpaolo IMI has also created the Fondo Pensione del Gruppo Sanpaolo IMI, a private pension fund to which employees can make tax deductible contributions. Sanpaolo IMI itself pays tax deductible contributions to the same fund on behalf of such employees.

Furthermore, pursuant to Italian legislation, Sanpaolo IMI annually puts aside for every employee a certain amount (equal to the employee's annual salary divided by 13.5), and upon retirement, pays the employee the sum of such amounts adjusted for inflation. Sanpaolo IMI accrues this fund on its balance sheet.

As of December 31, 2000, Banco di Napoli had made provisions of €1,085 million for supplementary pensions for employees. The values of such provisions 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%. See "Provisions – Provisions for Risks and Charges – Pensions and Similar Commitments in the consolidated Financial Statements attached hereto".

Labor Relations

Overall, Sanpaolo IMI considers satisfactory the relations with its employees. Approximately three-quarters of the employees belong to one of the 10 national unions, representing both employees and middle-management. This is in accordance with the data from the Italian banking sector.

E. Share Ownership

Investments in the Bank and in the companies it controls held by the directors, statutory auditors and managing directors of the Bank and by other persons as per Article 79 of CONSOB Resolution no. 11971 of 5/14/99 are as follows.

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

Any senior manager or director who owned shares of the Company, as of December 31, 2000, owned less than 1% of the shares of the Company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. The Major Shareholders

1. Agreement Among Certain Shareholders

On April 24, 2001, the Compagnia di San Paolo (the "Compagnia") entered into agreements (collectively the "Agreement"), to consult and coordinate the voting on the occasion of the shareholders' meeting of the Bank called for April 2001 with IFI/IFIL and Societá Reale Mutua di Assicurazioni (Compagnia, IFI/IFIL and Societá Reale

Mutua di Assicurazioni, collectively, the "Parties"). The shareholders' meeting was called for April 27, 2001 on first call, April 28, 2001 (on second call, for the extraordinary part) and April 30, 2001 (on third call, for the extraordinary part and second call for the ordinary part). The shareholders' meeting called for such dates is hereby referred to as the "April 2001 Shareholders' Meeting". At the April 2001 Shareholders' Meeting the financial statements for the year ended December 31, 2000 were approved and the Board of Directors elected. In Italy the arrangements contained in the Agreement were made public pursuant to Article 122 of Legislative Decree 58 of February 24,1998 and CONSOB Regulation 11971 of May 14, 1999.

On April 23, 1997 the Parties, together with BSCH and other shareholders of the Company, entered into agreements concerning voting rights and transfer of shares. Such agreements have now expired. BSCH did became a party to the Agreement.

Parties to the agreement and number of shares

- the Compagnia with 226,525,988 shares equal to 16.134% of the capital of the Bank, with voting rights restricted only for the April 2001 Shareholders' Meeting to 5% of the capital. Such limitation related only to approving the financial statements or nominating the directors;
- IFI/IFIL with 69,952,000 shares equal to 4.98% of the capital of the Bank;
- Società Reale Mutua di Assicurazioni with 28,080,500 shares equal to 2% of the capital of the Bank.

Contents of the agreement

Board of Directors

The Parties agreed to vote, at the April 2001 Shareholders' Meeting, in favor of the election of a Board of Directors of the Bank for the three years 2001-2003, as proposed by the Compagnia, such board is composed of 13 members:

- Rainer Stefano Masera (Chairman)
- Enrico Salza (Director)
- Alfonso Iozzo (Director)
- Luigi Maranzana (Director)
- Alberto Carmi (Director)
- Giuseppe Fontana (Director)
- Gabriele Galateri (Director)
- Mario Manuli (Director)
- Virgilio Marrone (Director)
- Abel Matutes (Director)
- Iti Mihalic (Director)
- Emilio Ottolenghi (Director)
- Remi Vermeiren (Director)

Richard Gardner was independently proposed and elected as a Director at the April 2001 Meeting.

The Parties, considering that the nomination of Enrico Salza as Deputy Chairman as well as the nominations of Alfonso Iozzo and Luigi Maranzana as Managing Directors would be in the interest of the Bank, made known their opinion to the Board of Directors, given that the Board remains the corporate body exclusively responsible for such nominations.

Consultation

The Parties will consult from time to time to exchange opinions concerning the status of their interests as shareholders of the Bank.

Obligation not to trade shares of the Bank and related rights

Each Party has agreed not to modify in any way, for the entire duration of the Agreement, as described below, except with the prior written consent of the other Party, its shareholding in the capital of the Bank. The Parties, directly, indirectly or through any intervening person or entity:

- will not acquire additional shares of the Bank;
- will not trade in any way rights of any sort related to the shares of the Bank and, in particular, will not take on any obligations or make agreements of any sort with any third party concerning the exercise of rights or possible rights deriving from possession of the shares of the Bank;
- will not transfer in any way shares of the Bank held by them, nor subject them to any agreement, lien, encumbrance, guarantee or charge which may in any way limit their full and unconditional availability.

  Such restrictions do not include:

- purchases and sales of shares in the Bank, within the limit of 2.5% of the Bank capital, made temporarily in the context of trading, treasury management, purchase of guarantees or investments of reserves by insurance companies forming part of the group;
- transfers made within the same group, as understood pursuant to Article 2359 of the Civil Code, on condition that the transferring party remains responsible for the transfer and the recipient agrees unconditionally to the agreement.

Notwithstanding the foregoing, the Compagnia has the right to reduce its shareholding in the capital of the Bank.

Duration and early dissolution

The Agreement will cease automatically and will no longer have effect the 15th day preceding the date of the shareholders' meeting of the bank called to approve the financial statements for the year ending December 31, 2003.

Reasons for automatic and early dissolution of the agreements are:

- the termination of all the Directors with the consequent removal of the whole Board pursuant to Article 2386 of the Civil Code;

- the launching of a public offer or an exchange offer, by third parties, on shares of the Bank such as to allow, if such offer is successful, the acquisition of a controlling interest in the Bank or in any case the possession by the offeror of a quantity of shares superior to that held by the Compagnia.

2. Other Consultative Agreements

The Compagnia reserves the right to make similar consultative agreements with other shareholders of the Bank. In such case, the Compagnia will give notice to IFI/IFIL and Societá Reale Mutua di Assicurazioni, and such parties may withdraw, without any penalty, from their Agreement within 15 days following the notice.

3. Table of Major Shareholders

The following table sets forth, as of 30 April 2001, the Sanpaolo IMI shareholders holding 2% or more of the outstanding Sanpaolo IMI Shares, with their corresponding interests in Sanpaolo IMI.

Shareholder	No. of Shares		Percentage	
COMPAGNIA DI SAN PAOLO		**226,525,988**		**16.13%**
Compagnia di San Paolo Srl.	226,525,988		16.13%	
BSCH		**91,009,666**		**6.48%**
Santusa Holding SL	70,249,666		5.00%	
W.N.P.H. Gestao e Investimentos SA	14,760,000		1.05%	
Banco Madesant SU SA	6,000,000		0.43%	
MONTE DEI PASCHI DI SIENA		**88,611,222**		**6.31%**
Banca Monte dei Paschi di Siena	70,195,363		5.00%	
Monte dei Paschi di Siena Ist. Dir. Pubblico	15,834,530		1.13%	
MPS Finance Banca Mobiliare	2,000,000		0.14%	
Montepaschi Vita Spa	558,562		0.04%	
Banca Agricola Mantovana	22,267		0.00%	
Banca C. Steinhauslin e C.	500		0.00%	
GIOVANNI AGNELLI E C.		**69,952,000**		**4.98%**
IFIL Investissements S.A.	29,150,000		2.08%	
IFIL Finanziaria di Partecipazioni Spa	24,502,000		1.75%	
IFI – Istituto Finanziario Industriale Spa	16,300,000		1.16%	
FONDAZIONE CARIPLO		**38,882,098**		**2.77%**
ENTE CASSA DI RISPARMIO DI FIRENZE		**36,151,764**		**2.57%**
Ente Cassa di Risparmio di Firenze	28,050,000		2.00%	
Cassa di Risparmio di Firenze	8,024,764		0.57%	
Cassa di Risparmio di Pistoia e Pescia	48,000		0.00%	
Centrovita Assicurazioni	29,000		0.00%	
SOCIETA' REALE MUTUA DI ASSICURAZIONI		**28,874,799**		**2.06%**

4. Differences in Voting Rights

The Company's major shareholders do not have different voting rights.

5. Number of Record Holders in the United States

As of June 15, 2001, there were 7,583,079 ADSs outstanding, representing 15,166,158 shares or approximately 1.1% of Sanpaolo IMI shares; as of such date, there were 19 holders of record of Sanpaolo IMI ADSs.

B. Related Party Transactions

1. Material Related Party Transactions

Since January 1, 2000 there were no material transactions with related parties. Some members of the Board of Directors are current or former senior executives of leading financial institutions and other companies in Europe. Companies of the Sanpaolo IMI Group may at any time have lending, investment banking or other financial relationships with one or more of these companies in the ordinary course of business at market conditions.

2. Loans and Guarantees Given

Loans and guarantees given

	12/31/00	12/30/99
	(in millions of €)	
Directors	6	10
Statutory Auditors	1	1

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors, €0.2 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.

3. Amounts Due to and From the Group Companies and Investments (non-Group Companies)

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

Amounts due to and from Group Companies

	12/31/00	12/31/99
	(in millions of €)	
(a) Assets		
1. due from banks	26	–
of which		
‘ — subordinated	–	–
2. due from financial institutions (*)	3,208	–
of which		
‘ — subordinated	–	–
3. due from other customers	108	76
of which		
‘ — subordinated	–	–
4. bonds and other debt securities	–	–
of which		
‘ — subordinated	–	–
Total assets	3,342	76
(b) Liabilities		
1. due to banks	14	–
2. due to financial institutions	34	3
3. due to other customers	142	72
4. securities issued	16	867
5. subordinated liabilities	–	–
Total liabilities	206	942
(c) Guarantees and commitments		
1. guarantees given	46	4
2. commitments	6	4
Total guarantees and commitments	52	8

(*) It includes €2,738 of receivables due to Banco di Napoli by SGA.

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

	12/31/00	12/31/99
	(in millions of €)	
(a) Assets		
1. due from banks(*)	928	1,180
of which		
‘ — subordinated	20	–
2. due from financial institutions	721	522
of which		
‘ — subordinated	–	–
3. due from other customers	1,852	2,158
of which		
‘ — subordinated	21	–
4. bonds and other debt securities	13	275
of which		
‘ — subordinated	–	–
Total assets	3,514	4,135
(b) Liabilities		
1. due to banks(**)	2,718	1,919
2. due to financial institutions	115	97
3. due to other customers	110	28
4. securities issued	–	–
5. subordinated liabilities	–	–
Total liabilities	2,943	2,044
(c) Guarantees and commitments		
1. guarantees given	955	363
2. commitments	464	–
Total guarantees and commitments	1,419	363

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

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

Amounts due to and from Group companies and non-Group companies are detailed in Note (29).

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See the Consolidated Financial Statements and related notes in the F- pages.

See “Item 17. Financial Statements”.

1. Statements of Cash Flows

The following consolidated statements of cash flows are presented in connection with SFAS No. 95.

	2000	1999	1998
		(in millions of €)	
Cash Flows from Operating Activities			
Net income after minority interest	1,292	1,050	909
Adjustment to reconcile net income to cash provided by operating activities:			
Amortization and depreciation	326	265	266
Net realized loss (gain) on sale of securities	(107)	76	(95)
Net realized loss (gain) on sale of tangible fixed assets	(7)	(2)	(6)
Net realized (gain) on sale of investments in affiliated and other companies	(268)	(349)	(26)
Net unrealized loss (gain) on valuation of securities	128	(145)	19
Net unrealized loss (gain) on valuation of fixed assets	(15)		
Net unrealized loss on valuation of investments in affiliated and other companies	7	75	41

	2000	1999	1998
		(in millions of €)	
Net loss (gain) from investments carried at equity	(87)	(118)	(82)
(Increase) decrease in other assets	3,033	(4,151)	(4,490)
(Decrease) increase in other liabilities	(2,520)	2,169	4,966
Net realized (gain) loss on translation adjustment and other changes	–	1,130	(49)
Taxes paid using capital reserve	–	–	(45)
Net cash provided by operating activities	1,782	(2,169)	1,408
Cash Flows from Investing Activities			
Effect of merger between San Paolo and IMI			(6,965)
Purchase of tangible fixed assets	(341)	(197)	(186)
Proceeds from sale of tangible fixed assets	30	12	103
Purchases of investments in affiliated companies	(97)	(152)	(33)
Proceeds from sale of investments in affiliated companies	–-	219	12
Purchase of investments in other companies	(1,745)	(2,002)	(230)
Proceeds from sale of investments in other companies	846	584	120
Consideration paid for the acquisition of Banco di Napoli	(2,048)	–	–
Purchase of securities	(291,793)	(380,910)	(472,226)
Proceeds from sale and redemption of securities	292,968	387,703	474,744
Decrease (increase) in interest-bearing deposits	(190)	(3,050)	8,802
Decrease (increase) in federal funds sold and reverse repo's	(29)	5,183	(3,031)
Net decrease (increase) in loans, net	(1,352)	(2,025)	(19,537)
Net cash provided by investing activities	(3,751)	5,365	(18,427)
Cash Flows from Financing Activities			
(Decrease) increase in deposits, net	(4,732)	5,049	(16,305)
(Decrease) increase in short-term borrowing, net	2,584	1,189	518
(Decrease) increase in repurchase agreements, net	915	(4,487)	1,536
Net increase (decrease) in long-term debt	4,363	(4,280)	31,193
Dividends paid	(724)	(652)	(46)
Other changes of shareholders' equity	(465)	(302)	
Increase (decrease) of minority interest	43	394	151
Net cash (used in) provided by financial activities	1,984	(3,089)	17,047
Net (decrease) increase in cash and cash equivalents	15	107	28
Cash and Cash Equivalents, beginning of year	693	421	393
Cash and Cash Equivalents, end of year	708	528	421

Cash and cash equivalents primarily consist of cash on hand, cash at post offices and amounts due from the Central bank of Italy.

2. Legal Proceedings

Sanpaolo IMI Group is subject to certain claims and is a party to a large number of legal proceedings relating to the normal course of its business. Although it is difficult to determine the outcome of such claims and proceedings with certainty, Sanpaolo IMI believes that liabilities related to such claims and proceedings are unlikely to have, in the aggregate, a material adverse effect on the Group's financial condition or results of operations.

With regards to taxation proceedings, Fideuram Vita, a consolidated subsidiary of the Group, is currently appealing in front of the relevant court, against a judgment of the taxation tribunal concerning tax assessments levied by the government tax authorities with respect to income taxes for the fiscal years from 1985 to 1990. For a detailed description of this taxation proceeding see Note 17 to Consolidated Financial Statements.

Between February 1999 and March 2000, Guardia di Finanza, one of the Italian Tax Authorities, after a general tax audit on Sanpaolo IMI, set out certain items with regard to income taxes paid during the period between 1992 and 1998. Their reports were forwarded to the appropriate tax office, which asked Sanpaolo IMI to finalize the tax returns for the above years by "*accertamento con adesione*" settlement with the Revenue (Legislative Decree). The settlement was made in October 2000 against payment of €13 million, such payment is completely covered by the provisions for tax which were previously made. The tax years from 1992 to 1998 can be considered as finalized.

See “Item 3. Key Information –B. Selected Statistical Information – 6. Loan Portfolio”.

3. Dividends

The total dividend paid by Sanpaolo IMI each year has been approved by the Annual Shareholders’ Meeting. The dividends related to each year are paid in the following year to which they relate. Dollar amounts have been converted at the Noon Buying Rate in effect on the respective payment dates.

Year		Dividends per share
1995	Lit. 240	$0.16
1996	Lit. 280	$0.17
1997	Lit. 110	$0.06
1998	Lit. 900	$0.49
1999	Lit. 1,000 / €0.52(1)	$0.45(2)
2000	Lit. 1,100 / €0.57(3)	$0.49(4)

(1) Approved at the Annual Shareholders Meeting held on April 28, 2000 and paid on May 25, 2000.

(2) Based on the Noon Buying Rate as of May 22, 2000.

(3) Approved at the Annual Shareholders Meeting held on April 30, 2001 and paid on May 24, 2000.

(4) Based on the Noon Buying Rate as of May 24, 2001.

B. Significant Changes

See “Item 4. Information on the Company –A. History and Developments of the Company –2. Recent Developments”.

ITEM 9. LISTING DETAILS

A. Performance of Sanpaolo IMI Share Prices

The Sanpaolo IMI share price started the year at €13.42. It then appreciated strongly during the initial part of the year, reaching a record high of €20.87 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 at the end of the year. The decline continued in early 2001 and at June 15, 2001, the price was €15.19.

The share price performance was better than that of the MIB Index for the banking sector: in 2000 the shares went up by 32.4%, compared with 13.9% in the sector; as of June 15, 2001, the price had registered a fall of 12.1% from the beginning of the year against a decline of 13.5% in the Banking Index.

The principal trading market for the Sanpaolo IMI Shares is on Telematico under the symbol “SPI”. The Sanpaolo IMI Shares and ADSs are also traded on SEAQ International, the London Stock Exchange’s quotation system for equity securities of non-UK incorporated companies. Sanpaolo IMI ADSs, each representing two Sanpaolo IMI Shares, have been listed on the NYSE under the symbol “IMI” since November 2, 1998. Morgan Guaranty Trust Company of New York is Sanpaolo IMI’s Depositary and issues the American Depositary Receipts (“ADRs”) evidencing ADSs.

The following table lists the reported annual high and low prices of Sanpaolo Shares from 1996 to 1998, and annual high and low prices of Sanpaolo IMI Shares from 1999 to 2001.

Year	High (*)(**)(€)	Low (*)(**)(€)
1996	5,287	4,210
1997	8,833	4,583
1998	16,102	8,654
1999	16,035	11,102
2000	20,870	11,658
2001 (through June 15, 2001)	18,627	14,070

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

(**) Official prices: source Borsa Italiana

The following table lists the reported high and low prices of Sanpaolo IMI Shares on Telematico from January 2, 1998 through October 30, 1998, the high and low prices of Sanpaolo IMI Shares on Telematico from November 2, 1998 through June 15, 2001 and the high and low prices of Sanpaolo IMI ADSs on the NYSE from November 2, 1998 through June 15, 2001. From January 4, 1999, the Sanpaolo IMI Shares began trading on Telematico in euro. The prices for 1998 have been restated (based on the Fixed euro/Lira Exchange Rate of Lit. 1,936.27 = €1 established on December 31, 1998) as if the Sanpaolo IMI Shares had been trading in euro since the beginning of the period.

From the third quarter 2000, the Sanpaolo IMI ADS quotation is presented in the decimal equivalent of the fractional quotation.

	Telematico (1) (2)		NYSE (2)	
	High	Low	High	Low
1999				
First quarter	16.30	13.24	39 12/16	30
Second quarter	14.80	11.98	32 14/16	25 13/16
Third quarter	13.49	10.92	28 12/16	24 5/16
Fourth quarter	13.89	11.42	28 6/16	24 6/16
2000				
First quarter	16.53	11.35	31 8/16	22 4/16
Second quarter	18.70	14.06	35 10/16	26 6/16
Third quarter	21.05	17.49	37	30.50
Fourth quarter	20.20	15.76	35.13	28.50
2001				
First quarter	18.99	13.81	36.00	24.50
Second quarter (through June 15, 2001)	16.69	14.10	29.50	25.60

(1) Prices from January 2, 1999 through November 2, 1999 have been restated to reflect the spin-off of Beni Stabili

(2) Prices from November 2, 1999, reflect the spin – off of Beni Stabili.

As of June 15, 2001, there were 7,583,079 ADSs outstanding, representing 15,166,158 ordinary shares or approximately 1.1% of Sanpaolo IMI shares; as of the same date, there were 19 holders of record of Sanpaolo IMI ADSs.

The following table lists the reported high and low market prices of Sanpaolo IMI ADSs for the most recent six months:

Months	High	Low
January 01	36.00	30.375
February 01	33.60	29.60
March 01	29.95	24.50
April 01	29.50	25.50
May 01	28.58	26.65
June 01 (through June 15)	27.40	25.60

The Sanpaolo IMI ADS quotation is presented in the decimal equivalent of the fractional quotation for January 2001 and thereafter in decimal form following the decimalization of all stocks quoted on the NYSE.

B. Markets

1. Clearance and Settlement of Sanpaolo IMI Shares

The settlement of stock exchange transactions is facilitated by a joint stock company (Monte Titoli S.p.A., "Monte Titoli") which carries out the activity of central depository; the company's shares are currently owned by the Bank of Italy and certain of the major Italian banks and financial institutions. Most Italian banks, brokers and securities dealers have securities accounts as participants with Monte Titoli.

The Legislative Decree No. 213/98, regulating the adoption of the euro has also established that securities listed on regulated markets could no longer be represented by physical certificates. These provisions were effective as of October 5, 1998, for the securities previously entered into a centralized securities depositary system and, as of January 1, 1999, for all other securities.

As a consequence of this, all listed securities must be actually entered into central depositories, and the operations concerning them have to be done by book entry. For this reason, beneficial owners of Sanpaolo IMI Shares must hold their interests through specific accounts with any of the participants in Monte Titoli. The beneficial owners of Sanpaolo IMI Shares held with Monte Titoli may transfer their shares, collect dividends, create liens and exercise other rights with respect to those Sanpaolo IMI Shares through such accounts.

Beneficial owners of Sanpaolo IMI Shares may also hold their interests through Euroclear and Clearstream and may transfer the Sanpaolo IMI Shares, collect dividends and exercise other shareholders' rights through Euroclear or Clearstream. Investors may request Euroclear or Clearstream to transfer their Shares to an account of such holders with a participant having an account with Monte Titoli.

2. Securities Trading in Italy

Sanpaolo IMI Shares are listed in Milan and New York, respectively on Telematico and NYSE, and are traded on London's SEAQ International.

As specified above (see "Item 4. Information of the Company –B. Business Overview –4.The Italian Banking System: Supervision and Regulation"), Borsa Italiana is the joint stock company organizing and managing the regulated markets for financial instruments. Borsa Italiana replaced the administrative body Consiglio di Borsa and in January 1998 was finally privatized.

The ordinary shareholders' meeting of the market company is entitled, according to Section 62, Legislative Decree n. 58/1998, to issue rules establishing the condition and procedures for the admission, exclusion and suspension of market participants and financial instruments to and from trading, and those for the conduct of trading and any obligations of market participants and issuers. The shares of Borsa Italiana are currently owned by financial intermediaries and primarily, which purchased them in an auction regulated by ministerial decree. Sanpaolo IMI holds as of June 2001, through its subsidiaries, a 7.85% share of the capital of Borsa Italiana.

According to current Borsa Italiana regulations, a three-day rolling cash settlement period applies to all trades of equity securities in Italy. Any person, through an authorized intermediary, may purchase or sell listed securities. An "official price", calculated for each security as a weighted average of all trades effected during the trading day and a "reference price", calculated for each security as a weighted average of the last 10% of trades effected during such day are reported daily. Each of these prices is net of the quantity traded using the cross-order function.

In particular market conditions, Borsa Italiana may, with reference to markets, categories of financial instruments or individual instruments:

- Prolong the duration or delay the start of one or more phases of trading;
- Interrupt, where possible, continuous trading with the simultaneous reactivation of opening auction;

- Modify the trading conditions; and
- Suspend or reactivate trading;

Shares ordinarily may be traded only in minimum lots of prescribed size (or multiples thereof) determined for the Sanpaolo IMI Shares. The currently prescribed minimum lot for the Sanpaolo IMI Shares is 50. Lots smaller than the prescribed minimum may be traded subject to certain rules.

The shares are included in the index of the 30 largest companies on Telematico in terms of capitalization and liquidity (“MIB30”).

Since February 19, 1996, call and put options are traded on the Italian derivatives market which include the Sanpaolo IMI Shares.

Sanpaolo IMI ADSs have not at any time been suspended from trading on the NYSE (nor as trading at any other time been halted).

ITEM 10. ADDITIONAL INFORMATION

A. Memorandum of Articles of Association

As reported in Article 4 of the By-laws, the Company has as its purpose the collection of deposits from the public and the business of lending in its various forms, in Italy and abroad.

The Company can undertake, within the limits of the regulations in force, all banking and financial transactions and services as well as any other transaction in the way of business and in whatever way related to the achievement of its corporate objective.

The Company in its capacity as Reporting Bank for Bank of Italy purposes of the SANPAOLO IMI Banking Group according to the terms of Article 61 of Legislative Decree 385 of September 1, 1993 — issues, in the exercise of its function of management and coordination, instructions to the members of the Group for the execution of the instructions issued by the Regulatory Authorities in the interests of stability of the Group itself as a whole.

There are neither provision in the Bylaws concerning limitations in the right to hold securities nor concerning:

(a) Director’s power to vote on a proposal, arrangement or contract in which the director is materially interested;

(b) Retirement or non-retirement of director under an age limit requirement;

(c) Number of shares for director’s qualification.

The Board of Directors, in compliance with Italian law, determine the remuneration of Directors with particular responsibilities, having heard the opinion of the board of statutory auditors. The borrowing powers of the Company are regulated by Italian law.

The Share capital is divided into ordinary shares. An ordinary share has dividend rights. Dividends not claimed within five years following the day on which they are available are retained by the Company and placed to reserves, as provide for the Article 22 of the Bylaws.

Every ordinary share confers the right to one vote.

The Shareholders’ Meeting is ordinary or extraordinary according to the terms of the law and can be called in Italy not necessarily at the registered office.

The ordinary Shareholders’ Meeting is called at least once a year within four months of the end of the financial year or, when particular circumstances demand, within six months.

The extraordinary Shareholders' Meeting is called to approve matters reserved to it by law or by the articles of association.

Participation and representation in the Shareholders' Meeting are regulated by Italian law.

B. Foreign Investment

There are no limitations imposed by Italian law on the rights of non-residents of Italy or foreign persons to hold or vote shares other than those limitations described below, which apply equally to all owners of such shares. The Sanpaolo IMI Bylaws do not provide for any limitations.

Securities regulations. Pursuant to Italian securities laws, any holding of any direct or indirect interest in excess of 2%, 5%, 7.5%, 10%, and higher multiples of 5%, in the voting shares of a listed company must be notified to CONSOB and the company within the five trading days following the acquisition (the same communication has to be done for the reduction of such interest below the above specified percentages). The voting rights relating to the shares for which the required notifications have not been given may not be exercised. Cross-ownership between listed companies may not exceed 2% of their respective voting shares. Likewise, cross-ownership between a listed company and an unlisted company may not exceed 2% of the voting shares of the listed company or 10% of the voting shares of the unlisted company. The 2% threshold may be increased to 5% pursuant to an agreement between the companies approved by the ordinary shareholders' meeting of the two companies. Pursuant to CONSOB interpretation of cross-ownership (release of October 10, 1999) foreign companies are treated as unlisted companies. Italian listed companies' stake in a foreign company may not exceed 10% of such foreign company's stake in the Italian listed company exceeds 2%, conversely a foreign company may not exceed the 2% limit if the Italian company owing more than 10% of such foreign company. Any shares held in excess of such thresholds may not be voted and must be sold by one of the companies as specified by applicable law. Shares held through subsidiaries, fiduciaries or intermediaries are taken into account for the purposes of calculating these ownership thresholds. However, those provisions on cross-ownership do not apply when a controlled company purchases the shares of a controlling company, within certain limits provided by law and following the approval of the controlled company ordinary shareholders meeting.

Furthermore, any agreement, in whatever form, intended to regulate the exercise of voting rights in a listed company (or in the company or companies controlling a listed company), together with any of its subsequent amendments, renewal or termination, must be: (i) notified to CONSOB, within five days from its execution; (ii) disclosed to the public through the publication, in abstract form, in one Italian newspaper having general circulation, within 10 days from its execution; and (iii) deposited in the companies' Register at the site where such listed company has its registered office, within 15 days from its execution.

The same requirements are also mandated for agreements, in whatever form, that (a) impose an obligation of prior consultation for the exercise of voting rights in a listed company and in its controlling companies; (b) contain undertaking limiting the transferability of the shares and other securities granting rights for the acquisition or subscription of the shares; (c) provide for the acquisition of the shares and securities hereon; and (d) contemplate or cause the exercise, also in association with other person, of dominant influence on the listed company that issued the shares and on its controlled entities.

Based on the Consolidated Securities Law, the duration of the above mentioned agreements cannot exceed three years. Each party to the agreement can withdraw from such an agreement by giving a six-month notice, unless otherwise provided in the agreements.

Banking regulations. The requests for the purchase of more than 5% of the capital of an Italian bank, made by any national of a State other than an EU Member State, that applies discriminatory measures with regards to similar acquisitions by an Italian national must be reported to the Treasury Minister. The President of the Italian Council of Ministers may deny such authorization upon the Treasury Minister's proposal.

For the other purchase requirements or limitations provided for Italian banking legislation, see "Item 4. Information on the Company –B. Business Overview –4. The Italian Banking System: Supervision and Regulation – Participations in the Share Capital of a Bank".

Antitrust regulations. In accordance with Italian antitrust laws, Bank of Italy, upon consultation with the Italian antitrust authority, is required to prohibit acquisitions of sole or joint control over a bank that would create or strengthen a dominant position in the domestic market or a significant part thereof. However, if the acquiring party and the party to be acquired surpass certain turnover thresholds, the antitrust approval for the acquisition falls within the exclusive jurisdiction of the EU Commission.

C. Exchange Controls

There are no exchange controls in Italy. Residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy. Non-residents may invest in Italian securities without restriction and may export cash, instruments of credit and securities, in both foreign currency and Lit., representing interest, dividends, other asset distributions and the proceeds of dispositions.

Certain procedural requirements, however, are imposed by law. Investments, disinvestments and any transfer of cash or bearer securities to and from Italy, whether by residents or non-residents of Italy, for amounts exceeding Lit. 20 million (€10,329) must be made through a banking or other authorized intermediary, including banks located outside Italy. Non-corporate residents of Italy effecting transfers to and from Italy in excess of Lit. 20 million (€10,329) in one year without using domestic authorized banks and other financial intermediaries must disclose them in their annual tax declarations. For corporate residents there is no requirement for such declaration because such information is contained in their financial statements. Non-corporate residents must also give details in their tax declarations of financial assets held outside Italy at the end of the fiscal year and of transfers in excess of Lit. 20 million (€10,329) to, from, within and between foreign countries in connection with such assets during the fiscal year. No declaration is required from such non-corporate residents in respect of foreign investments and foreign income-earning assets that are exempt from income tax or subject to withholding tax in Italy.

Authorized banks, financial and trust companies and other professional intermediaries are required to maintain records of transfers of cash and bearer securities in excess of Lit. 20 million (€10,329) into and out of Italy made on behalf of individuals, non-profit entities and business enterprises. Such records must be kept for five years and may be inspected at any time by Italian tax and judicial authorities .

There can be no assurance that the present regulatory, environment in or outside Italy will endure or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership in the EU and other international organizations and its adherence to various bilateral and multilateral international agreements.

D. Taxation

The following summary describes the material Italian tax and U.S. federal tax consequences of the acquisition, ownership and sale of Shares, including Shares represented by ADSs evidenced by ADRs, that are generally applicable to U.S. holders who own Shares or ADSs as capital assets. For these purposes, a U.S. holder is a beneficial owner who is:

- a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, organized under the laws of the United States or of any political subdivision of the United States; or
- an estate or trust the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source;

and who is not subject to an anti-treaty shopping provision that applies in certain circumstances. Special rules apply to U.S. holders that are also residents of Italy. This summary does not discuss the treatment of Shares or ADSs that are held in connection with a permanent establishment or fixed base through which a beneficial owner carries on business or performs personal services in Italy.

This discussion is based on the tax laws and practices of Italy and the United States currently in effect, as well as the current income tax convention between the United States and Italy (the "Income Tax Convention"). These laws may change, possibly with retroactive effect. This discussion does not address state, local or other foreign tax consequences. This discussion is based in part upon representations of the Depositary and assumes that each obligation provided for in, or otherwise contemplated by, the Deposit Agreement and any related agreement will be performed in accordance with its respective terms. The U.S. Treasury has expressed concerns that parties to whom ADRs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. holders of ADRs, of foreign tax credits for U.S. federal income tax purposes. Accordingly, the analysis of the creditability of Italian taxes described below could be affected by future actions that may be taken by the U.S. Treasury.

Please note that this discussion does not address all of the tax consequences that may be relevant in light of a U.S. holder's particular circumstances. In particular, it does not address U.S. holders subject to special rules, including:

- persons subject to the alternative minimum tax;
- insurance companies;
- tax-exempt entities;
- dealers in securities;
- financial institutions;
- persons who own the Shares or ADSs as part of an integrated investment, including a straddle, hedging or conversion transaction, comprised of the share or ADSs and one or more other positions for tax purposes;
- persons whose functional currency is not the U.S. dollar; or
- persons who actually or constructively own 10% or more of Sanpaolo IMI's voting stock.

Holders should consult their own tax advisers with regard to the application of Italian and U.S. federal tax laws to the Shares or ADSs, and any tax consequences arising under the laws of any state, local or other foreign taxing jurisdictions. For purposes of the Income Tax Convention, the current estate tax convention between the United States and Italy (the "Estate Tax Convention"), Italian tax and U.S. federal tax law, holders of ADRs evidencing ADSs will be treated as owners of the Shares represented by those ADSs, and the discussion of tax consequences to holders of ADSs applies as well to holders of Shares.

1. Italian Taxation

Taxation of Dividends

Italian law provides for the withholding of income tax at a 27% rate on dividends paid by Italian companies to shareholders who are not residents of Italy for tax purposes. Reduced rates (normally 15%) apply to non-resident shareholders who are entitled to, and comply with, procedures for claiming benefits under an income tax convention. Italy has concluded income tax conventions with over 60 foreign countries, including all of the members of the European Community, Argentina, Australia, Brazil, Canada, Japan, New Zealand, Norway, Switzerland, United States and some countries in Africa, Middle East and Far East.

Under the Income Tax Convention, dividends derived and beneficially owned by U.S. holders are subject to Italian withholding tax at a reduced rate of 15%. In the case of dividends derived by a U.S. partnership, the reduction of the withholding tax under the treaty is only available to the extent such dividends are subject to U.S. tax in the hands of the partners.

As to dividends derived in respect of shares held in the centralized deposit system managed by Monte Titoli, instead of the 27% withholding tax mentioned above, a substitute tax, at the same 27% rate, applies. Such substitute tax is levied by the custodian of the shares.

Since the Shares underlying Sanpaolo IMI ADRs are sub-deposited with Monte Titoli, no withholding tax will be applied by Sanpaolo IMI directly, and the substitute tax will be applied by the custodian. The Depositary's instructions specify the procedures that U.S. ADR holders must follow in order to obtain a reduction of the rate of the substitute tax to 15% pursuant to the Income Tax Convention.

According to Italian law, in order to obtain a reduced rate under the Income Tax Convention, the following procedure must be followed. The Custodian must receive, in a timely manner (in accordance with the Custodian's requirements) prior to the dividend payment date:

(i) a declaration of the ADR holder containing all the data that identify the beneficial owner of the Shares (if different from the ADR holder),

(ii) a request by the beneficial owner for the application of the Income Tax Convention which contains a declaration that indicates the existence of all conditions required by the Income Tax Convention, as well as the necessary elements to determine the applicable Income Tax Convention withholding tax rate, together with a statement that such beneficial owner does not maintain a permanent establishment or a fixed base in Italy; and

(iii) a certification from the U.S. Internal Revenue Service that the beneficial owner is a U.S. resident for the purpose of the Income Tax Convention. Such certificate will be effective until March 31 of the year following submission. The time for processing requests for certification by the Internal Revenue Service normally is six to eight weeks. Accordingly, in order to be eligible for the procedure described below, U.S. holders should begin the process of obtaining certificates as soon as possible after receiving instructions from the depositary on how to claim the 15% reduced rate under the Income Tax Convention.

The custodian may advise the depositary, and the depositary will advise U.S. holders, of an additional limited period in which the custodian is willing to receive claims for the 15% reduced treaty rate.

If the custodian does not receive the required documentation on a timely basis, or if in the custodian's judgment the documentation fails to satisfy the requirements of Italian law for any reason, U.S. holders will not be entitled to obtain the reduced treaty rate at source and instead must claim a refund of 12% of the dividend (representing the difference between the 27% ordinary rate and the 15% reduced treaty rate) directly from the Italian tax authorities. Extensive delays have been encountered by U.S. holders seeking refunds from the Italian tax authorities.

Italian law provides an alternative mechanism under which non-resident shareholders can claim a refund of up to four-ninths of Italian withholding taxes on dividend income by establishing to the Italian tax authorities that the dividend income was subject to income tax in another jurisdiction in an amount at least equal to the total refunds claimed. U.S. holders should consult their own tax Advisers concerning the possible availability of these additional refunds, which traditionally have been payable only after extensive delays.

Distribution of additional Shares to beneficial owners with respect to their ADSs that are made as part of a pro rata distribution to all shareholders of Sanpaolo IMI generally will not be subject to Italian tax.

Italian companies are required to supply to the Italian tax authorities certain information concerning the identity of non-resident shareholders in connection with the payment of dividends. Shareholders are required to provide their Italian tax identification number, if any, or alternatively, in the case of individuals, their name, address and place and date of birth, or in the case of legal entities and partnerships, their name, country or establishment and address, and the information required for individuals with respect to one of their representatives.

Non-resident shareholders are also required to provide their foreign tax identification number.

In the case of ADSs owned by non-Italian residents, Sanpaolo IMI understands that the provision of information concerning the depositary, in its capacity as holder of record of the Shares, will satisfy these requirements. Sanpaolo IMI will be required to provide information concerning non-resident beneficial owners of Shares, however, to the extent such owners wish to benefit from reduced withholding tax rates on dividends under an income tax convention, and claims for such benefits therefore must be accompanied by the required information.

Taxation of capital gains

The Italian capital gains tax is not applicable if (i) the seller is a non-resident without a permanent establishment in Italy, (ii) the shares or ADSs are listed on a stock exchange and (iii) during any 12-month period the seller does not dispose of shares or ADSs that comprise a “qualified shareholding”. For shares or ADSs listed on a stock exchange, a “qualified shareholding” consists of shares which entitle the holder to exercise more than 2% of the voting rights of the company or represent more than 5% of the share capital.

Since the Shares and ADSs are listed, capital gains realized on the sale of non-qualified shareholdings in Sanpaolo IMI by non-resident holders without a permanent establishment in Italy are not subject to capital gains tax. In addition, the exemptions from capital gains tax that are available pursuant to an income tax convention apply. The capital gains rate applicable to sales of qualified shareholdings equals 27%.

Other Italian tax

Estate and Gift Tax. Italian estate and gift tax is normally payable on the death of, or a gift by, a beneficial owner of Shares or ADSs. Under the Estate Tax Convention, a credit for the amount of any estate tax imposed by Italy and attributable to the Shares or ADSs will, subject to certain limitations, be allowed against the tax imposed in respect of the Shares or ADSs by the United States on the estate of a deceased person who, at the time of death, was a national of, or domiciled in the United States. There is currently no gift tax convention between Italy and the United States.

Transfer Tax. No transfer tax is payable upon the transfer of Shares through an officially recognized stock exchange. Transfers of Shares or ADSs outside an officially recognized stock exchange are also exempted from the payment of transfer tax provided that the parties entering into the agreement pursuant to which the transfer takes place are:

(i) all non-residents,

(ii) all banks, Italian securities dealing firms (SIMs) or stockbrokers, or

(iii) banks, SIMs or stockbrokers, on the one hand, and non residents or investment funds, on the other hand.

In any other case, transfer tax is currently payable at the following rates:

- Lit. 140 (€0.07) per Lit. 100,000 (€51.65) (or fraction thereof) of the price at which the Shares or ADSs are transferred when the transfer is made between private individuals directly or through an intermediary that is not a bank, SIM or stockbroker;
- Lit. 50 (€0.03) per Lit. 100,000 (€51.65) (or fraction thereof) of the price at which the Shares or ADSs are transferred when the transfer is made either (i) between a bank and a private individual or (ii) between private individuals through a bank, SIM or stockbroker.

The change of a depository (e. g., Euroclear, Clearstream or Monte Titoli) not involving a transfer of the ownership of the transferred Shares or ADSs will not trigger the Italian transfer tax.

Apart from the above exemptions and exclusions, there are questions regarding applicability of the transfer tax to the transfer of ADRs, since ADRs are not shares themselves. In general, with respect to U.S. holders, the transfer tax will not be applicable on transfers of Sanpaolo IMI Shares or ADRs. However, in the case of transfers which are not executed on an official stock exchange and are entered into with an Italian counterparty other than a bank or other authorized financial intermediary or an investment fund, it is advisable that U.S. holders consult their own tax Advisers concerning the applicability of this transfer tax. Deposits and withdrawals of Shares in return for ADSs by non-Italian residents will not be subject to the transfer tax.

2. United States Federal Income Taxation

Taxation of dividends

Distributions made with respect to the Shares or ADSs, before reduction for any Italian tax withheld, will generally constitute foreign source dividend income for U.S. federal income tax purposes to the extent such distributions are made from Sanpaolo IMI current or accumulated earnings and profits, as determined in accordance with U.S. federal income tax principles. A U.S. holder will not be entitled to claim a dividends-received deduction for dividends paid on the Shares or ADSs. The amount of any cash distribution paid in Italian Lit., including the amount of any Italian tax withheld, will be equal to the U.S. dollar value of such Italian Lit. on the date of receipt by the Depositary in the case of U.S. holders of ADSs, or by the U.S. holder in the case of U.S. holders of Shares, regardless of whether the payment is in fact converted into U.S. dollars. Gain or loss, if any, recognized on the sale or other disposition of such Italian Lit. will be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Subject to certain limitations and restrictions, Italian taxes withheld from distributions at the rate provided in the Income Tax Convention or will be eligible for credit against a U.S. holder's U.S. federal income tax liability. Italian taxes withheld in excess of the rate provided in the Income Tax Convention will generally not be eligible for credit against a U.S. holder's federal income tax liability. Furthermore, a U.S. holder will not be allowed a foreign tax credit for foreign taxes withheld on distributions if the holder:

- has held the Shares or ADSs for less than a specified minimum period during which such holder is not protected from risk of loss;
- is under an obligation to make related payments with respect to positions in "substantially similar or related property"; or
- holds the Shares or ADSs in arrangements in which such holder's expected economic profit, after non-U.S. taxes, is insubstantial.

The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed with respect to the Shares or ADSs will generally constitute "passive income" or, in the case of certain U.S. holders, "financial services income". U.S. holders should consult their tax advisers concerning the foreign tax credit implications of the payment of these withholding taxes.

Taxation of capital gains

A U.S. holder will recognize capital gain or loss for U.S. federal income tax purposes on the sale or exchange of Shares or ADSs in the same manner as the holder would on the sale or exchange of any other shares held as capital assets. As a result, a U.S. holder will generally recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and such holder's adjusted basis in the Shares or ADSs. The gain or loss will generally be U.S. source income or loss. U.S. holders should consult their own tax Advisers about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

Information Reporting and Backup Withholding

A U.S. holder may, under certain circumstances, be subject to information reporting and backup withholding with respect to dividends or the proceeds of sale, exchange or redemption of ADSs or Shares unless the U.S. holder:

- is a corporation or comes within certain other exempt categories, and, when required, demonstrates this fact, or
- provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

Any amount withheld under these rules will be creditable against a U.S. holder's U.S. federal income tax liability if the U.S. holder provides the required information to the U.S. Internal Revenue Service. If a U.S. holder is required to and does not provide a correct taxpayer identification number, the U.S. holder may be subject to penalties imposed by the U.S. Internal Revenue Service.

Passive Foreign Investment Company Rules

Based on proposed regulations, the Company does not expect to be considered a "passive foreign investment company" ("PFIC") for United States federal income tax purposes for 2000. However, this is a factual determination that must be made annually and thus may change, and there can be no assurance that the proposed regulations will be finalized in their current form. If the Company were treated as a PFIC for any taxable year during which a U.S. holder held Shares or ADSs, certain adverse consequences could apply to the U.S. holder.

If the Company is treated as a PFIC for any taxable year, gain recognized by such U.S. holder on a sale or other disposition of the Shares or ADS would be allocated ratably over the U.S. holder's holding period for the Shares or ADS. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of Shares or ADS in excess of 125% of the average of the annual distributions on Shares or ADS received by the U.S. holder during the preceding three years or the U.S. holder's holding period, whichever is shorter, would be subject to taxation as described above. Certain elections may be available (including a mark to market election) to U.S. holders that may ameliorate the adverse consequences resulting from PFIC status.

F. Documents on Display

Segreteria Societaria at Piazza San Carlo 156, 10121 Turin, Italy.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Sanpaolo IMI Group places substantial emphasis on risk management and control, based on the following three principles:

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

The policies relating to the acceptance of credit and financial risks are defined by the Parent Bank's Board of Directors and Executive Committee based on advice received from specific committees (the Financial Risks Committee, the Credit Committee, the Financial Institutions Credit 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 major exposures. It has the support of the Risk Management unit and of the Risk Control unit.

The business units that generate credit and/or financial risks operate within assigned limits of autonomy and each has its own control structure.

1. Market Risk

Organization

The main body that is responsible for the management and control of financial risks is the Parent Bank's Board of Directors. It defines the 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 Risks 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 individual Business Areas measure financial risks and apply a system of limits that are consistent with the top-level system used by Sanpaolo IMI.

Measurement techniques

The principal methods used by the Group to measure financial risks are:

- Value at Risk (VaR);
- Sensitivity Analysis; and
- Worst case scenario.

VaR. VaR modeling is a statistical technique that produces an estimate of the potential loss in a portfolio over a specified holding period which is statistically unlikely to be exceeded more than once during the given holding period. The Group uses a model based on historical volatility and correlations between the individual risks of each currency made up of short and long-term interest rates, exchange rates and equity prices. The Group's model is based on the last 250 trading days, a 10 day holding period and a 99% confidence level. VaR models have certain limitations, among which are that they work best during normal market conditions and historical data may fail to predict the future. VaR results, therefore, cannot guarantee that actual risk will follow the statistical estimate. As a result, management also relies on other tools, such as Sensitivity Analysis and Worst Case Scenarios.

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 approach 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.

Asset and Liability Management

The financial risks generated by the Group's 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, with a minimum of €47 million and a maximum of €126 million; 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.

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

Sensitivity Analysis – lending

	2000	1999
	(in millions of €)	
Average	61.9	105.4
Low	46.8	92.8
High	125.6	120.8
Year-end	88.8	94.4

Equity investments in non-Group listed companies

The market value as of December 31, 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 equity, including the own shares held by the Parent Bank, amounted to €2.816 billion. The portfolio included unrealized capital gains over book value of €298 million, which refer essentially to the investments in BSCH, 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; potential capital gain, with respect to book value, was €148 million, which refers mainly to the investment in Montedison.

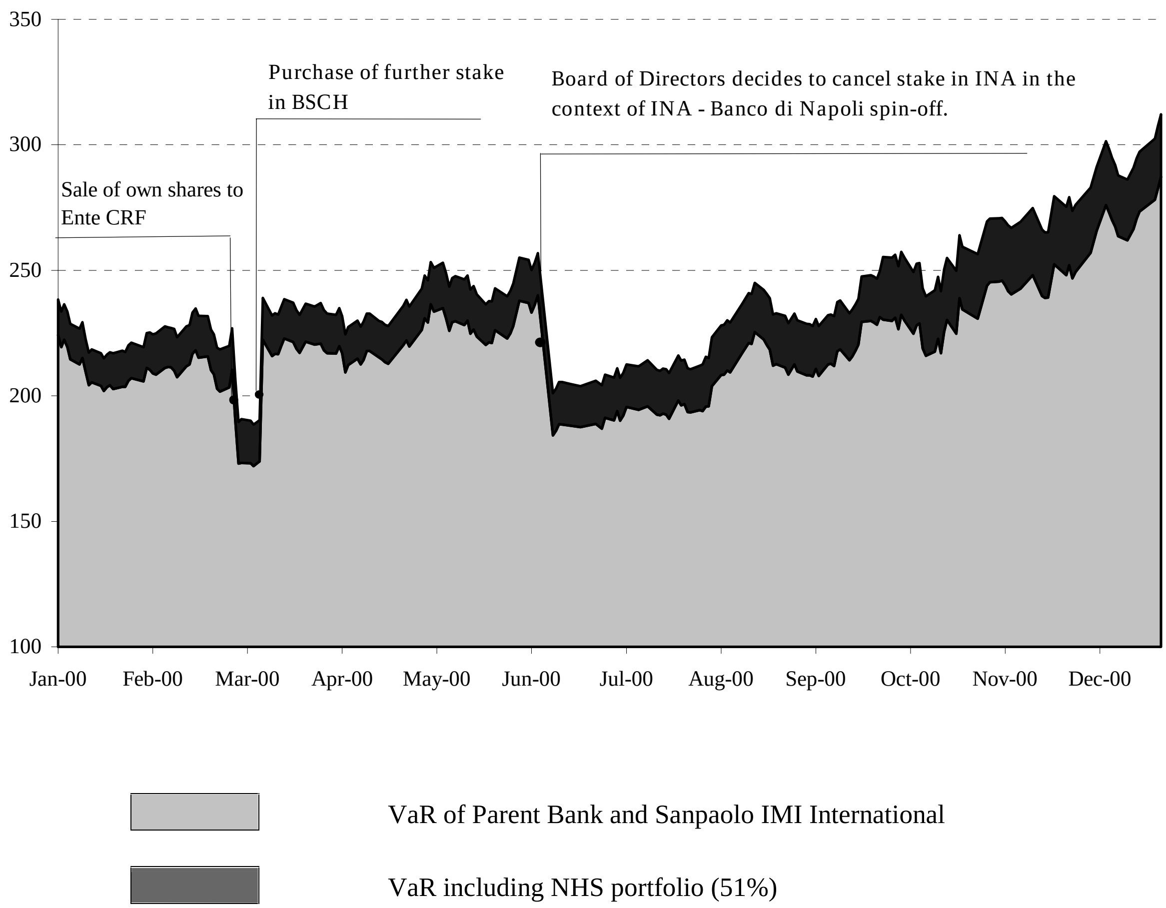
The monitoring of market risk of the shareholding portfolio (whose values do not have a direct impact on the Group's income statement because of the cost accounting used) is measured through VaR.

The VaR of quoted non-Group investments held by the Parent Bank and Sanpaolo IMI International during the course of 2000 averaged €224 million, with a low of €176.4 million. A high of €294.7 million 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 and their volatility. The average level of VaR recorded by NHS, for the portion relating to Sanpaolo IMI, was €19.3 million. The overall average value, taking account of the diversification effect, was €228 million.

VaR – equity investments portfolio

	2000	1999
	(in millions of €)	
Average	228	192
Low	189	93
High	312	263
Year end	312	252

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



Trading activities

What are measured here are mainly trading 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 and a high of €19.5 million, showing an average of €13.7 million, in line with the previous year.

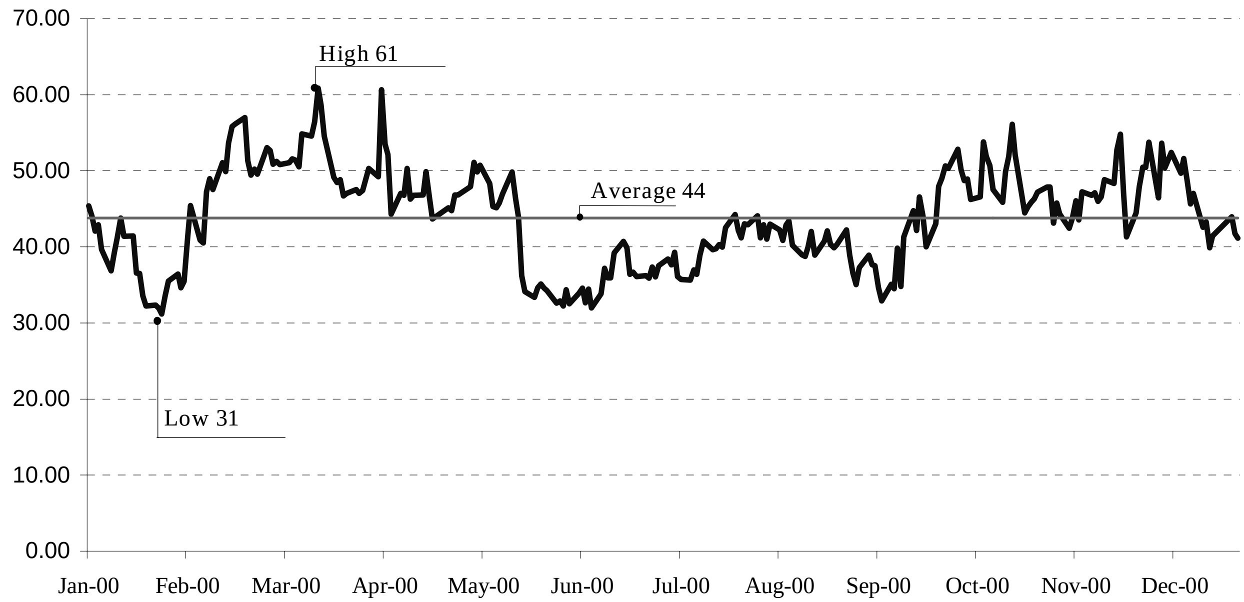
In addition to VaR, the Worst Case Scenario technique is also used to monitor the impact of potential losses that might arise in extreme circumstances. The evolution in the maximum potential daily loss shows an increase in potential risks during the first part of the year, reaching a high of €61 million at the end of March 2001, and then falling gradually to around the yearly average of €43.8 million.

Backtesting has demonstrated that these measurement techniques are very conservative.

VaR – trading by type of risk

	12/31 2000	Average	Low	High	12/31 1999	Average
			(in millions of €)			
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

Trading activities – Estimate of maximum potential daily loss



2. Credit Risk Management and Control

Organization

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

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

The Business Areas that extend 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, geographical 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 credit 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 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 Line 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 the Commercial Banking Business Area is particularly important.

- finally, Risk Control is responsible for measuring the exposure of larger borrowers, checking the measurements carried out by the risk control departments in the various business units for consistency and accuracy, and ending the Parent Bank's top management summary reports on changes in loan quality and on the use of capital by the 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, including households, small businesses and SMEs, credit quality management uses a system of classifying customers into categories, based on an evaluation by the loan supervisors. The risk categories are specifically linked to the frequency of credit line reviews and recovery actions. Control over credit quality uses a scoring system, based, as the grading system on financial and behavioral 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 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, also the credit quality of the guaranteed counterparty is considered in establishing the applicable weighting.

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%.

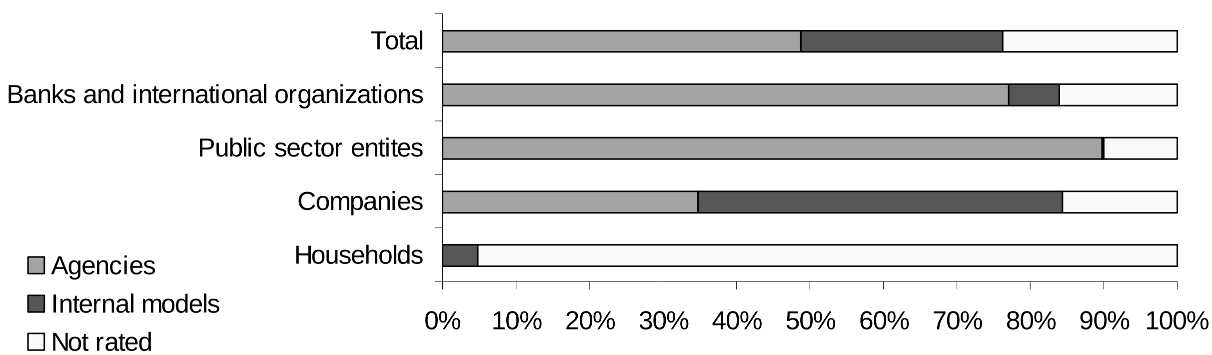
Sanpaolo IMI also pays considerable attention to the important changes in matters of credit risks contained in the Basle Committee's proposal for the reform of the Accord on Capital. Among other things, this provides for the possibility of using internal ratings to calculate the requisite amount of capital.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

Sanpaolo IMI credit risks

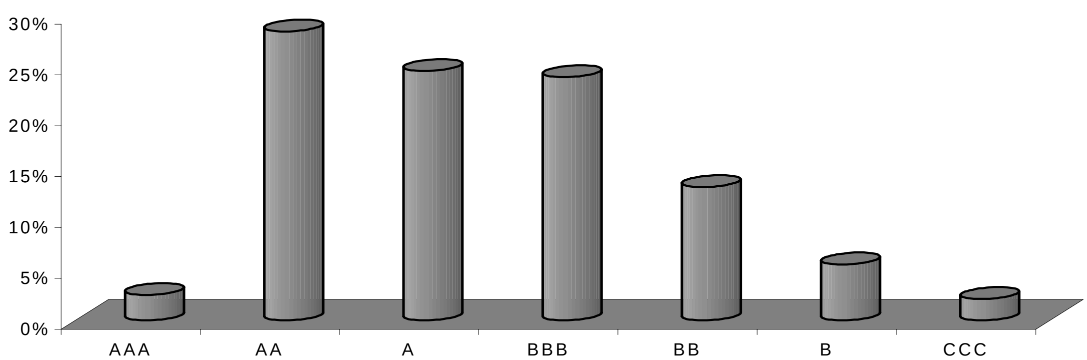
All of the lending exposures on and off balance sheet are subject to monitoring. The analysis, initially developed on the basis of the Parent Bank's loan portfolio, was gradually extended to the main subsidiaries as well. At present, in addition to the Parent Bank's loans, the portfolio includes those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

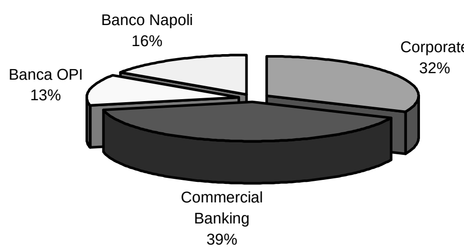
Loans and guarantees by source of rating



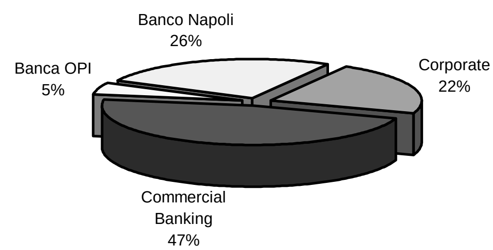
At December 31, 2000, rated loans, which represent the main reference population for the credit risk management model, show a high level of asset quality: the total portion of investment grade loans (from AAA to BBB) is around 80% of the total and is almost one percentage point higher than a year ago.



For customer loans, measurement of economic capital, including country risk, came to €3.450 billion 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, (i.e., excluding Banco di Napoli), shows a decrease of 0.22% compared to the figure at year end 1999, reflecting an improvement in credit quality. Around half of total capital is allocated to the Commercial Banking Area, 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.



Loans and guarantees by Business Area



Capital against credit risk by Business Area

3. The 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 (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 amount, 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 margin 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 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.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

ITEM 13. DEFAULT, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATION TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. RESERVED

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS

The following consolidated financial statements and related schedules, together with the report of Arthur Andersen thereon, are filed as part of this annual report:

ITEM 18. FINANCIAL STATEMENTS[*]

Not Applicable.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report:

Exhibit

1.1 Bylaws of Sanpaolo IMI. S.p.A.

[*]These items do not apply to this 2000 Annual Report on Form 20-F.

Signature

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SANPAOLO IMI S.p.A..

/s/ Bruno Picca

Name: Bruno Picca
Title: Chief Financial Officer

Dated: June 29, 2001

Exhibit Index

Exhibit Number	Description	Sequentially Numbered Page
1.1	Bylaws of Sanpaolo IMI S.p.A.	

Exhibit 1.1

Articles of Bylaws of Sanpaolo IMI S.p.A.

SANPAOLO IMI S.p.A.
A Company registered in the Register of Banks

Reporting Bank for Bank of Italy purposes of the SANPAOLO IMI Banking Group
registered in the Register of Banking Groups
Registered Office at Piazza San Carlo 156, Turin, Italy
Share capital of Euro 3,932,435,119.2 wholly paid up
Tax code, V.A.T. number 06210280019, Turin Company Register 06210280019
Italian Banking Association code number 1025-6
Member of the Interbank Deposit Guarantee Fund

SECTION I
CONSTITUTION - REGISTERED OFFICE - LIFE AND PURPOSE OF THE COMPANY

ARTICLE 1

The Company is called "SANPAOLO IMI S.p.A." and is established as a company limited by shares.

The Company is a Bank according to the terms of the Legislative Decree 385 of September 1, 1993.

The Company is the result of the merger by incorporation into the "Istituto Bancario San Paolo di Torino S.p.A." (a Company established by notarial deed dated October 31, 1991 of the Notary Public Ettore Morone as part of the restructuring project planned by the Istituto Bancario San Paolo di Torino, approved according to Law 218 of July 30, 1990 and Legislative Decree 356 of November 20, 1990, with the Decree of the Treasury Minister of October 28, 1991) of the incorporated entity the "Istituto Mobiliare Italiano S.p.A." (a Company resulting from the transformation of the Istituto Mobiliare Italiano - a Public Entity established by Royal Legislative Decree Legislative Decree1398 of November 13, 1931, converted with modifications in Law 1581 of December 15, 1932 - following the restructuring project planned according to Law 218 of July 30, 1990 and Legislative Decree 356 of November 20, 1990).

The Company can use in its corporate design the trademarks of the incorporating Company and of the incorporated companies as long as they are accompanied by their own name.

ARTICLE 2

The Company has its registered office at Piazza San Carlo 156, Turin, Italy and a secondary office, with permanent establishment, at Viale dell'Arte 25, Rome.

Within the observance of the regulations in force, it may open and close branches and representative offices in Italy and abroad.

ARTICLE 3

The life of the Company is fixed until December 31, 2100.

The extension of the life of the Company must be approved by the Extraordinary Meeting of Shareholders with a legal majority.

ARTICLE 4

The Company has as its purpose the collection of deposits from the public and the business of lending in its various forms, in Italy and abroad.

The Company may undertake, within the limits of the regulations in force, all banking and financial transactions and services as well as any other transaction in the way of business and in whatever way related to the achievement of its corporate objective.

The Company may also undertake all the activities which the Istituto Bancario San Paolo di Torino and the Istituto Mobiliare Italiano were authorised to carry out according to law or administrative regulations.

The Company - in its capacity as Reporting Bank for Bank of Italy purposes of the SANPAOLO IMI Banking Group according to the terms of Article 61 of the Legislative Decree 385 of September 1, 1993 - issues, in the exercise of its function of management and coordination, instructions to the members of the Group for the execution of the instructions issued by the Regulatory Authorities in the interests of stability of the Group itself as a whole.

ARTICLE 5

The Company can issue bonds and other securities according to the regulations in force.

SECTION II
SHARE CAPITAL AND SHARES

ARTICLE 6

The share capital is Euro 3,932,435,119.2 divided into 1,404,441,114 ordinary shares with a nominal unit value of Euro 2.8. The share capital may also be increased through the issue of shares with rights different from those included in the shares already issued.

The ordinary shares are registered shares.

The Board of Directors has the power to increase the share capital, in one or more issues, up to a maximum amount of Euro 7,500,000,000 (seven billion, five hundred million Euro) nominal value, and issue, on one or more occasions, convertible bonds with/without warrants, up to the same amount but for a sum that on no occasion exceeds the limit provided for by the law. This power may be exercised before April 28, 2004.

The Board of Directors has also the power to increase the share capital by means of a paid up rights issue, in one or more issues, up to a maximum amount of Euro 40,000,000 (forty million Euro) nominal value, through the issue of ordinary shares reserved, according to Article 2441, par. 8, of the Civil Code and Article 134 of Legislative Decree 58 of February 24, 1998, to employees of the Company or also to employees of subsidiary companies according to Article 2359 of the Civil Code who participate in the share incentive schemes approved by the Board itself. This power may be exercised before July 28, 2003.

Pursuant to the aforesaid power, on February 9, 1999, and as further amended on December 21, 1999, the Board of Directors resolved to increase the share capital by means of a paid up rights issue, up to a maximum nominal amount of Euro 19,600,000 (nineteen million six hundred thousand Euro). Pursuant to the same power, on June 27, 2000 the Board of Directors resolved to increase the share capital by means of a paid up rights issue, up to a maximum nominal amount of Euro 10,500,000 (ten million, five hundred thousand Euro).

ARTICLE 7

In the case of an increase in the share capital, approved by the Shareholders' Meeting, the methods and the conditions related to the issue of new capital, the dates and the methods of payment, will be determined by the Board of Directors.

In the case of late payment, annual interest, set by the Board of Directors but in any case not exceeding 3% more than the official discount rate, will be applied. The legal consequences for any shareholder who does not execute the payments due and the responsibility of the assignors or endorsers of shares not released remain the same.

Delivery may be made against goods different from cash.

The Company can acquire its own shares within the limits and according to the procedures established by the laws in force.

SECTION III
SHAREHOLDERS' MEETING

ARTICLE 8

The Shareholders' Meeting is ordinary or extraordinary according to the terms of the law and can be called in Italy not necessarily at the registered office.

The ordinary Shareholders' Meeting is called at least once a year within four months of the end of the financial year or, when particular circumstances demand, within six months.

The extraordinary Shareholders' Meeting is called to approve matters reserved to it by law or by these articles of association.

Allowing for the faculty of summons established by specific legal requirements, the Shareholders' Meeting must be called by the Chairman of the Board of Directors or by his Deputy, within the terms and according to the procedures laid down by the current regulatory provisions.

ARTICLE 9

Participation and representation in the Shareholders' Meeting are governed by the regulations currently in force.

ARTICLE 10

Every ordinary share confers the right to one vote.

ARTICLE 11

The validity of the Shareholders' Meeting, both ordinary and extraordinary, and both at the first call and at the second or third calls, as established by law, as also for the validity of related motions, is determined by the law.

For the nomination of the corporate officers a relative majority is sufficient. In the case of a tie, the older candidate will be elected. For the nominations to the Board of Statutory Auditors, the procedure follows that established by Article 19.

Majorities of approval are calculated without taking account of abstentions.

ARTICLE 12

The Shareholders' Meeting, whose workings are governed by the relevant Regulation approved in the ordinary session, is chaired by the Chairman of the Board of Directors or by his Deputy.

The Shareholders' Meeting nominates, on the motion of the Chairman, when held appropriate, two or more scrutineers and a Secretary not necessarily shareholders.

The assistance of the Secretary is not necessary when the minutes of the Shareholders' Meeting are taken by a Notary Public. The Notary is designated by the Chairman of the Shareholders' Meeting.

It is the responsibility of the Chairman to control the right to speak, including proxies, to ascertain if the Shareholders' Meeting is properly constituted and the presence of the legal quorum to approve motions, to manage and regulate the proceedings of the Shareholders' Meeting, to fix the methods of voting and to announce the results of such votes.

If debate concerning the agenda of the day is not finished within the day, the Shareholders' Meeting can proceed to a further meeting on the following non-holiday day.

ARTICLE 13

The discussions of the Shareholders' Meeting must be recorded in the minutes signed by the Chairman, by the scrutineers, if nominated, and by the Secretary or Notary Public.

Copies of the minutes will be certified with the declaration of conformity, signed by the Chairman and by the Secretary.

SECTION IV
DIRECTORS

ARTICLE 14

The Company is directed by a Board of Directors composed of a number of members between seven and twenty according to motions approved by the Shareholders' Meeting. The Shareholders' Meeting itself appoints one of them as Chairman.

The Directors' term of office is three years and they may be re-elected.

Termination, substitution, resignation and annulment on the part of the Directors are governed according to the law.

If, because of resignation or other reasons, there is no longer a majority of the Directors elected by the Shareholders' Meeting, the whole Board of Directors must declare its resignation and proceed to call a Shareholders' Meeting as soon as possible for its re-election.

ARTICLE 15

The Board of Directors may appoint, from among its members, one or more Deputy Chairmen.

The Board of Directors nominates one or more Managing Directors, determining his or their roles, as well as the Executive Committee, laying down the number of its members, its authority, its duration, rules and powers. In the Executive Committee the Chairman and the

Deputy Chairman or Deputy Chairmen sit *ex officio* as well as the Managing Director or Managing Directors.

The Board of Directors may also elect from among its members special Committees, with a consultative and deliberative role.

The General Manager or General Managers take part in the meetings of the Board of Directors and of the Executive Committee in a consultative role.

In the matter of extending loans and current management, powers can also be delegated to the General Manager or General Managers, to the Deputy General Manager or Deputy General Managers, to Central Management, to Top and Senior Management, individually or collectively in committees as well as to employees and other personnel within predetermined limits of responsibility.

For special and/or subsidised lending governed by specific regulations, powers of approval and drawdown can be delegated to the Group's banking subsidiaries within the limits and according to the criteria agreed between the parties.

The Board will determine the methods through which decisions taken by those delegated are brought to the attention of the Board itself.

The annual remuneration of the members of the Board of Directors as well as that of the Executive Committee is determined by the Shareholders' Meeting. The annual remuneration will be in part fixed and in part variable.

The remuneration of the executive directors with particular responsibilities according to the Articles of Association will be fixed by the Board of Directors, having heard the opinion of the Board of Statutory Auditors.

The Shareholders' Meeting may decide, in addition to the remuneration above, the payment to each executive director of a fixed sum for every attendance at the meetings; the Executive Directors have the further right to reimbursement of expenses incurred in the course of their duties and to the payment of daily allowances as decided by the Shareholders' Meeting.

ARTICLE 16

The Board of Directors has all powers to exercise the ordinary and extraordinary management of the Company except those expressly accorded by law or by the Articles of Association to the exclusive responsibility of the Shareholders' Meeting.

The following matters are the exclusive responsibility of the Board of Directors:

approvals regarding general management direction, the approval and modification of general regulations regarding business relationships, investment and divestment of shareholdings which may modify the composition of the Banking Group, the nomination of responsibilities in accordance with paragraph 1 of Article 20;

the establishment of the criteria for coordination and management of the Group's Companies and for the execution of instructions received from the Bank of Italy.

ARTICLE 17

The Board of Directors is convened whenever the Chairman considers it necessary or opportune and generally every two months, also to refer to the Board of Statutory Auditors on business carried out and transactions of greatest importance in economic, financial and equity capital terms undertaken by the Company and/or by subsidiary companies as well as, in particular, transactions with potential conflicts of interest.

Leaving those powers reserved by law to the Statutory Auditors, a meeting must also take place when at least three Directors or a Managing Director make a written request to the Chairman with an indication of their reasons.

Meetings of the Board of Directors are usually held at the registered office of the Company. The Board of Directors may also meet in any other place in Italy or abroad.

Notice of the meeting, with a summary agenda of the matters to be discussed, must be sent to the Directors and to the Statutory Auditors in office at least five days before that fixed for the meeting by registered post or telegram or telex or telefax. In cases of particular urgency the meeting may be held with simple advance notice of 24 hours by any suitable means.

Meetings of the Board of Directors can be validly held by videoconference, provided that the precise identification of the persons qualified to participate can be validly ensured, as well as the possibility for all participants to take part, in real time, in the discussion about all the business on the agenda. However, at least the Chairman and the Secretary must be present in the location where the Board meeting has been called, wherever the same shall be considered held.

To approve the decisions of the Board a majority of the Directors in office must be present at the meeting. Decisions are taken according to absolute majority of the votes of the members present excluding abstentions. Decisions concerning the nomination of the Deputy Chairman or Deputy Chairmen, of the Executive Committee, of the Managing Director or Managing Directors are properly taken with a yes vote from half plus one of the Directors in office. In case of a tie, the Chairman's vote prevails.

The minutes of the meeting of the Board of Directors are edited and transcribed in the register of minutes by a Secretary designated by the Board.

Copies and abstracts of the minutes are certified with the declaration of conformity, signed by the Chairman and by the Secretary.

In the meeting that the Board wishes to keep confidential, the duties of the Secretary will be carried out by the youngest Director of those present.

The agenda for the Board of Directors and for the Executive Committee are prepared by the Managing Director or Managing Directors according to the powers delegated to them.

In particular, the Managing Director or Managing Directors are responsible for the general management of the Company, for business and lending as well as personnel management.

ARTICLE 18

The Chairman is the legal representative of the Company in dealings with third parties.

Furthermore, the Chairman:

a) chairs the meetings of the Board of Directors and the Executive Committee;

b) prepares the agenda of the meetings of the Board of Directors and the Executive Committee, taking account also of the proposed agenda prepared by the Managing Director or Managing Directors;

c) authorises any legal, administrative and executive action in every competent court and in whatever level of jurisdiction with the ability to abandon it, to withdraw from proceedings and to accept similar withdrawals or relinquishments from other parties involved, with all subsequent powers and with the obligation to refer to the Executive Committee on the decisions taken;

d) takes, in agreement with the Managing Director, or with the respective Managing Director in the case of more than one Managing Director, whatever provisions may be urgent in the interests of the Company, referring them to the Board of Directors or the Executive Committee at their next meeting;

e) exercises the role of coordination of the businesses of the Company.

In the case of absence or other impediment of the Chairman, his powers in all respects will be taken on by the Deputy Chairman, or in the case of the nomination of more than one Deputy Chairman according to Article 15 above, the first nominated Deputy Chairman or, in case of the same date of nomination, the oldest in age. In the case of absence or other impediment of the same, the oldest by age will take his position.

When all the Deputy Chairmen are absent or disabled, the powers of the Chairman pass to the Managing Director or Managing Directors and, in order, to the other directors, according to the order of succession fixed by the Board of Directors.

SECTION V
BOARD OF STATUTORY AUDITORS

ARTICLE 19

The Shareholders' Meeting elects the Board of Statutory Auditors, composed of five Statutory Auditors in office and two Alternate Statutory Auditors.

The Statutory Auditors are in office for three years - except for changes in law - and are re-electable.

At least two of the Statutory Auditors in office and at least one of the Alternate Statutory Auditors are chosen from among those registered in the register of accounting auditors who have carried out legal accounting audit work for a period of no less than three years.

Those Statutory Auditors who do not possess the requirement set out in the preceding paragraph are chosen from among those who have obtained a total experience of at least three years in:

1) administration or control or management duties in companies with equity capital of no less that two million Euro, or
2) professional activities or regular university teaching in law, economics, finance, banking, insurance or other subjects related to banking activities, or
3) management duties in public bodies or public administration operating in the banking, finance and insurance sectors.

The whole Board of Statutory Auditors is nominated on the basis of lists presented by the shareholders in which the candidates must be listed in numerical order.

To apply paragraphs 3 and 12 of the present article, when the list is composed of four or more candidates, the fourth candidate and at least one of the first three must have the requirements as in paragraph 3; when the list is composed of fewer than four candidates at least the first of them must have the same requirements.

The lists must be deposited at the registered office and published in at least two Italian daily newspapers with national distribution, of which one devoted to economic news, at least 10 days before the day fixed for the Shareholders' Meeting at first call.

Every shareholder can present or contribute to the presentation of only one list and each candidate can present himself in only one list or otherwise be declared ineligible.

Only those shareholders who themselves or together with other shareholders represent at least 1% of the shares with voting rights in the ordinary shareholders' meeting have the right to vote. In order to prove their ownership of the number of shares necessary for the presentation of the lists, the shareholders must at the same time present, at the registered office, the certificates confirming their participation in the central securities management system.

Together with each list, and before the time of depositing the list at the registered office, the CurriculumVitae of each candidate must be deposited, undersigned by the same, and the declarations by which the individual candidates accept their candidature and affirm, at their own responsibility, that there are no reasons for ineligibility or conflict of interest as well as the existence of the necessary qualification required by the regulations in force to carry out the duties of Statutory Auditor.

Every shareholder having the right to vote may vote for only one list.

At the election of the Board of Statutory Auditors, the procedures are as follows:

a) from the list which obtains the majority of the votes by the shareholders, in the numerical order in which they are listed in the list, three Statutory Auditors in office and one Alternate Statutory Auditor;

b) the remaining two Statutory Auditors and one Alternate Statutory Auditor are taken from the other lists; in order to do this, the votes obtained by the lists themselves are divided successively by one, two and three. The quotients thus obtained are assigned in order to the candidates of each of the said lists according to the order set respectively in each. The quotients thus attributed to the candidates on the various lists are then placed in a single descending order: the Statutory Auditors in office are those who have obtained the highest two quotients and the supplementary Statutory Auditor is the one who has obtained the highest third quotient.

   In the case in which more than one candidate obtains the same quotient, the candidate from the list which has still not elected a Statutory Auditor will be elected; in the case in which none of the lists has yet elected a candidate, there will be a new vote of the whole Shareholders' Meeting and the candidate who obtains a simple majority of the votes will be elected.

For the nomination of Statutory Auditors not elected for whatsoever reason according to the aforesaid procedures, the Shareholders' Meeting will approve according to relative majority.

The chairmanship of the Board of Statutory Auditors is taken by the person indicated in the first place in the list which has obtained the majority of the votes. In case of his substitution the chairmanship falls, until the end of term of the Board of Statutory Auditors, on the next following person indicated in the same list.

In the case of the substitution of a Statutory Auditor taken from the list which has obtained the majority of the votes cast by the shareholders, the alternate will come from the same list; in the case of the substitution of a Statutory Auditor taken from the other lists, the alternate will be nominated according to the method set out in point (b) in this article. Whenever it may be necessary to keep up minimum number di Statutory Auditors in office with the requirements as per paragraph 3 of the present article, the alternate with the same requirements will in any case enter.

The nomination of Statutory Auditors to make up the Board of Statutory Auditors according to Article 2401 of the Civil Code is made by a relative majority of the Shareholders' Meeting.

The Shareholders' Meeting fixes the remuneration of the Statutory Auditors. The Shareholders' Meeting may also decide, in addition to the remuneration, the payment to each Statutory Auditor of a fixed sum for every attendance at the meetings; the Statutory Auditors have the further right to reimbursement of expenses incurred in the course of their duties and to the payment of daily allowances as decided by the Shareholders' Meeting.

The members of the Board of Statutory Auditors cannot be in office in more than five offices as Statutory Auditor in office in other quoted companies with the exception of companies controlled by SANPAOLO IMI S.p.A.

SECTION VI
MANAGEMENT

ARTICLE 20

The Board of Directors nominates one or more General Managers and one or more Deputy General Managers and determines their roles and the length of their term of office. Alternatively, the Board of Directors nominates a Central Management and determines the number of its members, establishing the assignment of responsibilities as well as the division of functions among the members.

The General Manager or General Managers, or the Central Management, report in the exercise of their responsibilities to the Managing Director or Managing Directors; they execute the decisions taken by the Board of Directors, by the Executive Committee, by the Chairman and by the Managing Director or Managing Directors; they manage all current business, supervise the structure and functioning of services, allocate responsibilities and positions to staff with the exclusion of Top Management. They may delegate, also internally and in continuity, their own powers to the Deputy General Managers, to Top Management, Senior Management and other Personnel from Head Office, the regional organisation and the branches.

SECTION VII
LEGAL REPRESENTATION AND CORPORATE SEAL

ARTICLE 21

The legal representation of the Company, concerning third parties and in proceedings, and the corporate seal lie with the Chairman and, in the case of his absence or inability, with the Deputy Chairman or Deputy Chairmen, in order of length of service and age and, in their absence, with the Managing Director or Managing Directors separately. The Board may, for specific types of actions and business, delegate representative powers, with the ability to sign on behalf of the Company, to the Managing Director or Managing Directors, to individual Directors, to the General Manager or General Managers, to the Deputy General Manager or Deputy General Managers, to the staff of the Central Management, to Top and Senior Management and to other employees of the Company, determining the limits and the methods of use of such seal.

In cases in which the current Articles of Association allow substitutions for absence or inability, the action of the substitute has legal force in dealings with third parties.

SECTION VIII
FINANCIAL RESULTS AND PROFITS

ARTICLE 22

The financial year closes at December 31 each year.

Of the net profits deriving from the financial results, an amount equal to 10% shall be transferred to the legal reserve until it amounts to one fifth of the share/equity capital.

The Shareholders' Meeting, on the proposal of the Board of Directors, will decide on the allocation of the remaining profit to shareholders and to other provisions to reserves.

The payment of dividends will take place in the manner and within the dates fixed by the motions of the Shareholders' Meeting which decides the distribution of profits to shareholders.

Dividends not claimed within five years following the day on which they are available, will be retained by the Company and placed to reserves.

The Board of Directors may approve the distribution of partial payments in advance of the dividends in the manner and within the limits set by the regulations in force at the time.

SECTION IX
STATUTORY OFFICERS

ARTICLE 23

Current legislative, regulatory and supervisory rules concerning requirements of professional and honourable standards apply to the Officers established in the current Articles of Association.

SECTION X
WINDING UP

ARTICLE 24

Given any different law provisions, if there is a reason for winding up, the Shareholders' Meeting will establish the manner of liquidation, nominating one or more liquidators.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ARTHUR ANDERSEN

Report of Independent Public Accountants

Arthur Andersen SpA
Galleria San Federico 54
10121 Torino

To the Stockholders and the Board of Directors of
Sanpaolo IMI S.p.A.:

We have audited the accompanying consolidated financial statements of Sanpaolo IMI S.p.A. (the "Bank", formerly Istituto Bancario San Paolo di Torino Istituto Mobiliare Italiano S.p.A.) and Subsidiaries (collectively referred to as "Sanpaolo IMI" or the "Group") comprising the consolidated statements of condition of Sanpaolo IMI S.p.A. and Subsidiaries as of December 31, 1999 and 2000 and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years ended December 31, 1998, 1999 and 2000. The preparation of these financial statements is the responsibility of Sanpaolo IMI's directors. Our responsibility is to express an opinion on these consolidated financial statements taken as a whole based on our audit. We did not audit the financial statements of Banca di Intermediazione Mobiliare IMI S.p.A., Banca Opi S.p.A., Banque Sanpaolo S.A. and other less significant subsidiaries which statements reflect, in 2000, total assets and total interest income and similar revenues of 26.1 percent and 17.6 percent of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

Accounting practices used by Sanpaolo IMI in preparing the consolidated financial statements referred to above conform with generally accepted accounting principles in Italy, but do not conform with accounting principles generally accepted in the United States. A description of these differences and the reconciliation of consolidated net income and stockholders' equity to U.S. generally accepted accounting principles is set forth in Note 32.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanpaolo IMI S.p.A. and Subsidiaries as of December 31, 1999 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with generally accepted accounting principles in Italy applied on a consistent basis.

For a better understanding of the consolidated financial statements, attention is drawn to the following information and matters, more fully described in the explanatory notes:

(a) In the preparation of the consolidated financial statements Sanpaolo IMI has modified certain accounting criteria with respect to those used in the preceding year. In particular in 1998 Sanpaolo IMI changed the valuation method used for trading securities in organized markets from lower of cost or market to market.

Further in 1998, in the context of the process of convergence with international accounting principles, the accounting treatment of problem loans has been integrated through the introduction of the concept of evaluating problem loans to the lower of contract or net present value.

(b) Through a deed dated October 12, 1998, Istituto Mobiliare Italiano S.p.A. merged into Istituto Bancario San Paolo di Torino S.p.A. The merger was effective from a legal point of view from November 1, 1998, whereas from an accounting and tax standpoint it was effective retroactively from January 1, 1998. Consequently, the consolidated financial statements include the assets and liabilities, costs and revenues of the merged company and its subsidiaries for the whole year.

In the course of the 1999, Sanpaolo IMI S.p.A. spun off a portion of property assets to Beni Stabili S.p.A. and conferred its merchant banking activity to NHS - Nuova Holding Subalpina S.p.A.

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

(d) In the course of the year 2000, Sanpaolo IMI S.p.A. acquired the Banco di Napoli Group and a significant investment in the Cassa di Risparmio di Firenze S.p.A.; the accounting treatment followed for the consolidation and the related effects on the consolidated statement of income and consolidated shareholders' equity are described in the explanatory notes.

Turin, Italy
April 2, 2001

Arthur Andersen SpA

CONSOLIDATED BALANCE SHEET

(€/mil)

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

(€/mil)

LIABILITIES AND SHAREHOLDERS' EQUITY		12/31/00		12/31/99	
10.	Due to banks		29,596		28,012
	a) repayable on demand	4,869		3,151	
	b) time deposits or with notice period	24,727		24,861	
20.	Due to customers		64,718		43,189
	a) repayable on demand	43,701		31,818	
	b) time deposits or with notice period	21,017		11,371	
30.	Securities issued		39,338		35,718
	a) bonds	26,589		23,643	
	b) certificates of deposit	8,888		9,090	
	c) other	3,861		2,985	
40.	Public funds administered		88		50
50.	Other liabilities		17,420		15,715
60.	Accrued expense and deferred income		3,114		5,154
	a) accrued expense	2,755		4,827	
	b) deferred income	359		327	
70.	Provision for termination indemnities		743		438
80.	Provisions for risks and charges		3,823		1,483
	a) pensions and similar commitments	1,128		46	
	b) taxation	1,230		1,029	
	c) other	1,465		408	
90.	Reserve for possible loan losses		35		29
100.	Reserve for general banking risks		355		357
110.	Subordinated liabilities		5,158		1,524
120.	Negative goodwill arising on consolidation		-		952
130.	Negative goodwill arising on application of the equity method		63		199
140.	Minority interest		715		539
150.	Capital		3,931		3,926
160.	Share premium reserve		18		-
170.	Reserves		2,382		1,888
	a) legal reserve	793		792	
	b) reserve for own shares	739		357	
	d) other reserves	850		739	
180.	Revaluation reserves		9		-
200.	Net income for the year		1,292		1,050
Total liabilities and shareholders' equity			**172,798**		**140,223**

(€/mil)

GUARANTEES AND COMMITMENTS		12/31/00		12/31/99	
10.	Guarantees given:		15,670		11,045
	Including:				
	- *acceptances*	*159*		*132*	
	- *other guarantees*	*15,511*		*10,913*	
20.	Commitments		26,518		18,028

(€/mil)

	CONSOLIDATED STATEMENT OF INCOME	**2000**		**1999**		**1998**	
10.	Interest income and similar revenues		7,622		5,966		9,981
	including from:						
	-loans to customers	*5,501*		*4,324*		*6,810*	
	-debt securities	*1,006*		*915*		*1,661*	
20.	Interest expense and similar charges		(5,123)		(3,934)		(7,330)
	including on:						
	-deposits from customers	*(1,401)*		*(909)*		*(1,598)*	
	-securities issued	*(2,117)*		*(1,847)*		*(3,594)*	
30.	Dividends and other revenues		231		250		144
	a) from shares, quotas and other equities	*169*		*148*		*118*	
	b) from equity investments	*62*		*102*		*26*	
40.	Commission income		3,452		2,587		2,230
50.	Commission expense		(817)		(530)		(479)
60.	Profits (losses) on financial transactions		165		103		206
70.	Other operating income		250		224		224
80.	Administrative costs		(3,076)		(2,466)		(2,495)
	a) personnel	(1,929)		(1,534)		(1,543)	
	including:						
	- wages and salaries	*(1,380)*		*(1,097)*		*(1,103)*	
	- social security charges	*(425)*		*(365)*		*(367)*	
	- termination indemnities	*(97)*		*(69)*		*(70)*	
	- pensions and similar commitments	*(27)*		*(3)*		*(3)*	
	b) other	*(1,147)*		*(932)*		*(952)*	
90.	Adjustments to intangible and tangible fixed assets		(389)		(293)		(307)
100.	Provisions for risks and charges		(323)		(81)		(125)
110.	Other operating expenses		(31)		(40)		(51)
120.	Adjustments to loans and provisions for guarantees and commitments		(647)		(664)		(780)
130.	Writebacks of adjustments to loans and provisions for guarantees and commitments		417		361		254
140.	Provisions to the reserve for possible loan losses		(8)		(10)		(6)
150.	Adjustments to financial fixed assets		(36)		(89)		(67)
160.	Writebacks of adjustments to financial fixed assets		15		2		-
170.	Income (losses) from investments carried at equity		87		118		82
180.	**Income from operating activities**		**1,789**		**1,504**		**1,481**
190.	Extraordinary income		451		367		223
200.	Extraordinary expenses		(55)		(73)		(64)
210.	**Extraordinary items, net**		**396**		**294**		**159**
230.	Change in reserve for general banking risks		2		(1)		(8)
240.	Income taxes		(785)		(685)		(630)
250.	Minority interests		(94)		(62)		(93)
255.	Elimination of second half Income of the Banco di Napoli Group (*)		(16)		-		-
260.	**Net income for the year**		**1,292**		**1,050**		**909**

(*) 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 share-holdings (see Note (4) "Method and effects of the consolidation of equity investments acquired during the year" in the introduction to the explanatory notes).

(€/mil)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Capital Stock	Reserves	Retained Earnings	Total
Balance at December 31, 1997	4,214	741	87	5,042
Effects of the merger with IMI	131	2,649	-	2,780
Appropriation of net income after Minority Interest for 1997:				-
to reserves	-	87	(87)	-
dividends	-	-	-	-
Withdrawal from San Paolo's reserves to pay dividends	-	(46)	-	(46)
Withdrawal from reserves to pay the tax on equity	-	(45)	-	(45)
Adjustments due to the consolidation of equity investments in subsidiaries of ex IMI	-	40	-	40
Increase of the reserve general banking risks	-	8	-	8
Net affect of currency tranlation of some affiliates' account and other adjustments	-	(20)	-	(20)
Net income after Minority Interest	-	-	909	909
Balance at December 31, 1998	**4,345**	**3,414**	**909**	**8,668**
Appropriation of net income after Minority Interest for 1998:				
to reserves	-	257	(257)	-
dividends	-	-	(652)	(652)
Real estate spin off	(413)	(288)	-	(701)
Conversion of share capital into Euro	(6)	6	-	-
Increase of the reserve general banking risks	-	1	-	1
Net effect of currency traslation of some affiliates' account and other adjustments	-	6	-	6
Net income after Minority Interest	-	-	1,050	1,050
Balance at December 31, 1999	**3,926**	**3,396**	**1,050**	**8,372**
Appropriation of net income after Minority Interest for 1999:				
to reserves	-	326	(326)	-
dividends	-	-	(724)	(724)
Decrease of the reserve 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 11/21/00	-	12	-	12
Differences arising on the translation of foreign currency Financial Statements and other adjustments	-	4	-	4
Net income after Minority Interest	-	-	1,292	1,292
Shareholder's equity as of December 31, 2000	**3,931**	**2,827**	**1,292**	**8,050**

(1) The offsetting concerns positive differences arising from the consolidation for the first time of the Cassa di Risparmio di Firenze S.p.A. (€ 173 million), at net equity, and Banco di Napoli S.p.A (€ 854 million), consolidated "line by line". The offsetting was made using the opportunity provided for in current regulations (See Note (5) "Consolidation Principles").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Form and content of Consolidated Financial Statements for the years ended December 31, 2000, 1999, and 1998

The Bank's consolidated 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 instructions dated July 30, 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

In compliance with current rules, the financial statements have been prepared in millions of Euro.The consolidated financial statements comprise the consolidated balance sheets, the consolidated statements of income and these explanatory notes, together with the report of the Board of Directors on the results of operations for the 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 Note (2)- "Restated of the 2000 annual report" and the 'pro-forma' statement of income").

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 Note (10)- Description of Accounting Policies).

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 subholding 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 Note 18 "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 5/17/99 (Ciampi Law);

- provisions dictated by Law 133 of 5/13/99 and by the Budget Law 2001 on the renegotiation of low-interest mortgage loans;

- provisions dictated by D.L. 394 of 12/29/00 on fixed rate mortgage loans without special interest terms (as regards the question of usury);

- judgement 425 of 10/9/00, in which the Constitutional Court declared the illegitimacy of article 25, c.3 of D. Lgs. 342 of 8/4/99, relating to clauses concerning the charging of interest on accrued interest (anatocism).

  The following schedules are attached to the consolidated financial statements:

- Statements of changes in consolidated shareholders' equity;

- Statements reconciling the Bank's financial statements with the consolidated financial statements;

- "pro – forma" consolidated statement of income.

- 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)

(2) "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 Note (3) – "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 share-holding 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 Notes from (23) to (29) 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.

The consolidated restated financial statements are as follows:

(€/mil)

ASSETS		**12/31/00**		**12/31/00 Restated (*)**		**12/31/99**	
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 Euro 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 note (2).

(€/mil)

	LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/00		12/31/00 Restated (*)		12/31/99	
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 interest		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**

(€/mil)

	GUARANTEES AND COMMITMENTS	12/31/00		12/31/00 Restated (*)		12/31/99	
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 note (2).

(€/mil)

	CONSOLIDATED STATEMENT OF INCOME		2000		2000 Restated (*)		1999
10.	Interest income & similar revenues		7,622		6,679		5,966
	including :						
	- loans to customers	*5,501*		*4,861*		*4,324*	
	- debt securities	*1,006*		*794*		*915*	
20.	Interest expense and similar charges		(5,123)		(4,584)		(3,934)
	including:						
	- 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)	
	including:						
	- 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 BN 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 note (2).

(**) 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 share-holdings(see Note (4))

(3) Scope of Consolidation

The scope of line-by-line consolidation reflects the Sanpaolo IMI Banking Group as recorded in the appropriate register in compliance with art. 64 of Decree 385 dated September 1, 1993, with the exception of certain minor investments whose balance sheet and statement of income results have little or no effect on the consolidated financial statements, or which have been put into liquidation or disposed of. In addition to Sanpaolo IMI S.p.A. (Parent Bank), the Banking Group comprises the directly and indirectly controlled subsidiaries 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 Note 16 – Other assets .

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 Note 14 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)).

(4) 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 paragraph "Consolidation Principles"); 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 paragraph "Consolidation Principles"); 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, totaled € 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.

(5) 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 €-zone are translated into Euro at year-end rates of exchange. Differences arising on translation of the equity items of consolidated companies at year-end rates of exchange are included in consolidated reserves, unless they are offset by specific hedging transactions.

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

(6) Financial statements used for consolidation

The financial statements used for the consolidation are those prepared as of December 31, 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.

(7) Changes to the accounting policies

The accounting policies used in the preparation of the 2000 balance sheet and statement of income are consistent with those used for the Group’s 1999 and 1998 consolidated financial statements, with the following exceptions:

Changes adopted in the 1999

In compliance with the Bank of Italy’s instructions on deferred taxation, which were issued on August 3, 1999, the treatment of deferred tax assets has been changed. In particular, where deductible timing differences exceed taxable timing differences, the net tax effect is now classified under caption 150 “other assets” (with a credit to income taxes), rather than under caption 160.b) “prepaid expenses”.

Changes already adopted in the 1998

Quoted dealing securities

Portfolio dealing securities quoted on organized markets are stated at market value rather than at the lower of cost and market. This change in accounting policy has affected only a limited part of the securities portfolio, as securities held as part of complex financial portfolios were already shown at market value.

The change in accounting treatment means that the operating results are now perfectly aligned with the accounting results, as securities are marked to market on a daily basis. It also means applying one accounting policy to the Bank's entire dealing portfolio, eliminating the distinction between securities held or not held as part of complex financial portfolios.

Adopting a mark-to-market approach will has also ensureensured consistency in the accounting policy applied to the securities portfolios with international accounting standards and in particular with US GAAP.

This change has had a positive impact on the consolidation consolidated statement of income at December 31, 1998 of around € 18 million, net of the tax effect.

Following the merger between San Paolo and IMI which, as noted, has resulted in the quotation of the new banking group on the New York Stock Exchange, it became apparent that a review of the Group's entire framework of accounting principles would be appropriate, starting as far as possible from the financial statements for the year ended December 31, 1998.

This process of revision aims to reduce, within the time limits and using the methods permissible, the disparity that currently exists between Italian and international accounting standards (identifiable in the provisions established by the IASC - International Accounting Standards Committee) and more specifically, those adopted in the United States (chiefly issued by the FASB - Financial Accounting Standards Board and by the APB - Accounting Principles Board).

This process of alignment reflects a requirement strongly voiced by markets and international financial authorities. This is because, information mismatches, determined by the lack of consistency between accounting standards used to prepare financial statements in certain countries, both emerging and western, are the cause of considerable misalignment in the international allocation of public and private funds.

The main areas where measures were taken concern loans and deferred taxation.

Valuation of loans

In 1998, Sanpaolo presented the Securities and Exchange Commission (SEC) with the report (Form F-4) requested by US regulations in relation to the quotation of Sanpaolo IMI securities on the New York Stock Exchange (NYSE). As part of this document, San Paolo presented a pro-forma schedule of aggregate San Paolo - IMI data prepared using American accounting standards (US GAAP).

On the subject of the valuation of problem loans, the guidelines issued by the American Financial Accounting Standards Board (FASB) foresee the calculation of estimated realizable value on the basis of the current value of future cash flows. For the purposes of drawing up Form F-4 and in compliance with US GAAP, San Paolo have has therefore proceeded, on the basis of certain detailed assumptions, to calculate additional writedowns on the loan portfolio in order to reflect the financial charges inherent to recovery times. The contents of Statement of Financial Accounting Standards (SFAS) No. 114 have on the whole been built into the recent document issued for consultation by the Basle Committee ("Sound Practices for Loan Accounting").

As part of this process of convergence towards international accounting standards, the accounting treatment of problem loans has been supplemented by introducing the concept of discounting receivables to their net present value. Under this new principle, the estimated realizable value of each loan for inclusion in the financial statements takes into account (as of December 31, 1998) not only the estimated recovery of the loan, but also the financial charges involved in the total or partial idleness of the loan and the delayed repayment of loans at risk.

Application of discounting expected future cash lows related to loans has resulted in a reduction of € 463 million in the Group’s problem loans; € 414 million, pertaining to the Bank, have not had any effect on the 1998 consolidated statement of income since the Bank has, for this purpose, deducted from the book value of loans part of the Reserve for possible loan losses (balance sheet liability caption 90) shown in the Bank’s accounts as result of the merger with IMI S.p.a. The residual portion of the reserve has been recorded against the general risk inherent in the loan portfolio of the Bank and charged in the accounts against performing loans.

Loans which have been discounted are as follows:

- non-performing loans;
- problem loans;
- restructured loans;
- loans being restructured;
- performing loans valued on a case-by-case basis (groups under observation).

Discount adjustments are calculated as the difference between:

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

In determining the current value of financial flows, the essential elements are identification of estimated recoveries, their maturities and the discount rate.

As far as the identification of estimated recoveries and related maturities are concerned, the Bank and Group companies have made reference to the specific indications provided by those corporate departments whose function it is to evaluate loans. In certain cases, estimates and forfaeit values based on statistics and sector analyses have been used.

As far as the discount rate is concerned, American accounting Accounting to standard Standard SFAS No. 114 indicates that the appropriate discount rate is the loan's effective interest rate. This should be the original contractual rate or the implicit rate which renders the current value of financial flows equal to the face value or purchase value of the loan.

Unfortunately, the use of individual contractual lending rates is unfeasible, due to the complexity of the problem loan portfolio and the fact that over 85% of such loans are represented by positions regulated at floating rates of interest. The Bank has therefore used the six-month average RIBOR rate (for the last six months of the year) plus a spread of 1.75% as a reference parameter. The resulting interest rate, 5.96%, is deemed to be a best approximation, bearing in mind that six-month RIBOR is the principal indicator used for the repricing of long-term loans at floating rates of interest and the spread used is the average figure which permits a return on risk in line with the medium-term yield expected by the Bank.

Deferred taxation

With a view to achieving the stated aim of maximum transparency in the financial statements, and as part of the process of convergence towards international accounting standards, the Bank has considered it advisable to record the deferred taxation relating to certain equity items in the financial statements.

These items have been identified in the equity reserves of the former IMI S.p.A. re-constituted in the post-merger financial statements in compliance with current fiscal legislation: the Reserve for general banking risks (€ 336 million) and the Reserve under Law 169/83 (€ 72 million).

With regards to the Reserve for general banking risks, the expediency of charging deferred taxation is attributable to the probability that any eventual loan losses may in the future become non-deductible due to the fiscal nature of the reserve. This reserve is also an equity item that would be subject to taxation in the event of use.

On the other hand, the expediency of charging deferred taxation to the Reserve under Law 169/83 is linked to the likelihood that it may be taxed; this reserve, which is unrestricted for statutory purposes, is in fact subject to taxation on use and not merely on distribution.

Deferred taxation, € 151 million, on these equity items under similar fiscal regimes has been debited by the Bank against the merger surplus deriving from the San Paolo/IMI merger, at the same time setting up specific Reserves for deferred taxation. Of course, these accounting entries, which are also reflected in the consolidated financial statements, do not involve any effective outlay of taxes.

For the sake of completeness, we would also like to point out with regard to the shareholder’s equity of the Bank that the other balances that are in suspense for tax purposes - namely Capital (€ 610 million), the Legal reserve (€ 336 million, after transfer of the Amato reserve) and the Amato Reserve itself (€ 89 million) are only subject to taxation in the event of distribution. Considering their restricted nature, the Bank has confirmed the previous accounting policy. No deferred tax has been charged against them, as the events that could give rise to their taxation are not expected to occur in the foreseeable future.

Deferred taxation has also been recorded by the Bank in relation to the Reserve pursuant to art. 21 of Decree Law 213/98.

Deferred tax potentially due by the Bank on distribution of the reserves of a subsidiary, IMI International, has also been recorded in the consolidated financial statements. The amount of this deferred tax (€ 50 million) has been booked directly to “other reserves” which includes the equity reserves of the subsidiary in question.

In conclusion, we would like to point out that, beginning with the consolidated financial statements as of December 31, 1998, the recording of deferred taxation on timing differences between the book value and fiscal value of assets and liabilities has been made without applying the limited time span of the next four years, as in 1998; provided that, based on elements, such as the company’s budgeted income and its historical trend in taxable income, the requirement of reasonable certainty that sufficient taxable income will be generated in the future to permit full absorption of the deferred tax assets is satisfied.

This extension of the time span has led to a gain in the 1998 consolidated statement of income of around € 165 million, essentially attributable to full recovery by the Bank of taxes paid on loan writedowns deductible from the year 2003 onwards.

The new accounting treatment is consistent with the contents of IAS No. 12 and with the provisions contained in the document drawn up recently by the Italian Accounting Principles Commission on the accounting treatment of income taxes.

(8) 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.

(9) 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.

(10) 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 write down 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. 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 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 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 €, 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 located 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 €, 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 a 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 offsetting assets and liabilities. Agreements between the parties for the compensation of reciprocal receivables and payables in the case of default by one of the counterparts (“master netting agreement”) is not relevant for disclosure purposes, but is taken into consideration when assessing the counterparty’s lending risk.

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

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of assets or liabilities, on or off the balance sheet, from the risk of market fluctuations. In the case of off-balance sheet items, the hedging objective is achieved by 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:

a) intent to enter into a hedge;

b) high degree of correlation between the technical and financial characteristics of the assets and liabilities hedged and those inherent in the hedging contract.

If just one of the conditions above ceases to apply, then the contract is re-qualified as “non-hedging”.

Hedging derivatives are valued on a basis consistent with the assets and liabilities being hedged. The related procedures for presentation in the financial statements are summarized below:

Balance sheet: the period element of differentials or interest margins on contracts hedging the interest arising from interest-earning / bearing assets and liabilities is classified among “Accrued income” or “Accrued expenses”. The period element of differentials on forward rate agreements hedging the interest arising from interest-earning / bearing assets and 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 accrual 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:

Derivates 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.

(11) ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

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

Provisions recorded solely for fiscal purposes

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

(12) LOANS

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

(€/mil)	12/31/00	12/31/99
Due from banks (caption 30)	19,119	22,144
including the contribution of the Banco di Napoli Group	2,517	
Loans to customers (caption 40)	98,706	73,174
including the contribution of the Banco di Napoli Group (*)	18,681	
Total	**117,825**	**95,318**

(*) The amount includes € 2,738 million of loans to Società per la Gestione di Attività S.p.A. (SGA), see Note 16.

Due from banks (caption 30)

Amounts due from banks include:

Detail of caption 30 "Due to banks" (table 1.1 B.I.) *(€/mil)*

	12/31/00	12/31/99
(a) deposits with central banks	439	668
(b) bills eligible for refinancing with central banks	-	-
(c) finance leases	-	-
(d) repurchase agreements	4,720	5,429
(e) securities loaned	25	102

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.) *(€/mil)*

	12/31/00	12/31/99
(a) Bills eligible for refinancing with central banks	285	-
(b) Finance leases	1,877	1,579
(c) Repurchase agreements	2,890	1,796
(d) Securities loaned	132	7

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

(*) 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.

Non-performing loans (table 1.4 B.I.)		*(€/mil)*
	12/31/00	**12/31/99**
Non-performing loans (net amount, including default interest)	1,016	1,694

Analysis of loans to customers

Loans to customers for the years 2000 and 1999 are detailed in the tables below:

(Bank of Italy instructions dated 12/17/98) *(€/mil)*

12/31/00

	Gross exposure	Total adjustments	Net Exposure
A. Doubtful loans	**5,157**	**3,054**	**2,103**
A.1 Non-performing loans	3,542	2,527	1,015
A.2 Problem loans	1,341	458	883
A.3 Loans currently being restructured	17	5	12
A.4 Restructured loans	122	35	87
A.5 Unsecured loans exposed to country risk	135	29	106
B. Performing loans	**97,190**	**587**	**96,603**
Total loans to customers	**102,347**	**3,641**	**98,706**

(Bank of Italy instructions dated 12/17/98) *(€/mil)*

12/31/99

	Gross exposure	Total adjustments	Net Exposure
A. Doubtful loans	**5,920**	**3,016**	**2,904**
A.1 Non-performing loans	4,146	2,452	1,694
A.2 Problem loans	1,545	496	1,049
A.3 Loans currently being restructured	25	6	19
A.4 Restructured loans	130	36	94
A.5 Unsecured loans exposed to country risk	74	26	48
B. Performing loans	**70,544**	**274**	**70,270**
Total loans to customers	**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.

Analysis of loans to banks

Loans to banks for the years 2000 and 1999 are detailed in the tables below:

(Bank of Italy instructions dated 12/17/98) *(€/mil)*

12/31/00

	Gross exposure	Total adjustments	Net Exposure
A. Doubtful loans	**72**	**18**	**54**
A.1 Non-performing loans	14	13	1
A.2 Problem loans	-	-	-
A.3 Loans currently being restructured	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans exposed to country risk	58	5	53
B. Performing loans	**19,072**	**7**	**19,065**
Total loans to banks	**19,144**	**25**	**19,119**

(Bank of Italy instructions dated 12/17/98) *(€/mil)*

12/31/99

	Gross exposure	Total adjustments	Net Exposure
A. Doubtful loans	**273**	**168**	**105**
A.1 Non-performing loans	11	11	-
A.2 Problem loans	-	-	-
A.3 Loans currently being restructured	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans exposed to country risk	262	157	105
B. Performing loans	**22,039**	**-**	**22,039**
Total loans to banks	**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.

Movements during the year in gross doubtful loans to customers

Movements in gross doubtful loans to customers during 2000 were as follows:

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

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

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

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

	Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
	Gross value as of January 1, 1999	**4,522**	**1,941**	**2**	**187**	**148**
	Adjustments for the deconsolidation of Crediop and its subsidiaries	(9)	-	-	-	-
A	**Final balance**	**4,513**	**1,941**	**2**	**187**	**148**
	A.1 including: for default interest	*898*	*57*	-	-	-
B	**Increases**	**668**	**823**	**25**	**68**	**8**
	B.1 inflows from performing loans	65	558	-	44	2
	B.2 default interest	156	13	1	-	-
	B.3 transfers from other categories of doubtful loans	325	61	23	22	-
	B.4 other increases	122	191	1	2	6
C	**Decreases**	**1,035**	**1,219**	**2**	**125**	**82**
	C.1 outflows to performing loans	32	155	-	35	25
	C.2 write-offs	490	45	-	6	1
	C.3 collections	441	678	-	78	36
	C.4 disposals	-	-	-	-	-
	C.5 transfers to other categories of doubtful loans	72	341	2	5	11
	C.6 other decreases	-	-	-	1	9
D	**Gross value as of December 31, 1999**	**4,146**	**1,545**	**25**	**130**	**74**
	D.1 including: for default interest	*921*	*47*	*3*	-	-

Movements during the years in gross doubtful amounts due from banks

Movements in gross doubtful amounts due from banks during 2000 were as follows:

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

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

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

(Bank of Italy instructions dated 12.17.98)						*(€/mil)*
	Description/Categories	**Non-performing loans**	**Problem loans**	**Loans being restructured**	**Restructured loans**	**Unsecured loans exposed to country risk**
	Gross value as of January 1, 1999	**4**	**4**	**-**	**-**	**207**
	Adjustments for the deconsolidation of Crediop and its subsidiaries	-	-	-	-	-
A	**Final balance**	**4**	**4**	**-**	**-**	**207**
	A.1 including: for default interest	-	-	-	-	-
B	**Increases**	**8**	**-**	**-**	**-**	**76**
	B.1 inflows from performing loans	7	-	-	-	-
	B.2 default interest	-	-	-	-	-
	B.3 transfers from other categories of doubtful loans	1	-	-	-	-
	B.4 other increases	-	-	-	-	76
C	**Decreases**	**1**	**4**	**-**	**-**	**21**
	C.1 outflows to performing loans	-	-	-	-	5
	C.2 write-offs	1	-	-	-	-
	C.3 collections	-	3	-	-	16
	C.4 disposals	-	-	-	-	-
	C.5 transfers to other categories of doubtful loans	-	1	-	-	-
	C.6 other decreases	-	-	-	-	-
D	**Gross value as of December 31, 1999**	**11**	**-**	**-**	**-**	**262**
	D.1 including: for default interest	-	-	-	-	-

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

Movements during 2000 in adjustments made to loans granted to customers were as follows:

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

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

(*) The table "Adjustments to the value of loans" under caption 120 of the consolidated statement of income also includes € 67 million pertaining to the Banco di Napoli Group. This amount is included in the table under "Other 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 write-downs totalling € 26 million. The inherent risk associated with other performing loans is covered by a general writedown of € 568 million.

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Movements during 1999 in adjustments made to loans granted to customers were as follows:

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

	Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
	Total adjustments as of January 1, 1999	**2,509**	**468**	**1**	**35**	**41**	**315**
	Adjustments for the deconsolidation of Crediop and its subsidiaries	-	-	-	-	-	(24)
A	**Final balance**	**2,509**	**468**	**1**	**35**	**41**	**291**
	A.1 including: for default interest	*898*	*57*	-	-	-	*5*
B	**Increases**	**621**	**232**	**7**	**22**	**7**	**21**
	B.1 adjustments	536	208	1	16	5	19
	B.1.1 including: for default interest	*157*	*14*	*1*	-	-	*4*
	B.2 use of reserves for possible loan losses	-	-	-	-	-	-
	B.3 transfers from other categories of doubful loans	81	22	6	6	-	-
	B.4 other increases	4	2	-	-	2	2
C	**Decreases**	**678**	**204**	**2**	**21**	**22**	**38**
	C.1 writeback from valuations	67	42	1	9	9	3
	C.1.1 including: for default interest	-	-	-	-	-	-
	C.2 writebacks of collections	100	31	-	3	9	11
	C.2.1 including: for default interest	*29*	*11*	-	-	-	*2*
	C.3 write-offs	490	45	-	6	1	19
	C.4 transfers to other categories of doubtful loans	20	83	1	3	3	5
	C.5 other decreases	1	3	-	-	-	-
D	**Total adjustments as of December 31, 1999**	**2,452**	**496**	**6**	**36**	**26**	**274**
	D.1 including: for default interest	*921*	*47*	*3*	-	-	*9*

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

Performing loans include € 102 million pertaining to the Bank, specifically under observation, covered by writedowns totalling € 12 million. The inherent risk associated with other performing loans is covered by a general writedown of € 262 million, estimated on an historical, statistical basis (see Note 6 – "Consolidation Principles").

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

Movements during 2000 in adjustments made to loans granted to banks were as follows:

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

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

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

Movements during 1999 in adjustments made to loans granted to banks were as follows:

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

	Description/Categories	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
	Total adjustments as of January 1, 1999	**3**	**1**	**-**	**-**	**97**	**-**
	Adjustments for the deconsolidation of Crediop and its subsidiaries	-	-	-	-	-	-
A	**Final balance**	**3**	**1**	**-**	**-**	**97**	**-**
	A.1 including: for default interest	-	-	-	-	-	-
B	**Increases**	**9**	**-**	**-**	**-**	**67**	**-**
	B.1 adjustments	3	-	-	-	51	-
	B.1.1 including: for default interest	-	-	-	-	-	-
	B.2 use of reserves for possible loan losses	-	-	-	-	-	-
	B.3 transfers from other categories of doubtful loans	1	-	-	-	-	-
	B.4 other increases	5	-	-	-	16	-
C	**Decreases**	**1**	**1**	**-**	**-**	**7**	**-**
	C.1 writeback from valuations	-	-	-	-	3	-
	C.1.1 including: for default interest	-	-	-	-	-	-
	C.2 writebacks of collections	-	-	-	-	4	-
	C.2.1 including: for default interest	-	-	-	-	-	-
	C.3 write-offs	1	-	-	-	-	-
	C.4 transfers to other categories of doubtful loans	-	1	-	-	-	-
	C.5 other decreases	-	-	-	-	-	-
D	**Total adjustments as of December 31, 1999**	**11**	**-**	**-**	**-**	**157**	**-**
	D.1 including: for default interest	-	-	-	-	-	-

Loans to customers and banks resident in nations exposed to country risk are analyzed below for the years 2000 and 1999:

(€/mil)

	Gross exposure as of 12/31/00		
	Total	*including: unsecured*	
Country	**(book value)**	*book value*	*weighted value*
Brazil	108	*58*	*10*
Argentina	81	*51*	*51*
Qatar	56	*22*	*16*
Venezuela	16	*13*	*13*
Tunisia	10	*8*	*2*
Egypt	17	*6*	*6*
Algeria	44	*6*	*4*
South Africa	5	*5*	*1*
Morocco	101	*5*	*5*
Philippines	10	*5*	*5*
Kamerun	3	*3*	*3*
Russian Federation	457	*2*	*2*
Croatia	2	*2*	*2*
Libanon	53	*1*	-
Pakistan	32	-	-
Others	94	*6*	*5*
Total gross exposure	**1,089**	***193***	***125***
Total adjustments	34	*34*	
Net exposures as of 12/31/00	**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.

(€/mil)

Country	Gross exposure as of 12/31/99 Total (book value)	including: unsecured book value	including: unsecured weighted value
Russian Federation	616	*182*	*182*
Brazil	130	*65*	*31*
Angola	34	-	-
Qatar	54	*17*	*17*
South Africa	5	*5*	*5*
Argentina	39	*2*	*2*
Turkey	44	*7*	*4*
Tunisia	21	*16*	*12*
India	7	*3*	*3*
Libanon	44	*1*	*1*
Iran	66	*4*	*4*
Venezuela	21	*7*	*7*
Morocco	123	*6*	*5*
Bermuda	7	-	-
Philippines	5	*5*	*5*
Bahrein	10	*1*	*1*
Pakistan	22	-	-
Algeria	29	*1*	-
Others	302	*14*	*14*
Total exposure	**1,579**	***336***	***293***
Total adjustments	183	*183*	
Net exposures as of 12/31/99	**1,396**	***153***	

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

Secured loans, amounting to € 1,243 million in 1999, are insured by SACE and other similar foreign institutions by sureties from banking operators in the OECD area (€ 923 million in 1999) and by other forms of guarantee deemed adequate to cover the lending risk (€ 320 million in 1999). The last mentioned mainly comprise loans of € 310 million in 1999, granted by the Parent Bank to a prime customer resident in Russia, that are guaranteed by receivables deriving from supply contracts with leading West European companies. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

Information regarding the distribution of loans, by category of borrower, industry, geographical area, currency and maturity, is provided in Note (22) concentration and distribution of assets and liabilities.

(13) SECURITIES

Securities owned by the Group are analysed as follows:

(€/mil)	12/31/00	12/31/99
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	8,968	3,332
including the contribution of the Banco di Napoli Group	*1,592*	
Bonds and other debt securities (caption 50)	13,987	13,605
including the contribution of the Banco di Napoli Group	*5,042*	
Shares, quotas and other equities (caption 60)	2,003	1,443
including the contribution of the Banco di Napoli Group	*2*	
Total	**24,958**	**18,380**

"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 analyzed as follows:

Investment securities (table 2.1 B.I) *(€/mil)*

	12/31/00		12/31/99	
	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.

The following table shows changes in investment securities during 2000:

Changes in investment securities during the year (table 2.2 B.I.) *(€/mil)*

A.	**Opening balance January 1, 2000**	**1,756**
B.	**Increases**	**5,385**
	B1. Purchases	84
	B2. writebacks	-
	B3. transfers from dealing portfolio	27
	B4. other changes	5,274
C.	**Decreases**	**470**
	C1. sales	178
	C2. redemptions	212
	C3. adjustments	16
	including:	
	permanent writedowns	-
	C4. transfers to dealing portfolio	1
	C5. other changes	63
D.	**Closing balance December 31, 2000**	**6,671**

“Transfers from dealing portfolio” as per subcaption B3 are made up 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.

The following table shows changes in investment securities during 1999:

(table 2.2 B.I.)	*(€/mil)*
Opening balance January 1, 1999	**2,342**
Deconsolidation of Crediop and its subsidiaries	(1)
A. Final balance	**2,341**
B. Increases	**766**
B1. Purchases	233
B2. writebacks	2
B3. transfers from dealing portfolio	393
B4. other changes	138
C. Decreases	**1,351**
C1. sales	83
C2. redemptions	1,094
C3. adjustments	15
including:	
permanent writedowns	*14*
C4. transfers to dealing portfolio	33
C5. other changes	126
D. Closing balance December 31, 1999	**1,756**

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

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

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

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

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

Dealing securities

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

Dealing securities (table 2.3 B.I.) *(€/mil)*

	12/31/00		12/31/99	
	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 as of December 31, 2000, 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.

The following tables show changes in dealing securities during 2000 and 1999:

Changes in dealing securities during the year (table 2.4 B.I.) *(€/mil)*

A. Opening balance as of January 1, 2000	**16,624**
B. Increases	**296,805**
B1. purchases	291,709
– *debt securities*	*268,650*
– *Government securities*	*153,204*
– *other securities*	*115,446*
– *equities*	*23,059*
B2. writebacks and revaluations	133
B3. transfers from investment portfolio	1
B4. other changes (*)	4,962
C. Decreases	**295,142**
C1. sales and redemptions	292,043
– *debt securities*	*269,093*
– *Government securities*	*153,624*
– *other securities*	*115,469*
– *equities*	*22,950*
C2. adjustments	245
C3. transfers to investment portfolio	27
C5. other changes	2,827
D. Closing balance as of December 31, 2000	**18,287**

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

(table 2.4 B.I.) *(€/mil)*

Opening balance as of January 1, 1999	**23,380**
Deconsolidation of Crediop and its subsidiaries	(1,820)
A. Final balance	**21,560**
B. Increases	**383,167**
B1. purchases	380,325
– *debt securities*	*356,728*
– *Government securities*	*251,945*
– *other securities*	*104,783*
– *equities*	*23,597*
B2. writebacks and revaluations	309
B3. transfers from investment portfolio	33
B4. other changes	2,500
C. Decreases	**388,103**
C1. sales and redemptions	386,526
– *debt securities*	*362,912*
– *Government securities*	*258,151*
– *other securities*	*104,761*
– *equities*	*23,614*
C2. adjustments	151
C3. transfers to investment portfolio	393
C5. other changes	1,033
D. Closing balance as of December 31, 1999	**16,624**

Other information relating to securities

The composition of the securities portfolio is analyzed by geographical area, currency and liquidity in Note (22) concentration and distribution of assets and liabilities.

(14) INVESTMENTS

Significant investments Sanpaolo IMI

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 relation-ship (*)	Share-holders' equity (€mil) (**)	Net income (loss) (€mil) (**)	Ownership Held by	% (***)	Voting rights at share-holders' meeting %	Consolidated Book values (€mil) (**)	
A.	**Companies consolidated line- by-line**									
	Sanpaolo - IMI Spa (Parent Bank)	Turin		7,700	1,198	-	-	-	-	
A.1	***Line-by-line***									
1	Banca Fideuram S.p.A.	Milan	1	831	410	SanpaoloIMI	74.19	74.19	XXX	
2	Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	398	49	SanpaoloIMI	100.00	100.00	XXX	
3	Banca IMI Securities Corp.	Usa	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	SanpaoloIMI	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	SanpaoloIMI	100.00	100.00	XXX	
6	Banco di Napoli S.p.A.	Naples	1	1,361	92	Gruppo Bancario Banco di Napoli	52.48	56.08	XXX	(C)
						Sanpaolo IMI	38.89	41.57	XXX	
							91.37	97.65		
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	SanpaoloIMI	100.00	100.00	XXX	
9	Bonec Ltd	Ireland	1	-	-	SanpaoloIMI 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	99.99	99.99	XXX	
						Fideuram Vita	0.01	0.01	XXX	
							100.00	100.00	XXX	
12	Fideuram Capital Spa	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	99.99	99.99	XXX	
						Fideuram Vita	0.01	0.01	XXX	
							100.00	100.00		
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 Societè 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	SanpaoloIMI	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.	USA	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		

	Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€mil) (**)	Net income (loss) (€mil) (**)	Ownership Held by	% (***)	Voting rights at share-holders' meeting %	Consolidated Book values (€mil) (**)	
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. Spa)	Milan	1	84	(29)	Banca IMI	100.00	100.00	XXX	
27	IMIWeb (UK) Ltd (ex IMI Sigeco UK Ltd)	United Kindom	1	14	(2)	IMIWeb Bank	100.00	100.00	XXX	
28	Indipendent Management for Istitutional Adisory 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	-	-	SanpaoloIMI 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 Spa)	Turin	1	820	84	SanpaoloIMI	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	
						Societé Fonciere d'Investissement	0.01	0.01	XXX	
						Societé Immobilliere d'Investissement	0.01	0.01	XXX	
							100.00	100.00		
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	
						Societé Fonciere 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 SA	Luxembourg	1	122	50	SanpaoloIMI	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	-	SanpaoloIMI	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 SA	Luxembourg	1	39	37	SanpaoloIMI	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	SanpaoloIMI	100.00	100.00	XXX	
42	Sanpaolo IMI Bank (International) S.A.	Madeira	1	182	7	SanpaoloIMI	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	SanpaoloIMI	100.00	100.00	XXX	
44	Sanpaolo IMI Capital Company I LLC	United Stated	1	45	-	SanpaoloIMI	100.00	100.00	XXX	(D)(F)
45	Sanpaolo IMI International S.A.	Luxembourg	1	1,105	57	SanpaoloIMI	100.00	100.00	XXX	
46	Sanpaolo IMI Investments S.A.	Luxembourg	1	1	-	NHS - Nuova Holding Sanpaolo IMI	99.90	99.90	XXX	(G)
						LDV Holding	0.10	0.10	XXX	
							100.00	100.00		
47	Sanpaolo IMI US Financial CO.	USA	1	-	-	SanpaoloIMI	100.00	100.00	XXX	
48	Sanpaolo Immobiliare S.p.A	Turin	1	6	1	SanpaoloIMI	100.00	100.00	XXX	
49	Sanpaolo Leasint S.p.A.	Milan	1	59	7	SanpaoloIMI	100.00	100.00	XXX	(B)

	Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€mil) (**)	Net income (loss) (€mil) (**)	Ownership Held by	% (***)	Voting rights at share-holders' meeting %	Consolidated Book values (€mil) (**)	
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	SanpaoloIMI	100.00	100.00	XXX	
52	Sanpaolo RiscossioniI Prato S.p.A.	Prato	1	3	1	SanpaoloIMI	100.00	100.00	XXX	
53	Sanpaolo Services Luxembourg S.A.	Luxembourg	1	2	2	SanpaoloIMI	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	SanpaoloIMI	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	Societé de Gestion du funds 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		
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	Tushingham 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		

A.2 Proportional method

1	Finconsumo S.p.A.	Turin	7	43	7	SanpaoloIMI	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

B.1 Subsidiaries (****)

1	Apokè Two S.p.A.	Milan	1	4	3	SanpaoloIMI	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 Stated	1	-	-	Banco di Napoli	100.00	100.00	-	(C)(I)

	Name	Registered offices	Type of relationship (*)	Shareholders' equity (€mil) (**)	Net income (loss) (€mil) (**)	Ownership Held by	Ownership % (***)	Voting rights at shareholders' meeting %	Consolidated Book values (€mil) (**)	
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.	USA	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 Sanpaolo IMI	5.00	5.00	-	
						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		
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 Societè 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 SA	Luxembourg	1	-	-	Sanpaolo IMI	90.00	90.00	-	
						Prospettive 2001	10.00	10.00	-	(K)
							100.00	100.00		
14	Indipendent Management for Institutionals SICAV	Luxembourg	1	-	-	IMI Bank (Lux)	50.00	50.00	-	
						Ind.Man.Inst.Adv.	50.00	50.00	-	
							100.00	100.00		
15	Prospettive 2001 SpA	Milan	1	13	-	Sanpaolo IMI	100.00	100.00	13	
16	Sanpaolo IMI Capital Partners Limited	Guernsey	1	-	-	NHS - Nuova Holding Sanpaolo IMI	99.00	99.00	-	
						Sanpaolo IMI Management	1.00	1.00	-	(K)
							100.00	100.00		
17	Sanpaolo IMI Institutional Asset Management SGR Spa	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 Kindom	1	-	-	NHS - Nuova Holding Sanpaolo IMI	100.00	100.00	-	
19	Sanpaolo IMI Private Equity Spa	Turin	1	2	-	NHS - Nuova Holding Sanpaolo IMI	100.00	100.00	2	
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 Spa	Milan	1	118	21	Sanpaolo IMI	100.00	100.00	127	
24	Societé Civile Les Jardins d'Arcadie	France	1	-	-	Banque Sanpaolo	55.00	55.00	-	
25	Societé 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	
						Societé Fonciere d'Investissement	0.20	0.20	-	(K)
							100.00	100.00		
27	Societé Fonciere d'Investissement	France	1	-	-	Banque Sanpaolo	99.92	99.92	-	
						Societé Civile Parisienne de l'Av. Hoche	0.08	0.08	-	(K)
							100.00	100.00		
28	Societé Immobiliere d'Investissement	France	1	-	-	Banque Sanpaolo	99.98	99.98	-	
						Societé Fonciere d'Investissement	0.02	0.02	-	(K)
							100.00	100.00		

	Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€mil) (**)	Net income (loss) (€mil) (**)	Ownership Held by	% (***)	Voting rights at share-holders' meeting %	Consolidated Book values (€mil) (**)	
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	-	
						Soc. 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	60.50	60.50	-	(E)
						Finance Gestion	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.)	Usa	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**	

B.2 Not controlled

	Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€mil) (**)	Net income (loss) (€mil) (**)	Ownership Held by	% (***)	Voting rights at share-holders' meeting %	Consolidated Book values (€mil) (**)	
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 Assicuazioni 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	18.84	18.84	1	(C)(N)
						Sanpaolo IMI	9.48	9.48		
						Banca Fideuram	0.63	0.63		
							28.95	28.95		

	Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€mil) (**)	Net income (loss) (€mil) (**)	Ownership Held by	Ownership % (***)	Voting rights at share-holders' meeting %	Consolidated Book values (€mil) (**)	
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	Aereoporto 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	32.49	32.49	-	(I)
						Banco di Napoli	0.35	0.35	-	
							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	Ingic (in liq.)	Rome	8	-	-	Banco di Napoli	20.00	20.00	-	(C)(I)
						Sanpaolo IMI	5.00	5.00	-	
							25.00	25.00		
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)(I)(L)
80	Sviluppo di Nuove Iniziative S.p.A. (in liq.)	Genoa	7	2	-	Banco di Napoli	50.00	50.00	1	(C)(I)(L)
	Other minor 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 statement. Shareholders' equity includes the portion of the net income, before allocation of dividends (net of any interim dividends);

(***) Percentage of Ordinary and Preferred Capital;

(****) The list excludes investments of Banco di Napoli Isveimer 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 Note (16) "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 milion.

(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.

Investments at cost

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

Name	Registered offices	Ownership Held by	% (*)	Consolidated Book values (€mil)	
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. (subsequentely Hutchinson 3G Italia S.p.A.)	Cagliari	Sanpaolo IMI Investments	5.00	21	
		Bernabé Mobile Investments 2	2.00	-	(A)
			7.00	21	
Azimut S.p.A.	Viareggio	LDV Holding	7.53	27	
		Sanpaolo IMI Private Equity	0.07	-	(A)
			7.60	27	
Banca Agricola Mantovana S.p.A.	Mantua	Sanpaolo IMI	9.58	206	(B)
Bank of Italy	Rome	Banco di Napoli	6.29	130	
		Sanpaolo IMI	2.00	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	1.40	21	
		LDV Holding	0.50	8	
			1.90	29	
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.89	16	
Banco Santander Central Hispano S.A.	Spain	Sanpaolo IMI	1.17	458	
		SanpaoloIMI International	1.88	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	2.52	4	
		Sanpaolo IMI Private Equity	0.05	-	(A)
			2.57	4	
Borsa Italiana S.p.A.	Milan	Banca IMI	7.00	3	
		IMI Bank (Lux)	0.50	-	
		SIM Banconapoli & Fumagalli Soldan	0.35	-	
			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	1.32	3	
		Banco di Napoli	0.33	-	
			1.65	3	

Name	Registered offices	Ownership Held by	% (*)	Consolidated Book values (€mil)	
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 Societé 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	1.21	4	
		Banco di Napoli	0.76	3	
			1.97	7	
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 II 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 investments at cost				**2,762**	

(*) Percentage of Ordinary and Preferred 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.)		*(€mil)*
	12/31/00	**12/31/99**
(a) Investments in banks		
1. quoted	-	-
2. unquoted	1	1
(b) Investments in financial institutions		
1. quoted	-	-
2. unquoted	11	9
(c) Other		
1. quoted	-	-
2. unquoted	527	438
Total	**539**	**448**

Analysis of caption 70 "Equity investments"(Table 3.4 B.I.)		*(€mil)*
	12/31/00	**12/31/99**
(a) Investments in banks		
1. quoted	1,870	1,022
2. unquoted	236	443
(b) Investments in financial institutions		
1. quoted	10	10
2. unquoted	58	66
(c) Other		
1. quoted	527	1,235
2. unquoted	333	123
Total	**3,034**	**2,899**

Changes during the year in the investment portfolio

The following tables show the changes during the years 2000 and 1999 in the investment portfolio:

Investments in Group companies (Table 3.6.1 B.I.)	*(€mil)*
A. Opening balance as of January 1, 2000	**448**
B. Increases	**99**
B1. purchases	72
B2. writebacks	-
B3. revaluations	-
B4. other changes	27
C. Decreases	**8**
C1. sales	-
C2. adjustments	1
including:	
permanent writedowns	*1*
C3. other changes	7
D. Closing balance as of December 31, 2000	**539**
E. Total revaluations	43
F. Total adjustments	**408**

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

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

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

Investments in Group companies (Table 3.6.1 B.I.)	*(€mil)*
Opening balance as of January 1, 1999	**380**
Deconsolidation of Crediop and its subsidiaries	391
A. Final balance	**771**
B. Increases	**327**
B1. purchases	152
B2. writebacks	-
B3. revaluations	-
B4. other changes	175
C. Decreases	**650**
C1. sales	219
C2. adjustments	1
including:	
permanent writedowns	*1*
C3. other changes	430
D. Closing balance as of December 31, 1999	**448**
E. Total revaluations	-
F. Total adjustments	1

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

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

Subcaption C.1 “Sales” refers to the disposal of 20% of Crediop S.p.A. (€ 218 million).

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

Other equity investments (Table 3.6.2. B.I.)	*(€mil)*
A. Opening balance as of January 1, 2000	**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
including:	
permanent writedowns	*20*
C3. other changes	1,223
D. Closing balance as of December 31, 2000	**3,034**
E. Total revaluations	**121**
F. Total adjustments	**596**

Subcaption B1. “Purchases” includes the cost of the Parent Bank's strategic investment in Cassa di Risparmio di Firenze S.p.A. (€ 387 million), investments made by Sanpaolo Imi International S.A. in Banco Santander Central Hispano S.A. (€ 708 million) and The Royal Bank of Scotland Plc (€ 71 million), as well as 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.

Other equity investments (Table 3.6.2 B.I.)	*(€mil)*
Opening balance as of January 1, 1999	**942**
Deconsolidation of Crediop and its subsidiaries	(41)
A Final balances	**901**
B. Increases	**2,975**
B1. purchases	2,002
B2. writebacks	-
B3. revaluations	-
B4. other changes	973
C. Decreases	**977**
C1. sales	584
C2. adjustments	74
including:	
permanent writedowns	*74*
C3. other changes	319
D. Closing balance as of December 31, 1999	**2,899**
E. Total revaluations	**107**
F. Total adjustments	**364**

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

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

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

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

"Decreases - other changes" (subcaption C.3) includes the transfer of investments to the dealing securities portfolio, carried out by the Parent Bank and involving shares in Mediaset S.p.A. (€ 7 million) and ENI S.p.A. (€ 28 million), as well as the transfer by IMI International S.A. of a holding in Banque National de Paris S.A. (€ 166 million) to its dealing portfolio.

This balance also includes the value of companies involved in the real estate spin-off (€ 66 million).

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

The following table sets out the amounts due to and from companies belonging to the 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.I.) *(€/mil)*

	12/31/00	**12/31/99**
(a) Assets		
1. due from banks	26	-
including		
- subordinated	-	-
2. due from financial institutions (*)	3,208	-
including		
- subordinated	-	-
3. due from other customers	108	76
including		
- subordinated	-	-
4. bonds and other debt securities	-	-
including		
- subordinated	-	-
Total assets	**3,342**	**76**
(b) Liabilities		
1. due to banks	14	-
2. due to financial institutions	34	3
3. due to other customers	142	72
4. securities issued	16	867
5. subordinated liabilities	-	-
Total liabilities	**206**	**942**
(c) Guarantees and commitments		
1. guarantees given	46	4
2. commitments	6	4
Total guarantees and commitments	**52**	**8**

(*) It includes € 2,738 million of receivables due to Banco di Napoli by Società per la Gestione di Attività S.p.A. (see Note 16).

Amounts due to and from investments (non-Group companies) (Table 3.3 B.I.) *(€mil)*

	12/31/00	12/31/99
(a) Assets		
1. due from banks (*)	928	1,180
including		
- subordinated	*20*	-
2. due from financial institutions	721	522
including		
- subordinated	-	-
3. due from other customers	1,852	2,158
including		
- subordinated	*21*	*24*
4. bonds and other debt securities	13	275
including		
- subordinated	-	-
Total assets	**3,514**	**4,135**
(b) Liabilities		
1. due to banks (**)	2,718	1,919
2. due to financial institutions	115	97
3. due to other customers	110	28
4. securities issued	-	-
5. subordinated liabilities	-	-
Total liabilities	**2,943**	**2,044**
(c) Guarantees and commitments		
1. guarantees given	955	363
2. commitments	464	-
Total guarantees and commitments	**1,419**	**363**

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

(15) TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

		(€/mil)
	12/31/00	**12/31/99**
Tangible fixed assets (caption 120)	1,793	1,120
including:		
contribution from the Banco di Napoli Group - property	*575*	-
contribution from the Banco di Napoli Group - furniture and installations	*92*	-
Intangible fixed assets (caption 110)	359	267
including: the contribution of the Banco di Napoli Group	*68*	-
Total	**2,152**	**1,387**

Tangible fixed assets (captions 120)

The following tables show the changes in tangible fixed assets during the years 2000 and 1999.

Changes in tangible fixed assets during the year (Table 4.1 B.I.)	*(€/mil)*
A. Opening balance January 1, 2000	**1,120**
B. Increases	**842**
B1. purchases	137
B2. writebacks	-
B3. revaluations	15
B4. other changes	690
C. Decreases	**169**
C1. sales	30
C2. adjustments	
(a) depreciation	134
(b) permanent writedowns	-
C3. other changes	5
D. Closing balance December 31, 2000	**1,793**
E. Total revaluations	**916**
F. Total adjustments	**1,351**
(a) accumulated depreciation	1,343
(b) permanent writedowns	8

(Table 4.1 B.I.)	*(€/mil)*
Opening balance January 1, 1999	**1,669**
Adjustment due to the deconsolidation of Crediop and its subsidiaries	(63)
A. Final balance	**1,606**
B. Increases	**100**
B1. purchases	93
B2. writebacks	-
B3. revaluations	-
B4. other changes	7
C. Decreases	**586**
C1. sales	11
C2. adjustments	
(a) depreciation	133
(b) permanent writedowns	-
C3. other changes	442
D. Closing balance December 31, 1999	**1,120**
E. Total revaluations	**927**
F. Total adjustments	**1,310**
(a) accumulated depreciation	1,302
(b) permanent writedowns	8

Intangible fixed assets (captions 110)

The following tables show the changes in intangible fixed assets during 2000 and 1999.

Changes in intangible fixed assets during the year (Table 4.2 B.I.)	*(€/mil)*
A. Opening balance January 1, 2000	**267**
B. Increases	**242**
B1. purchases	169
B2. writebacks	-
B3. revaluations	-
B4. other changes	73
C. Decreases	**150**
C1. sales	-
C2. adjustments	
(a) amortization	147
(b) permanent writedowns	-
C3. other changes	3
D. Closing balance as of December 31, 2000	**359**
E. Total revaluations	-
F. Total adjustments	**517**
(a) accumulated amortization	517
(b) permanent writedowns	-

The 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 €, 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.

(Table 4.2 B.I.)	*(€/mil)*
Opening balance as of January 1, 1999	**302**
Adjustment due to the deconsolidation of Crediop and its subsidiaries	(6)
A. Final balance	**296**
B. Increases	**111**
B1. purchases	104
B2. writebacks	-
B3. revaluations	-
B4. other changes	7
C. Decreases	**140**
C1. sales	1
C2. adjustments	
(a) amortization	132
(b) permanent writedowns	-
C3. other changes	7
D. Closing balance as of December 31, 1999	**267**
E. Total revaluations	
F. Total adjustments	**349**
(a) accumulated amortization	349
(b) permanent writedowns	-

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

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

Other deferred charges include:

- € 78 million in EDP costs which will benefit future years, € 15 million of which refers to investments made in connection with the introduction of the € in 1999;

- € 57 million for software expenses, out of period concerning third party development and modification;ù

- € 19 million for leasehold improvements in 1999;

- € 2 million for start-up and expansion costs in 1999.

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

(16) OTHER ASSETS

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

	12/31/00	12/31/99
		(€/mil)
Goodwill arising on consolidation (caption 90)	915	7
Goodwill arising on application of the equity method (caption 100)	74	51
Other assets (caption 150)	19,193	16,199
including: Banco di Napoli Group contribution	*4,941*	
Accrued income and prepaid expenses (caption 160)	2,661	4,649
including: Banco di Napoli Group contribution	*231*	
Total	**22,843**	**20,906**

Other assets (caption 150)

Analysis of caption 150 "Other assets" (Table 5.1 B.I.) *(€/mil)*

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

(a) Mostly settled at the beginning of 2001.
(b) More details on deferred tax assets can be found in Note (18).

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 favor 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 favorable 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 (*)		*(€/mil)*
	12/31/00	**12/31/99**
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 (*) (€/mil)

	12/31/00	12/31/99
Opening balance	1,264	447
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 (*) (€/mil)

	12/31/00	12/31/99
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.) (€/mil)

	12/31/00	12/31/99
Accrued income		
- income from derivative contracts	1,078	3,349
- interest from loans to customers	774	636
- interest on securities	377	291
- bank interest	177	87
- other	60	72
Prepaid expenses		
- discounts on bond issues	27	8
- commission on placement of securities and mortgage loans	28	60
- charges on derivative contracts	55	28
- other	85	118
Total	**2,661**	**4,649**

Other Information

Distribution of subordinated assets (Table 5.4 B.I.)	12/31/00	*(€/mil)* 12/31/99
(a) Due from banks	41	33
(b) Loans to customers	33	38
(c) Bonds and other debt securities	114	99
Total	**188**	**170**

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

(17) PAYABLES

Total Group deposits and other sources of funds are detailed below:

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

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

		(€/mil)
	12/31/00	**12/31/99**
Due to central banks		
- repurchase agreements and securities borrowed	2,607	4,477
- other deposits from the Italian Exchange Office	54	35
- other deposits from central banks	1,081	558
- advances	25	-
Due to banks		
- deposits	16,541	13,661
- repurchase agreements and securities borrowed	2,559	1,249
- medium and long-term loans from international bodies	4,542	4,278
- current accounts	767	1,009
-other	1,420	2,745
Total	**29,596**	**28,012**

Detail of "Due to banks"(Table 6.1 B.I.)		*(€/mil)*
	12/31/00	**12/31/99**
(a) Repurchase agreements	5,049	5,624
(b) Securities borrowed	117	102

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

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

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

(€/mil)

	12/31/00	12/31/99
Due to customers		
- current accounts	38,531	31,344
- repurchase agreements and securities borrowed	7,944	3,758
- deposits	14,865	4,752
- short-term payables relating to special management services carried out for the government	751	475
- other (*)	2,627	2,860
Securities issued		
- bonds	26,589	23,643
- certificates of deposit	8,888	9,090
- bankers' drafts	738	380
- other securities	3,123	2,605
Total	**104,056**	**78,907**

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

Detail of "Due to customers" (Table 6.2 B.I.) *(€/mil)*

	12/31/00	12/31/99
(a) Repurchase agreements	7,665	3,748
(b) Securities borrowed	279	10

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

Public funds administered (caption 40)

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

(€/mil)

	12/31/00	12/31/99
Funds provided by the State	54	10
Funds provided by regional public agencies	20	20
Other funds	14	20
Total	**88**	**50**
including: funds with risk borne by the government under Law 19 of 2/6/87	*13*	*16*

Other information relating to payables

Information regarding the distribution of deposits by geographical area, degree of liquidity and currency is reported in Note (22).

(18) PROVISIONS

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

(€/mil)

	12/31/00	12/31/99
Provisions for termination indemnities (caption 70)	743	438
including: the contribution of the Banco di Napoli Group	*293*	
Provisions for risks and charges (caption 80)	3,823	1,483
including: the contribution of the Banco di Napoli Group	*2,011*	
– pensions and similar commitments (caption 80a)	1,128	46
including: the contribution of the Banco di Napoli Group	*1,085*	
– taxation (caption 80b)	1,230	1,029
including: the contribution of the Banco di Napoli Group	*63*	
– other (caption 80c)	1,465	408
including: the contribution of the Banco di Napoli Group	*863*	
Reserve for possible loan losses (caption 90)	35	29
Total	**4,601**	**1,950**

Provisions for termination indemnities (caption 70)

The following tables show changes in the reserve for termination indemnities during years 2000 and 1999.

(€/mil)

Opening balance January 1, 2000	**438**
Increases	
- provisions	42
- transfers	-
- other changes	295
Decreases	
- advances allowed under Law 297/82	8
- indemnities paid to employees leaving the Bank	21
- transfers	2
- other changes	1
Closing balance December 31, 2000	**743**

Other increases include € 293 million of the contribution from the Banco di Napoli Group on its first- time consolidation.

	(€/mil)
Opening balance January 1, 1999	**436**
(-) adjustment for the deconsolidation of Crediop and its subsidiaries	(5)
Final balance	**431**
Increases	
- provisions	41
- transfers	1
- other changes	-
Decreases	
- advances allowed under Law 297/82	20
- indemnities paid to employees leaving the Bank	14
- transfers	1
- other changes	-
Closing balance December 31, 1999	**438**

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

Changes in the reserve for pensions and similar commitments during the years 2000 and 1999.

	(€/mil)
Opening balance January 1, 2000	**62**
(-) adjustment for reclassification	(16)
Final balance	**46**
Increases	
- provisions	1
- other	1,085
Decreases	
- utilisations	4
Closing balance December 31, 2000	**1,128**

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 favor of the bank. This conclusion already looked more likely on the basis of Law 335/95, which confirms that the legal equalisation system is to be applied to all employees and retired employees, whenever they retired. This conclusion now appears to be definitively confirmed by Law 449/1997, which suppressed any so-called “Golden Clauses” that still existed and confirmed the previous legal interventions abolishing such clauses in individual pension plans and, therefore, also in the one managed by the bank. This valuation does not appear to have been overturned by the judgement of the Supreme Court of February 8, 2000, since it is valid only for one retired employee of the bank and, in any case, is founded on arguments which, according to the legal advisor, are not about to reverse the trend of interpretations inaugurated by the previous judgement of the same Court of July 10, 1998, already adopted by the court of Reggio Emilia in its judgement of January 21, 1999 and by the Milan court in its judgement of December 18, 1999. Again according to the bank's legal advisor, it is therefore likely that this trend will be confirmed by the joint Sections, which have already been appointed to resolve this disputed point of law.

	(€/mil)
Opening balance January 1, 1999	**66**
(-) adjustment for the deconsolidation of Crediop and its subsidiaries	-
Final balance	**66**
Increases	
- provisions	1
- other	-
Decreases	
- utilisations	5
Closing balance December 31, 1999	**62**

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

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:

		(€/mil)
	12/31/00	**12/31/99**
- securities	1,023	901
- property	37	45
Total	**1,060**	**946**

Taxation (caption 80.b)

Changes in the reserve for taxation during the year 2000 (€/mil)

	Current tax liabilities	Deferred tax liabilities	Total
Opening balance January 1, 2000	**759**	**270**	**1,029**
Increases			
- provisions for current income taxes	749	63	812
- transfer from the reserve for deferred taxation	73	-	73
- other changes (*)	86	5	91
Decreases			
- payment of income taxes	649	-	649
- transfer to current taxes	-	73	73
- other changes	22	31	53
Closing balance December 31, 2000	**996**	**234**	**1,230**

(*) Other increases are made up of € 63 million of the contribution by Banco di Napoli on its first-time consolidation and exchange differences for funds denominated in currencies other than the €.

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 favorable judgement in the first degree, but decisions that were substantially unfavorable 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.

Changes in the reserve for taxation during the year 1999			(€/mil)
	Current tax liabilities	**Deferred tax liabilities**	**Total**
Opening balance January 1, 1999	**979**	**341**	**1,320**
Adjustment for the deconsolidation of Crediop and its subsidiaries	(63)	(79)	(142)
Final balance	**916**	**262**	**1,178**
Increases			
- provisions for current income taxes	650	74	724
- transfer from the reserve for deferred taxation	46	-	46
- other changes (*)	6	14	20
Decreases			
- payment of current income taxes	854	-	854
- transfer to current taxes	-	46	46
- other changes	5	34	39
Closing balance December 31, 1999	**759**	**270**	**1,029**

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

The following tables about deferred tax liabilities and deferred tax assets are available for the year 2000 and 1999.

Detail of deferred tax liabilities		*(€/mil)*
	12/31/00	**12/31/99**
Deferred tax liabilities		
charged to the statement of income:	81	73
- on the earnings of subsidiary companies (*)	51	54
- other	30	19
Deferred tax liabilities charged to		
shareholders' equity:	153	197
- on Parent Bank reserves:	143	149
Reserve for general banking risks	*114*	*120*
Other reserves - Reserves ex Law 169/83	*4*	*4*
Other reserves - Reserves ex Legislative Decree 213/98	*25*	*25*
- on reserves of foreign subsidiaries	10	48
Total	**234**	**270**

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

Changes in deferred tax liabilities charged to the statement of income

Changes in deferred tax liabilities charged to the statement of income (Bank of Italy instructions dated 08.03.99)	*(€/mil)*
1. Opening balance January 1, 2000	**73**
2. Increases	
2.1 Deferred tax liabilities arising during the year	63
2.2 Other increases	5
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	59
3.2 Other decreases	1
4. Closing balance December 31, 2000	**81**

Changes in deferred tax liabilities charged to the statement of income (Bank of Italy instructions dated 08.03.99)	*(€/mil)*
Opening balance January 1, 1999	**129**
(+) adjustments for the deconsolidation of Crediop and its subsidiaries	(79)
1. Final balance	**50**
2. Increases	
2.1 Deferred tax liabilities arising during the year	63
2.2 Other increases (1)	13
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	42
3.2 Other decreases (2)	11
4. Closing balance December 31, 1999	**73** (

1) Relates to the inclusion of Nuova Holding Sanpaolo IMI S.p.a. in the scope of consolidation.
(2) Relates to the exclusion of Imigest Immobiliare from the scope of consolidation, following the real estate spin – off.

Changes in deferred tax liabilities charged to shareholders' equity

Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)	*(€/mil)*
1.Opening balance January 1, 2000	**197**
2. Increases	
2.1 Deferred tax liabilities arising during the year (1)	-
2.2 Other increases	-
3. Decreases	
3.1 Deferred tax liabilities reversing during the year (2)	14
3.2 Other decreases (3)	30
4. Closing balance December 31, 2000	**153**

(1) Relates to the taxation of merger differences arising following the company reorganizations effected by the subsidiary Banque Sanpaolo

(2) Relates to the utilization of the reserve for deferred taxation relating to the reserve for general banking risks to cover losses recorded by the Bank during the year, which cannot be deducted for tax purposes.

(1) Relates to deferred tax liabilities on the portion of the reserve ex Law 169/83 pertaining to the Bank, which was reduced due to the real estate spin off.

Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)	*(€/mil)*
1.Opening balance January 1, 1999	**212**
2. Increases	
2.1 Deferred tax liabilities arising during the year (1)	11
2.2 Other increases	1
3. Decreases	
3.1 Deferred tax liabilities reversing during the year (2)	4
3.2 Other decreases (3)	23
4. Closing balance December 31, 1999	**197**

(1) Relates to the taxation of merger differences arising following the company reorganizations effected by the subsidiary Banque Sanpaolo

(2) Relates to the utilization of the reserve for deferred taxation relating to the reserve for general banking risks to cover losses recorded by the Bank during the year, which cannot be deducted for tax purposes.

(3) Relates to deferred tax liabilities on the portion of the reserve ex Law 169/83 pertaining to the Bank, which was reduced due to the real estate spin off.

The deferred tax liabilities that reversed during the year relate for € 34 million to the release of the reserve set up in prior years for the distribution within the Group of subsidiaries' reserves with the related tax charge. Additional € 6 million are due to the utilization by the Parent Bank of the reserve for deferred taxation on the reserve for general banking risks to cover loan losses incurred during the year, but which are not immediately deductible for tax purposes.

Detail of deferred tax assets

	12/31/00	12/31/99
		(€/mil)
Deferred tax assets credited to the statements of income		
- adjustments to the value of loans	617	386
- adjustments to the value of securities, equity investments and property	48	31
- provisions to reserves, accumulated depreciation and amortization	485	134
- other non-deductible items	120	7
Total (*)	**1,270**	**558**

(*) 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

Changes in deferred tax assets(Bank of Italy instructions dated 08.03.99)	*(€/mil)*
1.Opening balance January 1, 2000	**558**
2. Increases	
2.1 Deferred tax assets arising during the year	191
2.2 Other increases (*)	660
3. Decreases	
3.1 Deferred tax assets reversing during the year	129
3.2 Other decreases	10
4. Closing balance December 31, 2000	**1,270**

(*) Increases include € 642 million of the contribution by the Banco di Napoli Group on its first- time consolidation.

Changes in deferred tax assets(Bank of Italy instructions dated 08.03.99)	*(€/mil)*
Opening balance January 1, 1999	**558**
(+) adjustments for the deconsolidation of Crediop and its subsidiaries	(28)
1. Final balance	**530**
2. Increases	
2.1 Deferred tax assets arising during the year	133
2.2 Other increases	-
3. Decreases	
3.1 Deferred tax assets reversing during the year	105
3.2 Other decreases	-
4. Closing balance December 31,1999	**558**

Information pursuant to Consob Communication 1011405 dated February 15, 2001 – Par. A: preliminary observations by the European Commission concerning tax benefits under Decree Law 153 of 5/17/99 (Ciampi Law)

Decree Law 153 of May 17, 1999 –known as the “Ciampi Law” - on the concentration of banks and banking groups, provides for tax at a reduced rate of 12.50% on income allocated to a special reserve up to a maximum amount of 1.2% of the difference between receivables and payables of all of the banks taking part in such operations and the equivalent figures of the largest bank involved in the concentration. The resulting figure then has to be spread over five years.

In March 2000, the European Commission asked the Italian Government for explanations on the tax relief provided under the Ciampi Law, as it suspected that it might involve State aid not permitted under the Treaty of Rome; and in the 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 (caption 80.c)

Analysis of caption 80.c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.) (€/mil)

	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance January 1, 2000	**40**	**231**	**121**	**392**
Adjustments for reclassification	-	-	16	16
Final balance	**40**	**231**	**137**	**408**
Increases				
- provisions	13	237	18	**268**
- other (*)	6	738	123	**867**
Decreases				
- revaluation of guarantees	2	-	-	**2**
- coverage of charges deriving from legal disputes and other	-	24	12	**36**
- payments of long-service bonuses	-	2	-	**2**
- other	5	26	7	**38**
Closing balance December 31, 2000	**52**	**1,154**	**259**	**1,465**

(*) Increases include € 863 million of the contribution from the Banco di Napoli Group on its first-time consolidation. The increase is split as follows: € 6 million against guarantees and commitments, € 734 million against other provisions for risks and charges and € 123 million against other personnel charges.

Provisions for guarantees and commitments, € 52 million, cover expected losses in respect of guarantees and, more generally, the contingencies associated with the Group's guarantees and commitments.

Other provisions for risks and charges amounting to € 1,154 million include:

- The Parent Bank:
  - € 105 million, provisions against potential charges deriving from the possible renegotiations 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 for 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).

Analysis of caption 80.c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.) *(€/mil)*

	Guarantees and commitments	**Other risks and charges**	**Other personnel charges**	**Total**
Opening balance January 1, 1999	**40**	**253**	**107**	**400**
(-) adjustment for the deconsolidation of Crediop and its subsisiaries	-	(23)	(2)	(25)
Final balance	**40**	**230**	**105**	**375**
Increases				
- provisions	1	64	24 (*)	89
- other	-	-	-	-
Decreases				
- revaluation of guarantees	1	-	-	1
- coverage of charges deriving from legal disputes and other	-	59	-	59
- payments of long-service bonuses	-	-	8	8
- other	-	4	-	4
Closing balance December 31, 1999	**40**	**231**	**121**	**392**

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

Provisions for guarantees and commitments, totaling 40 million € for the year 1999 cover expected losses in respect to guarantees given and, more generally, the contingencies associated with the Group's guarantees and commitments.

Provisions for other risks and charges, totaling 231 million € for the year 1999 , include provisions made by the Bank totaling 147 million € in 1999, to cover expected losses deriving from legal action, especially from repayments claimed by the receivers of bankrupt customers, as well as charges which might arise in connection with guarantees given by the Bank on the disposal of equity investments and from the Bank's commitment to the Interbank Deposit Guarantee Fund and other charges. The balance also comprises provisions made by the subsidiary Banque Sanpaolo (€ 18 million in 1999) and those subsidiaries who market financial products (€ 54 million in 1999); these provisions were made against operating risks that are typical for their sectors. Other provisions, involving minor balances, are reported in the accounts of other Group companies.

The provisions for other personnel charges, of € 121 million in 1999 , include:

- € 99 million relating to provisions made by the Bank, on the basis of independent actuarial appraisals, to cover its commitment to the independent supplementary pension fund due to unfunded pension liabilities;

- € 10 million provided to the technical reserves and designed to cover long-service bonuses to employees;

- € 8 million relating to provisions for personnel leaving incentives, resolved during the year and due for implementation in the year 2000;

- € 3 million in relation to the provision made to cover potential contributions for the employees of a subsidiary company;

- € 1 million relating to likely costs to be incurred in connection with employees and the restructuring of the Bank’s Frankfurt and New York branches.

Information as per Consob Communication 1011405 of February 15, 2001.

<u>Point B. Law 133 of 5/13/99 and the Budget Law 2001 concerning the renegotiation of low-interest mortgage loans</u>

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 €pean 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 12/29/00 concerning fixed-rate 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 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 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).

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 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.

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)

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.

Changes in the reserve for possible loan losses during 2000 and 1999 are analyzed below:

Changes during the year in "Reserve for possible loan losses" (table 7.2 B.I.)	*(€/mil)*
A. Opening balance January 1, 2000	**29**
B. Increases	
B1. provisions	8
B2. other changes	-
C. Decreases	
C1. releases	1
C2. other changes	1
D. Closing balance December 31, 2000	**35**

Changes during the year in "Reserve for possible loan losses" (table 7.2 B.I.)	*(€/mil)*
Opening balance January 1, 1999	**19**
(-) adjustments for the deconsolidation of Crediop and its subsidiairies	-
A. Final balance	**19**
B. Increases	
B1. provisions	10
B2. other changes	-
C. Decreases	
C1. releases	-
C2. other changes	-
D. Closing balance December 31, 1999	**29**

(19) CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

The Group interest in shareholders' equity is detailed below:

(€/mil)

	12/31/00	12/31/99
Shareholders' equity		
- capital (caption 150)	3,931	3,926
- additional paid-in capital (caption 160)	18	-
- reserves (caption 170)		
- legal reserve	793	792
- reserve for own shares	739	357
- statutory reserves		-
- other reserves	850	739
- reserve for general banking risks (caption 100)	355	357
- negative goodwill arising on consolidation (caption 120)	-	952
- negative goodwill arising on application of the equity method (caption 130)	63	199
- revaluation reserves (caption 180)	9	-
- retained earnings (caption 190)		-
- net income for the year (caption 200)	1,292	1,050
Group interest in shareholders' equity	8,050	8,372
Own shares (asset caption 140)	739	357
including: own shares held by the Parent Bank (*)	*697*	*336*
Minority interest (caption 140)	715	539
Subordinated liabilities (caption 110)	5,158	1,524

(*) In the reclassified consolidated balance sheet, the Parent bank's own shares are shown as an adjustment to the consolidated shareholders' equity, while other own shares are included in the dealing portfolio.

Group interest in consolidated shareholders' equity

Capital equity reserves (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 Note 15). 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 Note 14).

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.

Positive goodwill arising on consolidation (asset caption 90)

Analysis of caption 90 "Positive goodwill arising on consolidation" *(€/mil)*

	12/31/00	12/31/99
Banco di Napoli Group	812	-
Wargny Group	77	-
Banca Fideuram S.p.A.	23	-
Sanpaolo IMI Asset Management S.g.r. S.p.A.	2	5
Finconsumo S.p.A.	1	2
Total	**915**	**7**

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. 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 Note (4)).

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 Note (4)). This difference is shown net of the amortization charge for 2000 (€ 1 million).

Negative goodwill arising on consolidation (liability caption 120)

Analysis of caption 120 "Negative goodwill arising on consolidation" *(€/mil)*

	12/31/00	12/31/99
Negative goodwill arising on first-time line by line consolidation	952	952
Goodwill arising on consolidation:	(952)	-
Banco di Napoli Group	(854)	-
Cassa di Risparmio di Firenze (*)	(98)	-
Total	**-**	**952**

(*) To integrate the amount of € 75 million to offset all of the negative goodwill arising on first – time consolidation using the equity method (see the following table).

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

Analysis of caption 130 "Negative goodwill arising on application of the equity method"	**12/31/00**	*(€/mil)* **12/31/99**
Negative goodwill arising on first-time consolidation using the equity method	75	78
Goodwill arising on: Cassa di Risparmio di Firenze	(75)	-
Changes in the shareholders' equity after the first time consolidation (*)	63	121
Total	**63**	**199**

(*) 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).

Positive goodwill arising on application of the equity method (asset caption 100)

Analysis of caption 100 "Positive goodwill arising on application of the equity method"	**12/31/00**	(€/mil) **12/31/99**
Cassa di Risparmio di Firenze	74	-
Azimut S.p.A.	-	24
Sanpaolo Vita SpA	-	24
Bafin S.p.A.	-	3
Total	**74**	**51**

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. The difference is shown net of the amortization charge for 2000 (€ 8 million). Given the nature of the investments, amortization will be charged over 10 years.

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 Note (18) "Provisions".

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 interest (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.

Subordinated liabilities (caption 110)

	Amount in the Financial Statements as of 12/31/00 (€/mil)	Amount in Original currency (million)	Interest rate	Issue date	Maturity date	Amount in the Financial Statements as of 12/31/99 (€/mil)
Preferred Securities in Euro	1,000	1,000	8.126%(a)	10/11/00	(b)	-
Total innovative capital instruments (Tier 1)	*1,000*					-
Notes in Luxembourg francs	-	1,000	7.75%	05/26/93	05/26/00	25
Notes in Luxembourg francs	25	1,000	7.63%	07/09/93	07/09/01	25
Notes in Luxembourg francs	-	1,000	9.00%	02/10/92	02/10/00	25
Notes in US dollars	178	165	floating	07/12/93	07/30/03	165
Notes in US dollars	86	79	floating	09/24/93	09/24/03	79
Notes in US dollars	101	94	floating	11/30/93	11/30/05	94
Notes in US dollars	-	32	floating	08/25/95	08/25/00	32
Notes in Canadian dollars	108	151	floating	11/10/93	11/10/03	104
Notes in Italian lire	356	690,000	10.40%	06/30/94	06/30/04	356
Notes in Italian lire	29	56,130	floating	06/15/93	06/15/03	-
Notes in Italian lire	36	69,790	floating	10/15/93	10/15/03	-
Notes in Euro	150	150	5.75%	09/15/99	09/15/09	-
Notes in Eurolire	-	198,000	floating	07/06/95	07/06/00	102
Notes in Eurolire	27	52,000	floating	12/30/96	01/20/02	27
Subordinated loan in US dollars	108	100	floating	09/15/93	09/15/03	-
Subordinated loan in US dollars	11	10	floating	03/25/91	03/25/01	-
Subordinated loan in Italian lire	39	75,000	5.10%	06/01/98	06/01/03	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	02/01/98	02/01/03	115
Subordinated loan in Euro	500	500	6.38%	04/06/00	04/06/10	-
Subordinated loan in Euro	350	350	floating	04/06/00	04/06/10	-
Subordinated loan in Euro	1,000	1,000	floating	09/27/00	09/27/10	-
Subordinated loan in Euro	200	200	floating	10/01/99	10/01/09	200
Subordinated loan in Euro	65	65	floating	10/12/99	10/12/09	-
Subordinated loan in Euro	8	8	floating	12/22/00	12/22/10	-
Total subordinated liabilities (Tier 2)	**3,557**					**1,524**
Subordinated loan in Euro	456	456	5.63%	10/03/00	10/03/03	-
Subordinated loan in Euro	145	145	floating	11/06/00	11/06/03	-
Total subordinated liabilities (Tier 3)	***601***					-
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 Securitie*s, 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 Securitie*s, 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 not 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 Note 22.

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.

(€/mil)

Category/value	12/31/00	12/31/99
A. Shareholders' equity for supervisory porposes		
A.1 Tier 1 capital	6,868	7,505
A.2 Tier 2 capital	3,257	1,255
A.3 Items to be deducted	(1,259)	(737)
A.4 Shareholders' equity for supervisory porposes	8,866	8,023
B. Minimum regulatory requirements		
B.1 Lending risk	7,604	5,667
B.2 Market risk (*)	47	531
including:		
- risks on dealing portfolio	*607*	*505*
- exchange risks	*40*	*26*
- concentration risks	-	-
B.3 Other minimum requirements	41	40
B.4 Total minimum requirements	7,692	6,238
C. Risk assets and capital-adequacy ratios		
C.1 Risk-weighted assets (**)	96,150	77,975
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).

(20) OTHER LIABILITIES

Liability captions 50 and 60 comprise the following :

	12/31/00	12/31/99
		(€/mil)
Other liabilities (caption 50)	17,420	15,715
including the contribution of the Banco di Napoli Group	*2,520*	
Accrued expenses and deferred income (caption 60)	3,114	5,154
including the contribution of the Banco di Napoli Group	*462*	
Total	**20,534**	**20,869**

Other liabilities (caption 50)

Analysis of caption 50 "Other liabilities"(Table 9.1 B.I.) *(€/mil)*

	12/31/00	12/31/99
Valuation of derivatives on interest rates and stockmarket indeces	3,967	9,676
Amounts available for third parties	3,024	1,134
Unprocessed transactions	2,890	1,462
Tax payments accounts	1,231	107
Amounts in transit with branches and subsidiaries	986	584
Counterparty of valuations of foreign currency derivatives contracts	714	-
Amounts payable due to settlement value date	367	127
Due to the tax authorities	340	276
Premiums collected on options sold	322	318
Amounts due to employees	241	300
Transactions by foreign branches	47	324
Deposits guaranteeing agricultural and construction loans	37	35
Items relating to securities transactions	17	23
Non-liquid balances from portfolio transactions	13	334
Other	3,224	1,015
Total	**17,420**	**15,715**

Accrued expenses and deferred income (caption 60)

Analysis of caption 60 "Accrued expenses and deferred income" (Table 9.2 B.I.) *(€/mil)*

	12/31/00	12/31/99
Accrued expenses		
- interest on securities issued	989	1,188
- charges on derivative contracts	977	3,266
- interest on amounts due to banks	253	157
- interest on amounts due to customers	184	119
- payroll and other operating costs	81	40
- other	271	57
Deferred income		
- income from derivative contracts	147	114
- interest on discounted notes	60	49
- other	152	164
Total	**3,114**	**5,154**

(21) GUARANTEES AND COMMITMENTS

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

		(€/mil)
	12/31/00	**12/31/99**
Guarantees given (caption 10)	15,670	11,045
including the contribution of the Banco di Napoli Group	*1,428*	
Commitments (caption 20)	26,518	18,028
including the contribution of the Banco di Napoli Group	*4,439*	
Total	**42,188**	**29,073**

Guarantees given in favour of third parties comprise:

Analysis of caption 10 "Guarantees given" (Table 10.1 B.I.)		*(€/mil)*
	12/31/00	**12/31/99**
(a) Commercial guarantees	12,173	9,437
(b) Financial guarantees	3,174	1,416
(c) Assets lodged in guarantee	323	192
Total	**15,670**	**11,045**

Commitments outstanding at year-end are as follows:

Analysis of caption 20 "Commitments" (Table 10.2 B.I.)		*(€/mil)*
	12/31/00	**12/31/99**
(a) Commitments to grant finance (certain to be called on)	8,260	2,287
(b) Commitments to grant finance (not certain to be called on)	18,258	15,741
Total	**26,518**	**18,028**

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)		*(€/mil)*
	12/31/00	**12/31/99**
Portfolio securities lodged with third parties to guarantee repurchase agreements	10,119	9,372
Securities lodged with central banks to guarantee advances	607	205
Securities lodged with the Bank of Italy to guarantee bankers' drafts	142	70
Securities lodged to guarantee promissory notes	51	-
Securities lodged with the clearing-house for transactions on the derivatives market	702	58
Total	**11,621**	**9,705**

Unused lines of credit

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

(Table 10.4 B.I.)		*(€/mil)*
	12/31/00	**12/31/99**
(a) Central banks	38	41
(b) Other banks	71	641
Total	**109**	**682**

Forward transactions

Forward transactions, excluding those on behalf of third parties, show the following amounts:

(Table 10.5 B.I) *(€/mil)*

12/31/00	Hedging transactions	Dealing transactions (*)	Other transactions	Total
1. Purchase/sale of				
1.1 securities				
- purchases	-	3,828	-	3,828
- sales	-	2,851	-	2,851
1.2 currency				
- currency against currency	2,707	3,949	-	6,656
- purchases against Euro	8,984	5,691	-	14,675
- sales against Euro	6,592	5,546	-	12,138
2. Deposits and loans				
- to be disbursed	-	-	2,947	2,947
- to be received	-	-	1,317	1,317
3. Derivative contracts				
3.1 with exchange of capital				
(a) securities				
- purchases	-	4,541	-	4,541
- sales	1,303	5,994	-	7,297
(b) currency				
- currency against currency	412	614	-	1,026
- purchases against Euro	1,717	972	-	2,689
- sales against Euro	971	1,282	-	2,253
(c) other instruments				
- purchases	-	-	-	-
- sales	-	-	-	-
3.2 without exchange of capital				
(a) currency				
- currency against currency	-	3	-	3
- purchases against Euro	295	-	-	295
- sales against Euro	28	-	-	28
(b) other instruments				
- purchases	22,253	108,598	-	130,851
- sales	20,116	105,576	3,481	129,173
Total (**)	**65,378**	**249,445**	**7,745**	**322,568**

(*) Including derivative contracts hedging the dealing portfolio € 1,107 million.
(**) 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.

Forward transactions as of December 31, 1999, excluding those on behalf of third parties, show the following amounts:

(table 10.5 B.I.) *(€/mil)*

12/31/99	**Hedging transactions**	**Dealing transactions (*)**	**Other transactions**	**Total**
1. Purchase/sale of				
1.1 securities				
- purchases	-	729	-	729
- sales	-	871	-	871
1.2 currency				
- currency against currency	3,942	615	-	4,557
- purchases against Euro	7,536	2,040	-	9,576
- sales against Euro	5,169	2,688	-	7,857
2. Deposits and loans				
- to be disbursed	1,010	27	397	1,434
- to be received	18	626	506	1,150
3. Derivative contracts				
3.1 with exchange of capital				
(a) securities				
- purchases	-	3,966	-	3,966
- sales	421	4,233	-	4,654
(b) currency				
- currency against currency	875	561	-	1,436
- purchases against Euro	3,218	2,069	-	5,287
- sales against Euro	866	2,080	-	2,946
(c) other instruments				
- purchases	-	-	-	-
- sales	-	-	-	-
3.2 without exchange of capital				
(a) currency				
- currency against currency	223	-	-	223
- purchases against Euro	329	50	-	379
- sales against Euro	4	2	-	6
(b) other instruments				
- purchases	11,207	101,687	-	112,894
- sales	11,700	100,421	2,839	114,960
Total	**46,518**	**222,665**	**3,742**	**272,925**

(*) Including derivative contracts hedging the dealing portfolio.

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 for year 2000.

Notional amounts *(€/mil)*

12/31/00	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	2,768	9,574	-	-	12,342
- Swap (b)	167,145	1,521	-	-	168,666
- 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 notional nominal capital, by type, of purchase/sale of currency and derivative contracts on interest rates, exchange rates and stockmarket index for year 1999.

Notional amounts					*(€/mil)*
12/31/99	**Interest rate related**	**Exchange rate related**	**Stockmarket index related**	**Other**	**Total**
OTC trading contracts					
- Forward (a)	2,405	4,940	476	-	7,821
- Swap (b)	148,506	3,028	-	-	151,534
- Options purchased	14,448	868	3,340	-	18,656
- Options sold	16,274	866	1,940	-	19,080
Exchange traded contracts					
- Futures purchased	5,143	-	872	-	6,015
- Futures sold	1,490	-	633	-	2,123
- Options purchased	3,907	-	450	-	4,357
- Options sold	5,677	-	526	-	6,203
Total trading contracts	197,850	9,702	8,237	-	215,789
Total non-trading contracts	21,557	22,162	4,391	207	48,317
Total contracts	**219,407**	**31,864**	**12,628**	**207**	**264,106**

(a) Including FRAs and forward currency purchase/sale transactions.
(b) Mainly comprising IRS and CIRS contracts and basis swaps.

The table below shows the residual duration of the above OTC transactions for year 2000.

Residual maturity of notional amounts underlying OTC derivative contracts				*(€/mil)*
12/31/00	**Up to 12 months**	**Between 1and 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 shows the residual duration of the above OTC transactions for year 1999.

Residual maturity of notional amounts underlying OTC derivative contracts				*(€/mil)*
12/31/99	**Up to 12 months**	**Between 1and 5 years**	**Beyond 5 years**	**Total**
Interest rate related	55,351	86,986	46,590	188,927
Exchange rate related	26,047	4,496	511	31,054
Stockmarket index related	3,054	5,468	1,337	9,859
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 for year 2000.

Notional amounts, market values and similar add on					*(€/mil)*
12/31/00	**Interest rate related**	**Exchange rate related**	**Stockmarket index related**	**Other**	**Total**
Notional amounts	**233,315**	**33,783**	**8,089**	**207**	**275,394**
A. Market value of OTC trading contracts					
A.1 positive market value	3,688	446	120	-	4,254
A.2 negative market value	3,420	423	161	-	n.a.
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.a.
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**

The table below reports the credit risk equivalent related to OTC contracts broken down into their various components: positive market value and add on for year 1999.

Notional amounts, market values and similar add on					*(€/mil)*
12/31/99	**Interest rate related**	**Exchange rate related**	**Stockmarket index related**	**Other**	**Total**
Notional amounts	**188,927**	**31,054**	**9,859**	**207**	**230,047**
A. Market value of OTC trading contracts					
A.1 positive market value	4,612	277	663	-	5,552
A.2 negative market value	4,317	286	232	-	n.a.
B. Add on	969	157	309	-	1,435
C. Market value of OTC non-trading contracts					
C.1 positive market value	456	925	358	-	1,739
C.2 negative market value	562	430	130	-	n.a.
D. Add on	134	344	310	25	813
Credit risk equivalent (A.1+B+C.1+D)	**6,171**	**1,703**	**1,640**	**25**	**9,539**

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 for year 2000.

Credit quality of OTC derivative contracts, by counterparty *(€/mil)*

12/31/00	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks	7	-	7
Banks	6,015	1,793	7,808
Other operators	363	346	709
Total	**6,385**	**2,139**	**8,524**

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

The transactions above are not supported by real or personal guarantees. No losses on derivates have been recorded during the year nor are there any derivative contracts expired and not settled.

The table below shows the breakdown of credit risk equivalent on OTC contracts by type of counterparty for year 1999.

Credit quality of OTC derivative contracts, by counterparty *(€/mil)*

12/31/99	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks	34	22	56
Banks	5,821	1,738	7,559
Other operators	1,436	488	1,924
Total	**7,291**	**2,248**	**9,539**

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

The above transactions are backed by secured guarantees totalling € 27 million. No losses on derivates 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.I.) *(€/mil)*

Categories of operations	Negotiation	Other transactions	Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	-	166	166
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	-	931	931
2.2 Without exchange of capital			
– credit default swap	-	54	54
Total	-	**1,151**	**1,151**

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in note (22) of these notes, while forward transactions related to dealing on behalf of third parties are described in note (23).

(22) CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as “significant exposures” by the Bank of Italy in compliance with EC guidelines. For this purpose, the positions are considered significant if the overall exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Bank’s regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk, which takes into account the nature of the counterparty and the guarantees received.

(Table 11.1 B.I.)

	12/31/00	**12/31/99**
(a) Amount (€/mil)	10,318	10,674
(b) Number	6	5

Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

(Table 11.2 B.I.) *(€/mil)*

	12/31/00	**12/31/99**
(a) Governments	10,028	4,471
(b) Other public entities	4,901	5,469
(c) Non-financial businesses	50,228	40,762
(d) Financial institutions	14,871	6,751
(e) Family businesses	3,388	2,498
(f) Other operators	15,290	13,223
Total	**98,706**	**73,174**

Distribution of loans to resident non-financial and family businesses

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

(Table 11.3 B.I.) *(€/mil)*

	12/31/00	12/31/99
(a) Other services for sale	7,318	5,490
(b) Commerce, salvage and repairs	6,267	5,412
(c) Construction and public works	3,810	3,711
(d) Energy products	3,459	2,847
(e)Transport	2,589	2,840
(f) Other sectors	19,995	15,691
Total	**43,438**	**35,991**

Distribution of guarantees given, by category of counterparty

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

(Table 11.4 B.I.) *(€/mil)*

	12/31/00	12/31/99
(a) Governments	6	20
(b) Other public entities	132	13
(c) Banks	800	795
(d) Non-financial businesses	12,820	8,860
(e) Financial institutions	1,455	971
(f) Family businesses	115	95
(g) Other operators	342	291
Total	**15,670**	**11,045**

Geographical distribution of assets and liabilities

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

(Table 11.5 B.I.) *(€/mil)*

	12/31/00				12/31/99			
	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 for year 2000 are detailed in the following table:

(Table 11.6 B.I.) *(€/mil)*

	Specified duration								Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years		Unspecified duration	
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
1. Assets									
1.1 Treasury bonds eligible for refinancing	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**

The residual maturities of assets and liabilities for year 1999 are detailed in the following table:

(Table 11.6 B.I.) *(€/mil)*

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

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than of the Euro – zone as of December 31, 2000 are broken down as follow.

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.) *(€/mil)*

	12/31/00	**12/31/99**
(a) Assets		
1. due from banks	5,547	6,453
2. loans to customers	11,543	7,956
3. securities	5,247	3,196
4. equity investments	147	125
5. other accounts	33	51
Total assets	**22,517**	**17,781**
(b) Liabilities		
1. due to banks	11,333	8,949
2. due to customers	10,034	5,626
3. securities issued	5,771	7,288
4. other accounts	616	474
Total liabilities	**27,754**	**22,337**

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.

(23) ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales of securities on behalf of third parties during the year are summarized below:

(Table 12.1 B.I.) *(€/mil)*

	12/31/00	**12/31/99**
(a) Purchases		
1. settled	153,776	42,964
2. not settled	116	163
Total purchases	**153,892**	**43,127**
(b) Sales		
1. settled	146,355	32,641
2. not settled	359	34
Total sales	**146,714**	**32,675**

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.) *(€/mil)*

	12/31/00	**12/31/99**
Asset management (*)	34,392	23,953

(*) 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 reservses 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 bellow:

(Table 12.3 B.I.) *(€/mil)*

	12/31/00	**12/31/99**
(a) Third-party securities held on deposit	211,964	209,672
(b) Third-party securities deposited with third parties	134,350	128,231
(c) Portfolio securities deposited with third parties (*)	22,259	14,087

(*) Excluding securities deposited with third parties to secure repurchase agreements which, as required, are already included in Table 10.3 B.I.- "Assets lodged to guarantee the Group's liabilities".

Collection of receivables on behalf of third parties debit and credit adjustments

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

(Table 12.4 B.I.) *(€/mil)*

	12/31/00	12/31/99
a) Debit adjustments		
1. current accounts	741	690
2. central portfolio	102	97
3. cash	-	-
4. other accounts	19	-
b) Credit adjustments		
1. current accounts	90	97
2. transferors of notes and documents	757	693
3. other accounts	15	-

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 € 7,814 million for 1999.

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 the 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.

As of December 31, 1999, 4,501 requests had been received for a total of € 2,494 million, broken down as follows:

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

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

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.

(24) INTEREST

Interest income and similar revenues (caption 10)

Analysis of caption 10 "interest income and similar revenues"(Table 1.1 B.I.) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
(a) On amounts due from banks	991	930	715	1,443
including on:				
- deposits with central banks	*50*	*42*	*24*	*101*
(b) On loans to customers	5,501	4,861	4,324	6,810
including on:				
- loans using public funds	-	-	-	-
(c) On debt securities	1,006	794	915	1,661
(d) Other interest income	87	48	12	67
(e) Net differential on hedging transactions (*)	37	46	-	-
Total	**7,622**	**6,679**	**5,966**	**9,981**

(*) This balance represents the net effect of hedging derivative differentials.

Detail of caption 10 "interest income and similar revenues" (Table 1.3 B.I.) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
a) On assets denominated in foreign currency	552	412	870	2,652

"Interest income and similar revenue" on assets denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

Interest expense and similar charges (caption 20)

Analysis of caption 20 "interest expense and similar charges" (Table 1.2 B.I.) *(€/mil)*

	12/31/00	**12/31/00 Restated**	**12/31/99**	**12/31/98**
(a) On amounts due to banks	1,522	1,423	992	1,909
(b) On amounts due to customers	1,401	1,149	892	1,577
(c) On securities issued	2,117	1,939	1,834	3,565
including on:				
– certificates of deposit	*436*	*411*	*480*	912
(d) On public funds administered	-	-	-	-
(e) On subordinated liabilities	83	73	81	111
(f) Net differential on hedging transactions (*)	-	-	135	168
Total	**5,123**	**4,584**	**3,934**	**7,330**

(*) This balance represents the net effect of hedging derivative differentials.

Detail of caption 20 "interest expense and similar charge" (Table 1.4 B.I.) *(€/mil)*

	12/31/00	**12/31/00 Restated**	**12/31/99**	**12/31/98**
a) On liabilities denominated in foreign currency	762	636	839	2,546

"Interest expense and similar charges" on liabilities denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

(25) COMMISSION

Commission income (caption 40)

Analysis of caption 40 "Commission income" (Table 2.1 B.I.) *(€/mil)*

	12/31/00	**12/31/00 Restated**	**12/31/99**	**12/31/98**
(a) Guarantees given	46	43	44	47
(b) Collection and payment services	247	207	177	182
(c) Management, dealing and advisory services				
1. dealing in securities	153	152	106	107
2. dealing in currency	36	33	31	30
3. portfolio management	180	173	123	72
4. custody and administration of securities	40	39	39	29
5. placement of securities	113	101	199	175
6. advisoy services	40	40	36	18
7. “door-to-door” sales of securities and financial products and services	120	120	108	135
8. acceptance of instructions	186	179	110	114
9. management of mutual funds	1,683	1,653	1,107	838
(d) Tax collection services	52	27	32	31
(e) Other services	556	503	475	451
Total	**3,452**	**3,270**	**2,587**	**2,229**

Commission expense (caption 50)

Analysis of caption 50 "Commission expence" (Table 2.2 B.I.) *(€/mil)*

	12/31/00	**12/31/00 Restated**	**12/31/99**	**12/31/98**
(a) Collection and payment services	60	56	50	56
(b) Management and dealing services				
1. dealing in securities	44	43	42	35
2. dealing in currency	1	1	1	2
3. portfolio management	2	1	-	1
4. custody and administration of securities	29	29	16	9
5. placement of securities	8	8	1	6
6. “door-to-door” sales of securities and financial products and services	582	580	369	318
7. management of mutual fund	36	36	18	8
(c) Other services	55	54	33	44
Total	**817**	**808**	**530**	**479**

(26) PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

Profits (losses) on financial transactions (caption 60)

Profits and losses comprise, for years 2000, 2000 restated, 1999 and 1998:

Analysis of caption 60 "Profits (losses) on financial transactions" (Table 3.1 B.I.) *(€/mil)*

12/31/00	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	476	-	6,515	6,991
A2. Writedowns	(426)	-	(8,384)	(8,810)
B. Other profits and losses	100	57	1,827	1,984
Total	**150**	**57**	**(42)**	**165**
including:				
1. on government securities	*13*			
2. on other debt securities	*30*			
3. on equities	*114*			
4. on security derivatives	*(7)*			

(Table 3.1 B.I.) *(€/mil)*

12/31/00 Restated	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**
including:				
1. on government securities	*10*			
2. on other debt securities	*30*			
3. on equities	*112*			
4. on security derivatives	*(9)*			

(Table 3.1 B.I.) *(€/mil)*

12/31/99	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	402	-	4,217	4,619
A2. Writedowns	(461)	-	(4,175)	(4,636)
B. Other profits and losses	(77)	5	192	120
Total	**(136)**	**5**	**234**	**103**
including:				
1. on government securities	*(204)*			
2. on other debt securities	*65*			
3. on equities	*284*			
4. on security derivatives	*(281)*			

(Table 3.1 B.I.)				(€/mil)
12/31/98	**Security transactions**	**Currency transactions**	**Other transactions**	**Total**
A1. Revaluations	124	-	1,358	1,482
A2. Writedowns	(63)	-	(1,360)	(1,423)
B. Other profits and losses	58	28	61	147
Total	**119**	**28**	**59**	**206**
including :				
1. on government securities	*103*			
2. on other debt securities	*(25)*			
3. on equities	*70*			
4. on security derivatives	*(29)*			

Current legislation on financial statements requires separate identification of the effects of an integrated hedged treasury portfolio, comprising shares and other securities (in lira and foreign currencies, sensitive to interest rate flotation) and derivatives (futures, options, IRS, interest rate/cross currency and other instruments). The result of the caption "profits and losses from financial transactions" should therefore be read together with the effects shown under dividends on shares as part of net interest and other banking income.

(27) ADMINISTRATIVE COSTS

The following table sets out the detail of the payroll costs.

(€/mil)

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Wages and salary	1,380	1,167	1,097	1,103
Social security charges	425	369	365	368
Termination indemnities	97	81	69	70
Pension and similar commitments	27	3	3	3
Total	**1,929**	**1,620**	**1,534**	**1,544**

The following table sets out the average number of employees by category

Average number of employees by category (Table 4.1 B.I.) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
(a) Executives	439	353	338	352
(b) Managers	5,046	4,488	4,388	4,530
(c) Other employees	24,339	19,663	19,490	19,963
Total	**29,824**	**24,504**	**24,216**	**24,845**

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 80b)

(€/mil)

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Rental of premises	117	106	88	83
Consultancy services	112	109	84	70
Software maintenance and upgrades	71	71	83	68
Other expenses for personnel training, traveling and assignments	52	45	37	37
Maintenance of operating assets	50	43	41	41
External data processing	48	36	25	30
Postage and telegraph charges	41	36	38	38
Data transmission charges	41	32	28	32
Advertising and entertainment	41	40	24	30
Telephone	36	33	32	38
Energy	33	28	26	29
Legal and judiciary expenses	31	26	24	24
Security services	30	24	24	25
Maintenance of properties owned by the Bank	27	20	18	16
Cleaning of premises	23	19	20	20
Office supplies	21	19	16	18
Investigation/commercial information costs	16	14	11	11
Insurance premiums - banks and customers	12	10	11	18
Database access charges	11	17	16	12
Transport and counting of valuables	11	10	11	16
Courier and transport services	11	10	10	11
Maintenance of leasehold premises	8	8	7	8
Lease instalments payable	7	7	14	20
Contributions and membership fees to trades unions and business associations	6	6	6	7
Contribution to the Interbank Guarantee Fund	-	-	-	6
Other expenses	102	90	69	72
Total	958	859	763	780
Indirect duties and taxes				
- stamp duties	133	122	120	119
- substitute tax (Pres. Decree 601/73)	18	16	13	3
- local property taxes	8	7	10	7
- non - recoverable VAT on purchases	6	6	11	12
- tax on stock exchange contracts	5	5	-	14
- other	19	17	15	17
Total	189	173	169	172
Total other administration costs	**1,147**	**1,032**	**932**	**952**

(28) ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the consolidated statement of income, and writebacks, reported in captions 130 and 160, are detailed below:

Adjustments to intangible and tangible fixed assets (caption 90)

(€/mil)

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Adjustments to intangible fixed assets				
- amortization of software costs	114	88	47	39
- amortization of goodwill arising on application of the equity method	32	32	25	32
- amortization of merger differences	27	27	37	36
- amortization of goodwill	18	17	18	18
- amortization of other deferred charges	17	14	29	25
- amortization of goodwill arising on consolidation	13	13	4	6
- amortization of start-up and capital increase expenses	1	1	1	2
Adjustments to tangible fixed assets				
- depreciation of property	59	45	59	67
- depreciation of furniture and installations	108	89	73	82
Total	**389**	**326**	**293**	**307**

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 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.

The provision made by Banco di Napoli in the second half of the year is split as follows:

- € 21 million to increase the reserve for other payroll costs;
- € 18 million to strengthen the reserve for risks involved in potential disputes on the renegotiation of interest rates and conditions;

- € 15 million to increase the reserve for other risks and charges against lawsuits, above all claims from bankruptcy liquidators and other potential liabilities;
- € 13 million against costs in connection with the renegotiation of mortgage loans;

- € 7 million for other risks and charges.

The provisions made by other subsidiaries relate to prudent provisions made by subsidiaries operating in the area of financial services for households for risks involved in the marketing financial products.

Provisions for risks and charges, € 81 million, made during the year ended December 31, 1999 reflect the consolidation of the corresponding provision of the Bank (€ 57 million) and provisions made by subsidiary companies (€ 24 million).

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

- € 41 million designed to increase the coverage of expected losses from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers, as well as other likely charges;

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

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

Provisions for risks and charges, € 125 million, made during the year ended December 31, 1998 reflect the consolidation of the corresponding provision of the Bank (€ 76 million) and provisions made by subsidiary company (€ 49 million).

The provision made by the Bank includes € 60 million for the coverage of expected losses from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers, as well as likely charges arising from the Bank's commitment to the Interbank Deposit Guarantee Fund and on guarantees given in connection with the disposal of equity investments. The caption also includes € 6 million designed to cover long-service bonuses to the Bank's employees, € 5 million to supplement reserves used to balance the Bank’s employee pension fund, € 4 million to cover other potential pension charges and € 1 million to cover potential costs incurred for the restructuring of the New York branch. In relation to the subsidiaries, the provision also includes € 23 million pertaining to the subsidiary Crediop S.p.A. to cover risks on equity investments (€ 23 million) and potential pension charges (€ 2 million), as well as € 16 million relating to prudent provisions made by subsidiaries operating in the area of financial services for families for risks connected to the activity of marketing financial products.

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

The following table sets out the analysis of caption 120 “Adjustments to loans and provisions for guarantees and commitments”.

Analysis of caption 120 "Adjustments to loans and provisions for guarantees and commitments" (Table 5.1 B.I.) *(€/mil)*

	12/31/00	**12/31/00 Restated**	**12/31/99**	**12/31/98**
(a) Adjustments to loans	634	567	663	763
including:				
- general adjustments for country risk	*16*	*16*	*56*	*89*
- other general adjustments	*114*	*114*	*11*	*39*
(b) Provisions for guarantees and commitments	13	13	1	17
including:				
- general provisions for country risk	-	-	-	-
- other general provisions	*8*	*8*	-	13
Total	**647**	**580**	**664**	**780**

In addition to the above adjustments, default interest of € 142 million (€ 176 million in 1999 and € 212 million in 1998) due during the year has been reversed from interest income.

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

(€/mil)

	12/31/00	**12/31/00 Restated**	**12/31/99**	**12/31/98**
Revaluation of loans previously written down	107	106	134	92
Revaluation of loans previously written off	1	1	3	15
Revaluation of provisions for guarantees and commitments	2	2	1	1
Collection of loan principal previously written down	200	199	116	53
Collection of loan principal and interest previously written off	46	45	65	53
Collection of default interest previously written down	61	50	42	41
Total	**417**	**403**	**361**	**255**

Provisions to reserves for possible loan losses (caption 140)

Provisions to reserves for possible loan losses represent in 2000, 1999 and 1998 the provisions made by certain subsidiary companies and do not adjust risks which are only potential.

Adjustments to financial fixed assets (caption 150)

(€/mil)

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Adjustments to investment securities	16	16	14	26
Adjustments to equity investments	20	19	75	41
Total	**36**	**35**	**89**	**67**

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 investment securities made by the Bank in 1999, € 14 million, reflect the writedown of certain unsecured securities issued by residents of Russia. This follows an increase in the writedown rate from 60% to 85%, in view of the continuing debt servicing difficulties experienced by that country.

Adjustments to investment securities in 1998, totaling € 26 million, reflect the writedown of certain unsecured securities issued by residents of countries at risk. In particular, these adjustments relate to securities issued by counterparties resident in the Russian Federation and Macedonia, which have been written down by applying the percentages established by the Bank of Italy.

Adjustments to equity investments relate to the writedown of holdings in the following non-consolidated companies to take account of permanent losses in value:

(€/mil)

	12/31/00
Elsacom N.V.	8
Blixer S.p.A.	4
Banca Popolare di Lodi S.C.R.L.	3
Filos S.p.A.	2
Other minor equity investments	3
Total	**20**

(€/mil)

	12/31/00 Restated
Elsacom N.V.	8
Blixer S.p.A.	4
Banca Popolare di Lodi S.C.R.L.	3
Filos S.p.A.	2
Other minor equity investments	2
Total	**19**

	(€/mil) 12/31/99
Beni Stabili S.p.A.	58
Inter Europa Bank Rt	4
Milano Assicurazioni S.p.A.	3
Snia BPD S.p.A.	2
Rimoldi Necchi S.p.A.	1
Sanità S.p.A.	1
Other minor equity investments	6
Total	**75**

	(€/mil) 12/31/98
Apokè Six Srl	16
Banco del Desarrollo SA	11
Eurotunnel	3
Rimoldi Necchi SpA	3
Abete Sviluppo SpA	3
Other minor equity investments	5
Total	**41**

Writebacks of adjustments to financial fixed assets (€ 15 million in 2000) mainly refer to writebacks to the investment in Montedison S.p.A. (€ 14 million) by NHS - Nuova Holding Sanpaolo IMI S.p.A.

(29) OTHER CONSOLIDATED STATEMENT OF INCOME CAPTIONS

Consolidated statement of income captions 70, 110, 190, 200, 230 and 240, not discussed above, comprise:

Other operating income (caption 70)

Analysis of caption 70 "Other operating income"(Table 6.1 B.I.) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Expenses recovered from customers				
- stamp duties	122	116	115	114
- other taxes	20	19	16	17
- legal costs	14	14	14	11
- other recoveries	19	18	15	23
Reimbursement of services rendered to third parties	7	2	14	7
Other income from leasing activities	2	2	3	4
Rent and other income from property	4	3	5	23
Income from merchant banking activities	11	11	28	10
Other income	51	34	14	15
Total	**250**	**219**	**224**	**224**

Other operating expenses (caption 110)

Analysis of caption 110 "Other operating expenses" (Table 6.2 B.I.) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Other charges on leasing transactions	17	17	16	15
Real Estate Leasing charges	3	3	3	1
Losses from merchant banking activities	-	-	2	2
Other expenses	11	5	19	33
Total	**31**	**25**	**40**	**51**

Extraordinary income (caption 190)

Analysis of caption 190 "Extraordinary income" (Table 6.3 B.I.) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Out-of-period income				
- income taxes for the prior years paid in advance	-	-	-	86
- use of tax reserve and deferred taxation in excess relating to prior years	6	6	1	18
- other out-of-period income	75	40	33	52
Amounts not payable	5	5	2	2
Gains on:				
- equity investments (*)	259	259	327	18
- investment securities	14	12	1	3
- own shares in portfolio	83	83	-	37
- tangible fixed assets	9	8	3	8
Total	**451**	**413**	**367**	**224**

(*) the detail of gains on investments is shown in note (14)

Extraordinary expense (caption 200)

Analysis of caption 200 "Extraordinary expense" (Table 6.4 B.I.) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99	12/31/98
Severance bonus incentive for voluntary redundancy	7	5	22	24
Amounts not collectible	5	5	1	3
Losses on:				
- equity investments	2	2	4	-
- investment securities	5	5	-	2
- tangible fixed assets	1	1	1	2
Other out-of-period expenses	35	26	45	33
Total	**55**	**44**	**73**	**64**

Income taxes for the year (caption 240)

Breakdown of caption 240 "Income taxes for the year" (B.I. Instructions dated 08.03.99) *(€/mil)*

	12/31/00	12/31/00 Restated	12/31/99
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

(30) 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 for years 2000, 2000 Restated, 1999, and 1998, is as follows:

(Table 7.1 B.I) *(€/mil)*

	12/31/00				12/31/00 Restated			
	Italy	**Other Eu Countries**	**Other Countries**	**Total**	**Italy**	**Other Eu Countries**	**Other Countries**	**Total**
Interest income and similar revenues	5,840	922	823	7,585	5,053	882	698	6,633
Dividends and other revenues	216	15	-	231	212	15	-	227
Commission income	2,349	1,077	26	3,452	2,164	1,102	4	3,270
Profits (losses) on financial transactions	138	27	-	165	129	29	(2)	156
Other operating income	349	(209)	110	250	319	(209)	109	219
Total revenues	**8,892**	**1,832**	**959**	**11,683**	**7,877**	**1,819**	**809**	**10,505**

(Table 7.1 B.I) *(€/mil)*

	12/31/99				12/31/98			
	Italy	**Other Eu Countries**	**Other Countries**	**Total**	**Italy**	**Other Eu Countries**	**Other Countries**	**Total**
Interest income and similar revenues	4,708	894	364	5,966	7,780	1,508	693	9,981
Dividends and other revenues	220	30	-	250	99	45	-	144
Commission income	1,958	611	18	2,587	1,800	420	11	2,231
Profits (losses) on financial transactions	98	(12)	17	103	220	(6)	(8)	206
Other operating income	194	30	-	224	204	19	-	223
Total revenues	**7,178**	**1,553**	**399**	**9,130**	**10,103**	**1,986**	**696**	**12,785**

(31) OTHER INFORMATION

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:

(Table 1.1 B.I.) *(€mil)*

	12/31/00	**12/31/99**	**12/31/98**
Directors	4	3	3
Statutory Auditors	1	1	1

A detailed analysis of Stock option plans and emoluments paid to Directors, Statutory Auditors and General Managers are reported in the next pages.

Remuneration of Directors, Statutory Auditors and General Managers (pursuant to article 78 of Consob resolution no. 119711 of May 14,1999).

Directors, Statutory Auditors and General Managers in office

(in thousands of €)

Surname and Name	Description of office	Time in office	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives (1)	Other compensation (2)	
ARCUTI Luigi	Chairman (4)	1998/2000	381	-	90	44	(3)
ALBANI CASTELBARCO VISCONTI Carlo	Director	1998/2000	57	-	69	14	(3)
BOTIN Emilio	Director	1998/2000	39	-	21	-	
CARMI Alberto	Director	04/28/00-2000	27	-	-	-	
FABRIZI Pier Luigi	(5)	-	-	-	42	-	
FONTANA Giuseppe	Director	1998/2000	58	-	80	53	
GALATERI DI GENOLA Gabriele	Director (4)	1998/2000	100	-	90	40	(3)
GRONCHI Divo	(5)	-	-	-	(a)	(a)	(3)
INCIARTE Juan Rodriguez	Director (4)	1998/2000	69	-	80	40	(3)
MARANZANA Luigi	Managing Director (4)	1998/2000	239	-	516	(b)	(3)
	General Manager		418	3			
MARRONE Virgilio	Director	1998/2000	(c)	-	(c)	-	
MASERA Rainer Stefano	Managing Director (4)	1998/2000	239	-	516	(d)	(3)
	General Manager		418	17			
MASINI Mario	Director (4)	1998/2000	68	-	90	40	(3)
MIHALICH Iti	Director (4)	1998/2000	101	-	69	25	
OTTOLENGHI Emilio	Director	1998/2000	59	-	90	107	(3)
PREDA Stefano	Director (4)	1998-06/28/00	43	-	64	-	
SALZA Enrico	Director (4)	1998/2000	87	-	85	41	(3)
SCLAVI Antonio	Director (4)	05/25/99 - 2000	69	-	32	25	
VERCELLI Alessandro	Director	06/22/99 - 2000	41	-	27	-	
VERMEIREN Remi François	Director	1998/2000	39	-	-	-	
PAOLILLO Mario	Statutory Auditor	1999/2001	95	-	-	122	(3)
	Chairman of Statuary Auditors	1999/2001					
BENEDETTI Aureliano	Statutory Auditor	1999/2001	63	-	-	99	
DALLOCCHIO Maurizio	Statutory Auditor	1999/2001	67	-	-	25	
MIGLIETTA Angelo	Statutory Auditor	1999/2001	67	-	-	51	(3)
RAGAZZONI Ruggero	Statutory Auditor	1999/2001	67	-	-	38	

(1) This column includes the bonus due to Directors for 1999 (€ 1.05 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 € 1.93 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 example, in 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.
(6) Bonus based on the Group's result for the year ended 31 December 2000, calculated on the basis of each Director's attendance and partecipation rate to the Board of Meetings and distributed after the approval of the financial statements 2000.
(a) € 26 thousands in bonus and € 14 thousands in other incentives paid to Monte dei Paschi di Siena S.p.A.
(b) € 54 thousands paid to SANPAOLO IMI S.p.A.
(c) € 75 thousands in emoluments and € 90 thousands in bonus and other incentives paid to IFI S.p.A.
(d) € 53 thousands paid to SANPAOLO IMI S.p.A.

Stock option plan

On July 31, 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, as subsequently defined, equal to 14,285,714 shares.

Implementing this resolution, the Board of Directors launched on February 9,1999 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.
- *Exercising 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 March 31, 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 €, which was the average market price of Sanpaolo IMI shares in the final quarter of 1998; subsequently adjusted to 12.396 € 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 June 27, 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 ordinary 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 the other 122 managers.
- *Exercising rights*: after the shares the financial year ex-dividend for 2002. Rights not exercised will expire by March 31, 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 €, 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 December 31, 2000 entailed an increase in capital of € 5 million, equal to 0.1% of the share capital, and the booking of a share premium reserve of € 18 million. If the rights assigned but not yet exercised were to be exercised, this would entail further increases in capital of € 23 million, equal to 0.6% of the share capital and the booking of a share premium reserve of € 93 million.

In accordance with Consob Resolution no. 11971 of May 14, 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 €.

Development of stock option plans in 2000

	Number of shares	**Average exercize 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 exercized in 2000	(1,833,250)	12.396	17.151 (c)
(4) Rights lapsed in 2000 (d)	(90,000)	-	-
(5) Rights existing at December 31, 2000	8,227,020	14.16795	17.780 (e)
(6) Of which: exercizable at December 31, 2000 (f)	-	-	-

(a) Official market price at 12/30/99.
(b) Market price on the date of the resolution of the Board of Directors (6/27/00).
(c) Average market price weighted for amounts exercized during market days during the "2000 exercizing periods".
(d) Rights no longer exercizable because holders no longer work for the Bank.
(e) Official market price at 12/29/00.
(f) No rights were exercizable at 12/31/00 in that the date is not included in the infra-annual periods when rights may be exercized. At 12/31/00, 394,083 residual rights for exercize (at a price of 12.396 €) in 2000 existed; these rights will again be exercizable from 2001.

Detail of rights by exercize price and remaining validity

Exercize price (Euro)	**Rights assigned at 12/31/00**				**incl.: exercizable at 12/31/00**	
	Minimum remaining contractual validity					
	01/01/01 12/31/01	**01/01/02 - 03/31/03**	**04/01/03 - 03/31/05**	**Total**	**Total**	**Average remaining contractual validity**
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**	**-**	**-**

Loans and guarantees given

Loans and guarantees given (Table 1.2 B.I.)			*(€/mil)*
	12/31/00	**12/31/99**	**12/31/98**
Directors	6	10	105
Statutory Auditors	1	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.

(32) SIGNIFICANT DIFFERENCES BETWEEN ITALIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As described in Note 1, the Consolidated Financial Statements of the Sanpaolo IMI Group are presented in accordance with accounting principles established or adopted in Italy ("Italian GAAP") which vary in certain respects from generally accepted accounting principles in the United States of America ("U.S. GAAP"). Following is a summary of the major differences:

(32.1) SIGNIFICANT VALUATION AND INCOME RECOGNITION PRINCIPLES UNDER ITALIAN AND U.S. GAAP

ITALIAN GAAP	**U.S. GAAP**
(a) Valuation of Fixed Assets	
Premises and equipment are reported in the financial statements at historical cost, adjusted in some cases by the application of specific monetary revaluation laws. Such revaluations are permitted by Italian accounting principles. Premises and equipment have been written down to reflect any permanent loss in value. Depreciation is calculated on the revaluated amounts on a straight-line basis applying rates which reflect the useful lives of the related assets.	U.S. GAAP does not permit revaluation of fixed assets.

ITALIAN GAAP	U.S. GAAP

(b) Investments in Debt and Equity Securities	
For Italian GAAP purposes, Sanpaolo IMI accounts for investment and trading, debt and equity securities as follows: • Held to maturity and permanent investment securities are stated at amortized cost less any permanent diminution in value. The accretion or amortization of discount or premium, respectively, are recorded in the income statement in the period incurred. • Marketable debt securities and equity securities that the Group owns for purposes of trading (treasury or dealing) and all other securities held without a particular identifiable purpose are classified as Trading Securities. These securities are recorded at market value, with the related unrealized gains and losses reflected currently in the income statement. • Debt and equity securities held for sale by the Group's insurance subsidiaries are recorded at the lower of cost or market value, with any related losses reflected currently in the income statement. • Permanent investment in companies where Sanpaolo IMI owns less than 20% of the voting shares are recorded under the cost method.	Under U.S. GAAP, marketable equity and all debt securities held for investment must be classified, according to management's intent, into one of the following categories: trading, available-for-sale or held-to-maturity securities. Equity investments in companies owned less than 20% with readily determinable fair values are classified as trading or available-for-sale, depending on the intent of management with respect to the investment. Trading securities (those actively bought and sold or held for treasury purposes) should be marked-to-market, with the resulting unrealized gain or loss recognized currently in the income statement. Available for sale securities should be marked-to-market, with the resulting unrealized gain and loss recorded as a net amount directly to a separate component of equity until realized, at which time the gain or loss is recorded in income. Held to maturity securities (a classification allowed only for debt securities and for preferred stock with required redemption dates) should be carried at amortized cost. Other than temporary impairments in value are accounted for as realized losses. Non-marketable equity investments of 20% or less are accounted for under the cost method. Carrying values of individual non-marketable equity securities are reduced through write-downs to reflect other than temporary impairments in value.

ITALIAN GAAP	U.S. GAAP

(c) Investments in Life Insurance Company	
The Group's life insurance companies (accounted for under the equity method in the consolidated financial statements) account for costs for new contracts in accordance with Italian GAAP. Under these principles acquisition costs for new contracts are expensed or amortized over three or five years.	Under U.S. GAAP acquisition costs for new contracts are amortized over the useful life of the contracts.

ITALIAN GAAP	U.S. GAAP

(d) Tax on Equity	
The bank and its Italian subsidiaries were assessed and remitted taxes on the respective statutory stockholders' equity. In the consolidated financial statements, these taxes have been deducted directly from reserves, as allowed under Italian law.	Under U.S. GAAP, all taxes must be charged to the consolidated statement of income.

ITALIAN GAAP	U.S. GAAP

(e) Pension Plans	
A defined benefit pension plan has been granted to certain of the Bank's employees by a separate legal entity called "Cassa di Previdenza". The Bank is contingently liable in the future if the assets of the plan are insufficient to fund the future benefit payments to the plan participants. As such, under Italian GAAP, the Bank has accrued amounts reflecting its contingent liability to the plan.	Since the plan assets of Cassa di Previdenza are greater than the Projected Benefit Obligation ("PBO") determined following U.S. GAAP, the liability accrued by the Bank for pension plan has been reversed.

ITALIAN GAAP	U.S. GAAP

(f) Stock option plan	
There is no specific accounting principle nor any established method.	The fair value of the options granted to employees calculated at the date of grant should be expensed in the vesting period. It is also possible to use the intrinsic value of the options instead of the fair value. The Group applies APB Opinion 25 and related interpretation in accounting for stock option plan.

ITALIAN GAAP	U.S. GAAP

(g) Business Combinations	
In Italy there are no Civil Code rules or specific Accounting Principles regarding the accounting treatment of "Business Combinations," with particular reference to mergers. Consequently, Italian accounting practice has developed on the basis of the tax rules specifically applicable to merger transactions. This accounting practice results in an accounting method which, depending on the legal and tax definitions of the merger provisions, combines aspects of the U.S. "Purchase" and "Pooling" methods of accounting for business combinations. Following Italian practice, the evaluation of accounting does not involve a choice between mutually exclusive methods, but instead is dependant on the provisions of the business combination agreement. The following is a summary of key elements of accounting for business combinations under	There are two mutually exclusive methods of accounting for business combinations: (1) Purchase accounting: the valuation is based on fair values of the net assets as of the time of the acquisition. The differences between the fair value of the net assets and the consideration paid represent goodwill. Income of the acquired company is reflected only from the acquisition date onwards. (2) Pooling of interest accounting is done by simply combining the historical accounts of the parties both retroactively and prospectively. No fair value adjustments are made. A number of restrictive conditions must be met.

Italian practice: 1. when combinations are conducted through the exchange of stock, generally the assets and liabilities — at the reported historical values of the combining enterprises — are aggregated, as in consolidation, with intercompany eliminations; 2. when the acquirer holds an investment in the acquiree, at the moment of the merger, the difference between the reported historical cost of such investment and the underlying portion of the acquiree net equity should be accounted for as goodwill or as a revaluation of the respective assets and liabilities; 3. with respect to the acquisition of a controlling interest through the exchange of shares, the difference between the value of the share capital issued and the underlying portion of the acquiree net equity acquired, at historical value, is accounted for as follows: • if positive, the difference is allocated to goodwill and amortized over its useful life; • if negative, the difference is recorded as increase in net equity.	Positive goodwill arising in business combinations is amortized to income over the period estimated to be benefited which for financial institutions generally does not exceed 25 years. The U.S. Financial Accounting Board is currently in the process of finalizing a draft of a new accounting standard applicable to business combinations that will eliminate the pooling of interest method of accounting and will modify the purchase method of accounting. As proposed, this Statement will require discontinuation of goodwill amortization under U.S. GAAP and will instead require periodic assessment of impairment.

ITALIAN GAAP	**U.S. GAAP**
(h) Equity Reserves	
Stockholders' equity includes revaluation reserves that would become taxable only if distributed. Under Italian GAAP no deferred tax liability has been recognized since, at this time, the distribution is not expected to occur.	Under U.S. GAAP deferred taxes on such reserves must be charged to the consolidated statement of income

ITALIAN GAAP	**U.S. GAAP**
(h) Consolidation and Investments in Related Companies	
The consolidated financial statements incorporate the financial statements of Sanpaolo IMI (parent Company of the Group), and those of the subsidiary companies in which Sanpaolo IMI, whether directly or indirectly, on a non-temporary basis, holds more than 50% of the voting share capital. Subsidiary companies operating in the insurance and real estate industries are included in the consolidated financial statements on a net equity basis. Investments in companies where Sanpaolo IMI owns 20% or more of the voting shares are accounted for under the equity method, which is consistent with US GAAP.	Under US GAAP, the Company's insurance subsidiaries would be included within the scope of consolidation.

ITALIAN GAAP	U.S. GAAP

(i) Earning per Share	
There are no Italian GAAP and legal requirement to disclose earning per share. Sanpaolo IMI discloses such information, although there is no common basis for its calculation.	For U.S. GAAP purpose Sanpaolo IMI follows the guidelines prescribed by Statement of Financial Accounting Standard No. 128 "Earning per Share".

ITALIAN GAAP	U.S. GAAP

(l) Treasury Shares	
Legal provisions exist for the purchase of own shares and parent shares. Specific reserves must be made to effect the purchases. The repurchased shares are shown as assets and reserves for repurchased shares are shown as restricted reserves in equity.	Shares may be repurchased for retirement or other purposes. If shares are not retired, the cost of the repurchase should be reflected as a reduction to equity. Treasury shares are shown as assets only in rare instances.

ITALIAN GAAP	U.S. GAAP

(m) Employee Termination Cost	
A restructuring liability is accrued for the estimated cost of early retirement where a decision has been made and approved at the appropriate governance level within the company to reduce personnel through offering of an early retirement compensation. The estimated liability is based on projections of the eligible employees that will accept the early retirement offer and the respective cost to be incurred upon their retirement.	Permissible accruals of employee termination cost relating to business combinations or restructuring are limited to the estimated cost of involuntary terminations. No accrual is permitted for voluntary terminations until the employee is eligible for the termination benefits and has accepted the termination offer.

ITALIAN GAAP	U.S. GAAP

(n) Accounting for derivatives	
The accounting recognition of derivatives is dependent on whether the derivative is entered into and is qualifying as a hedge of an asset, liability or firm commitment. Derivatives not qualifying as a hedge are recorded at fair value with changes in fair value reflected as a component of current earnings. Derivatives qualifying as a hedge are generally not reflected in the financial statements until the corresponding impact of the hedged transaction is recognized in earnings.	For periods prior to and including calendar 2000, the accounting recognition of derivatives was dependent on whether the derivative was entered into and was qualifying as a hedge of an asset, liability or firm commitment. Derivatives not qualifying as a hedge are recorded at fair value with changes in fair value reflected as a component of current earnings. Derivatives qualifying and effective as a hedge are generally not reflected in the financial statements until the corresponding impact of the hedged transaction is recognized in earnings. Commencing January 1, 2001, accounting for derivatives and hedging activity under U.S. GAAP will need to comply with the then effective provisions of

	Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Statement 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The Bank has not yet quantified all effects of adopting Statement 133 on its financial statements. However, as a result of the limitations on derivatives that may qualify for special hedge accounting treatment and as a result of the need to recognize all ineffectiveness of hedge transactions currently in earnings, adoption of this new accounting guidance could increase volatility in earnings and other comprehensive income or involve certain changes in Company's business practices.

ITALIAN GAAP	U.S. GAAP
(o) Stock Based Incentive Compensation	
There is no specific accounting principle or established method applicable to the accounting for stock based incentive compensation. The Group records stock based compensation such as awards of stock options as issuance of stock upon employee exercise of related stock awards. Where awards are indexed to, but are not settled in stock, the Group accrues a liability based on an estimate of the compensation payable under the award. Should the index part of the stock based compensation award be hedged by a linked derivative or other hedging instrument, both the mark-to-market revaluations of the hedged item and the hedging instrument are not recognized until the plan maturity date.	The accounting for stock based compensation under U.S. GAAP is defined in Statement of Accounting Standards No. 123, *Accounting for Stock-Based Compensation.* This statement defines a fair value based method of accounting for an employee stock option or awards of similar equity instrument, while also allowing for qualifying award plans to be accounted for under an intrinsic value method. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or

	other measurement date over the amount an employee must pay to acquire the stock. Compensation cost is recognized for other types of stock-based compensation plans under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, including plans with variable, usually performance-based, features. Accounting guidance in Opinion No. 25 is dependent on form and terms of the stock award or indexed plan, and provides for recognition of compensation expense estimates based on the quoted market price of the stock at intervening dates. Recorded compensation expense between the date of grant or award and the maturity of the award may either increase or decrease because changes in quoted market price of the stock require recomputations of the estimated compensation cost. U.S. GAAP further differentiates between transactions with employees and transactions with third parties, even where third party contracts may be structured as a vehicle for funding or hedging the financial impact of stock based compensation awards.

ITALIAN GAAP	**U.S. GAAP**
(o) Accounting for Asset Transfer	
There is no specific accounting principle. For securitization, accounting guidance is based on consistent application of methodology focused on control. Under that approach an entity derecognizes financial assets when control has been surrendered.	Accounting for transfers of assets, including securitizations, and extinguishment of liabilities under U.S. GAAP is prescribed in FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Accounting guidance in this standard is based on consistent application of a *financial-components approach* that focuses on control. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. This Statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The Statement further stipulates

	conditions that must exist to conclude that a transferor has surrendered control over transferred assets. This Statement requires that liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets be initially measured at fair value, if practicable. It also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer. This Statement requires that a liability be derecognized if and only if either (a) the debtor pays the creditor and is relieved of its obligation for the liability or (b) the debtor is legally released from being the primary obligor under the liability either judicially or by the creditor. Therefore, a liability is not considered extinguished by an in-substance defeasance.

(32.2) NET INCOME AND STOCKHOLDERS' EQUITY RECONCILIATION BETWEEN ITALIAN AND U.S. GAAP

Following is a summary of the most significant adjustment to consolidated net income and to consolidated stockholders' equity which would be required if U.S. GAAP had been applied to the accompanying consolidated financial statement.

Net income

	Year ended December 31,		
	2000	1999	1998
		(€/mil)	
Net income after minority interest as reported under Italian GAAP	1,292	1,050	909
Adjustments to conform to U.S. GAAP:			
Reversal of contingent pension liability	6	6	5
Allowance for possible loan losses	-	-	75
Accounting for investment securities portfolio and derivatives	(28)	46	(8)
Adjustment relating to life insurance subsidiaries	40	32	20
Allowance for general banking risks	(2)	1	8
Reduction in depreciation and increase in capital gains of fixed assets and investments revaluated	64	50	98
Gain on Sanpaolo IMI treasury shares	(89)	-	-
Stock option plan	(3)	(3)	-
Compensation plan	(109)	-	-
Compensation plan related derivatives	162	-	-
Deferred tax effect on above adjustments	(26)	(55)	(82)
Deferred taxes on temporary differences	-	-	(49)
Deferred tax on reserves	1	-	-
Deferred tax on equity reserves (Amato law)	3	-	(17)
Pre-acquisition net earning of IMI Group	-	-	(350)
Advertising cost	(6)	-	-
Purchase accounting adjustments	(87)	(122)	(44)
Amortization of goodwill related to business combination	(215)	(163)	(41)
Net income after minority interest in accordance with U.S. GAAP	1,003	842	524

Comprehensive income

	2000	1999	1998
Net income after minority interest in accordance with U.S. GAAP	1,003	842	524
Gross change in unrealized gain/loss on AFS securities	306	110	153
Less: reclassification adjustments (for realized gains/losses on sales of AFS securities previously included in comprehensive ncome)	(130)	(59)	(3)
Net change in unrealized gain/loss on AFS securities	101	51	150
Change in foreign currency translation adjustments	4	6	(20)
Tax effect	(56)	(24)	(66)
Other comprehensive income	49	33	64
Comprehensive income	1,052	875	588

Tax effect of other comprehensive income components

	2000	1999	1998
Tax effect of gross gain/loss on AFS securities	(112)	(52)	(66)
Tax effect of reclassification adjustments	55	28	-
Tax effect of net change in unrealized gain/loss on AFS securities	(56)	(24)	(66)
Tax effect of foreign currency translation adjustments	-	-	-
	(56)	(24)	(66)

Stockholders' equity

	At December 31, 2000	At December 31, 1999
	(€/mil)	
Stockholders' equity reported under Italian GAAP	8,050	8,372
Adjustments to conform to U.S. GAAP:		
Reversal of Contingent Pension Liability	105	99
Accounting for securities portfolio and derivatives	373	323
Adjustment relating to life insurance subsidiaries	136	62
Elimination of revaluation of fixed assets, investment and goodwill	(553)	(604)
Deferred tax on equity reserves	(539)	(346)
Compensation plan	(109)	-
Derivatives on compensation plan	144	-
Advertising cost	(6)	-
Sanpaolo IMI treasury shares	(738)	(357)
Net prepaid tax effect on above adjustments	81	38
Purchase accounting adjustments	819	975
Goodwill related to business combination	3,876	3,064
Stockholders' equity in accordance with U.S. GAAP	11,639	11,626

Notes to the adjustments to consolidated net income and stockholders' equity

(A) Consolidation procedures

A number of insurance companies are more than 50% owned by the Bank, whose business activities differ from those of the Bank's and are therefore accounted for by the equity method. Under U.S. GAAP, these companies should be consolidated using the global integration method. The effect of using one method instead of the other would have no impact on the consolidated stockholders' equity or on the consolidated net income and the management considers immaterial the impact on total consolidated assets and liabilities.

(B) Allowance for possible loan losses

As described in Note 6 "Changes in accounting policies", the Group measured impairment based on the present value of expected future cash-flows discounted at the loan's effective interest rate in accordance with SFAS No. 114 for the first time in 1998.

(C) Deferred taxes on temporary differences

In 1998 the Group adopted an accounting treatment of deferred taxation consistent with the contents of IAS No. 12 and SFAS No. 109. For a complete discussion of the changes in accounting policies see Note 6 "Changes in accounting policies".

(D) Accounting for business combination

The merger between Istituto Bancario SanPaolo di Torino S.p.A. and Istituto Mobiliare Italiano S.p.A. had legal effect as of November 1, 1998, while for accounting purposes the merger was backdated to January 1, 1998. Assets and liabilities of the merged bank were recorded at their historical book values and the 1998 statement of income includes all the profits and losses of both the merged banks. Under US GAAP, the merger has to be accounted for by the purchase method as of November 1, 1998.

The acquisition of Banco di Napoli has been completed in three tranches during the year 2000. A portion of the positive goodwill arising on the consolidation has been accounted directly reducing the equity. Under US GAAP, the acquisition has been accounted for using the purchase method at the date of the acquisition of each tranche.

(32.3) SIGNIFICANT PRESENTATION DIFFERENCES BETWEEN ITALIAN AND U.S. GAAP

In addition to the differences in valuation and income recognition principles disclosed in Note No. 31.1 and 31.2, other differences relating to the presentation of financial statements exist between Italian and U.S. GAAP formats. These differences do not cause differences between Italian and U.S. GAAP reported net income and Stockholders' equity, but only in the presentation of the consolidated financial statements.

Following is a summary of the significant classification differences between U.S. GAAP formats – as set forth in Regulation S-X of the Securities and Exchange Commission of the United States of America - and Italian formats.

Balance Sheet (Asset Side)

(A) Treasury bills and similar bills eligible for refinancing with central banks are presented as a separate item (caption No. 20) in the Italian balance sheet. Under U.S. GAAP such investments are presented under "Trading account assets".

(B) Under Italian GAAP "Interest-bearing deposits in other banks" are presented under the caption "30 Due from banks".

(C) Federal funds sold and securities purchased under resale agreements or similar arrangements to banks and other customers are presented respectively in captions "30 Due from banks" and "40 Loans to customers".

(D) Amounts under caption "30 Due from banks" and "40 Loans to customers", except those indicated in (C) and (D), are presented under "Loans" in the U.S. GAAP balance sheet.

(E) Investments in securities shown under captions "50 Bonds and other debt securities" and "60 Shares and other equities" are presented under "Trading account assets", "Available for sale securities" and "Held to maturities" according to classification of SFAS No. 115.

(F) Investments in affiliated companies are presented under "70 Equity investments" and "80 Equity Investments in Group companies". Under U.S. GAAP such investments are presented under "Investments in affiliated companies".

(G) Goodwill arising on application of the equity method is shown as a separate item in the Italian balance sheet (caption No. 100), while according to U.S. GAAP it is presented under "Investments in affiliated companies".

(H) Amounts under "120 Tangible fixed assets" have been shown under "Premises and equipment" in the U.S. consolidated balance sheet.

(I) Amounts under caption "140 Own shares" are included in Sanpaolo IMI shares under U.S. GAAP Format. These shares are deducted from stockholders' equity in the Note 31.2 "Stockholders' equity reconciliation between Italian and U.S. GAAP ".

(J) The following captions of the asset side of the Italian balance sheet are presented under "Other assets" according to U.S. GAAP formats: "90 Goodwill arising on consolidation", "110 Intangible fixed assets", "150 Other assets", "160 Accrued income and prepaid expenses".

Balance Sheet (Liabilities and Shareholders' Equity)

(K) "Securities sold under repurchase agreements" to banks and other customers are presented respectively in captions "10 Due to banks" and "20 Due to customers".

(L) Deposits to banks, customers and deposits in security form are presented respectively under captions "10 Due to banks", "20 Due to customers" and "30 Securities issued" while according to U.S. GAAP they are included under the separate caption "Deposits".

(M) Short-term borrowings presented under caption "30 Securities issued" are reported in a separate caption in the U.S. GAAP balance sheet. They consist primarily of commercial paper.

(N) Amounts under captions "10 Due to banks", "20 Due to customers", "30 Securities issued", "40 Public funds administered" and "110 Subordinated liabilities" with maturity greater than one year are presented under the caption "Long term debt" in U.S. GAAP.

(O) The following captions of the Italian balance sheet are presented under "Other liabilities" according to U.S. GAAP: "50 Other liabilities", "60 Accrued expense and deferred income", "70 Provision for termination indemnities", "80 Provision for risks and charges".

(P) Minority interest (caption No 140) is presented in the same named caption "Minority interest in consolidated subsidiaries" and the amount under "150 Capital" is presented under caption "Capital stock".

(Q) Captions "100 Reserve for general banking risks", "120 Negative goodwill arising on consolidation", "130 Negative goodwill arising on application of the equity method", "160 Additional paid-in capital", "170 Reserves", "180 Revaluation reserves" and "200 Net income for the year" are presented under caption "Other stockholders' equity" under U.S. GAAP.

Statements of Income

(R) "Interest earnings on deposits and loans to credit institutions", "Interest on investment securities", "Trading account interest" and "Net effect on off-balance sheets instruments (if positive)" are reported under caption "10 Interest income and similar revenues" in the Italian statement of income. Under U.S. GAAP such amounts are under separate captions.

(S) The captions of U.S. statements of income "Interest Expense - Borrowings from credit institutions", "Interest Expense - Borrowings from non-credit institutions", "Interest Expense - Securities and commercial paper" and "Net effect of off-balance sheet instruments (if negative)" are presented under caption "20 Interest expense and similar charges" according to Italian GAAP.

(T) Amounts presented in caption "Interest Income - Loans and lease to non-credit institution" under U.S. GAAP are included in captions "10 Interest income and similar revenues".

(U) "Net write-offs and provision for loan losses" are shown under "120 Adjustments to loans and provisions for guarantees and commitments".

(V) The caption "30 Dividends and other revenues – b) from investments" in the Italian statements of income is reported in caption "Dividends" under U.S. GAAP.

(W) "Commission and fees from fiduciary activities", "Commissions, brokers' fees and markups on securities underwriting and other securities activities" shown as separate captions under U.S. GAAP are classified in caption "40 Commission income".

(X) Amounts under caption "Fees for other customer services" in statements of income under U.S. GAAP are presented in caption "40 Commission income" and "70 Other operating income" (for the refunds of expenses) under Italian GAAP.

(Y) The following captions in the Italian GAAP statements of income are presented in caption "Profit or loss on transactions in securities in dealer trading account" under U.S. GAAP: "30 Dividends and other revenues – a) from shares and other equities" and "60 Profits (losses) on financial transactions".

(Z) The caption "Equity in (loss) earnings of unconsolidated subsidiaries" in U.S. GAAP is reported in the caption "170 Income (losses) from investments carried at equity" under Italian GAAP.

(AA) The amounts shown in caption "Income or loss in affiliated, other companies and investments securities" under U.S. GAAP are presented primarily in "150 Adjustments to financial fixed assets", "160 Writebacks of adjustments to financial fixed assets" "190 Extraordinary income" and "200 Extraordinary expenses".

(BB) The captions "Goodwill amortization" and " Amortization of intangibles" in the U.S. GAAP are reported in caption "90 Adjustments to intangible and tangible fixed assets".

(CC) Salaries and employee benefits are presented under caption "80 Administrative costs – a) payroll" in Italian statements of income.

(DD) In the caption "Occupancy expenses of premises, cost of operation of premises and equipment, net" under U.S. GAAP are presented net costs of owned, not owned premises and equipment. They are shown in different captions in Italian statements of income: "70 Other operating income", "80 Administrative costs – b) other", "90 Adjustment to intangible and tangible fixed assets", "110 Other operating expenses", "190 Extraordinary income" and "200 Extraordinary expenses".

(EE) "Income tax expense" is presented in the caption "240 Income tax" according to Italian GAAP format.

(FF) "Minority interest in income of consolidated subsidiaries" includes caption "250 Minority interests" and caption "255 Elimination of second half income of the Banco di Napoli Group" in Italian statements of income.

(GG) The remaining amounts - not reported in the above illustrated items – are shown in "Other income" and "Other expenses" in the U.S. statement of income.

(32.4) CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

	At December 31,		
	2000	1999	1998
		(€/mil)	
ASSETS			
Cash and due from banks	708	528	422
Interest-bearing deposits in other banks	11,576	9,104	12,305
Federal funds sold and securities purchased under resale agreements or similar arrangements	7,883	7,334	12,979
Trading account assets	15,077	16,444	22,812
Investment securities			
Held to maturity	2,492	322	219
Available for sale securities	7,389	1,614	2,691
Loans, net of allowance loan losses of Euro 3,458 million and Euro 3,469 million in 1999 and 1998, respectively	98,366	78,880	84,697
Premises and equipment	1,793	1,120	1,669
Investments in affiliated companies	3,647	3,398	1,370
Sanpaolo IMI shares	739	357	5
Other assets	23,128	21,122	19,120
TOTAL ASSETS	172,798	140,223	158,289
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	71,725	58,770	50,132
Short-term borrowings	5,379	2,584	1,395
Securities sold under repurchase agreements	13,111	9,484	14,026
Other liabilities	25,135	22,819	22,556
Long-term debt	48,683	37,655	61,117
Total Liabilities	164,033	131,312	149,226
Commitments and Contingencies (Note 20)			
Minority Interest in Consolidated Subsidiaries	715	539	394
Capital stock (consisting of 1,402,184,948 issued and outstanding Share, par value Euro 2,8 per Share)	3,931	3,926	4,345
Other stockholders' equity	4,119	4,446	4,324
Total Stockholders' Equity	8,050	8,372	8,669
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	172,798	140,223	158,289

Consolidated Statements of Income

	Year ended December 31,		
	2000	1999	1998
		(€/mil)	
Interest Income:			
Interest earnings deposits and loans to credit institutions	1,019	715	1,443
Loans and leases to non-credit institutions	5,560	4,326	6,871
Interest on investment securities	292	69	139
Trading account interest	713	846	1,493
Total Interest Income	7,584	5,956	9,946
Interest Expense:			
Borrowings from credit institutions	(1,568)	(992)	(1,909)
Borrowings from non-credit institutions	(1,438)	(892)	(1,577)
Securities and commercial paper	(2,117)	(1,915)	(3,647)
Total Interest Expense	(5,123)	(3,799)	(7,133)
Net effect of off-balance sheet instruments	38	(135)	(167)
Net Interest Income	2,499	2,022	2,646
Net write-offs and provision for loan losses	(225)	(302)	(508)
Net Interest Income after provision for loan losses	2,274	1,720	2,138
Non Interest Income:			
Dividends	62	102	26
Commission and fees from fiduciary activities	1,863	1,230	910
Commissions, broker's fees and markups on securities underwriting and other securities activities	452	415	396
Fees for other customer services	1,220	1,034	708
Profit or loss on transactions in securities in dealer trading account	333	251	324
Equity in (loss) earnings of unconsolidated subsidiaries	87	118	82
Income (loss) in affiliated, other companies and investments securities, net	261	211	(84)
Other income	317	161	610
Total Non Interest Income	4,595	3,522	2,972
Non Interest Expense:			
Salaries and employee benefits	(1,929)	(1,534)	(1,543)
Occupancy expenses of premises, cost of operation of premises and equipment, net	(370)	(284)	(281)
Goodwill amortization	(90)	(59)	(60)
Amortization of intangibles	(127)	(77)	(66)
Other expenses	(2,167)	(1,491)	(1,528)
Total Non Interest Expense	(4,683)	(3,445)	(3,478)
Income Before Income Tax Expense	2,186	1,797	1,632
Income Tax Expense	(784)	(685)	(630)
Net Income	1,402	1,112	1,002
Minority interest in income of consolidated subsidiaries	(110)	(62)	(93)
Net Income after Minority Interest	1,292	1,050	909
Earning per share (in Euro)	0.93	0.75	0.65

(32.5) ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP

(a) Earnings per Share

The computation of basic and diluted earning per share for the years ended December 31, 2000, 1999 and1998 is presented in the following table.

	2000	1999	1998
Italian GAAP			
Basic earnings per share (in €)	0.932	0.75	0.65
Diluted earnings per share (in €)	0.930	0.75	0.65
US GAAP			
Basic earnings per share (in €)	0.738	0.60	0.55
Diluted earnings per share (in €)	0.737	0.60	0.55

(b) Statements of Cash Flows

	2000	1999	1998
		(€/mil)	
Cash Flows from Operating Activities			
Net income after minority interest	1,292	1,050	909
Adjustment to reconcile net income to cash provided by operating activities:			
Amortization and depreciation	326	265	266
Net realized loss (gain) on sale of securities	(107)	76	(95)
Net realized loss (gain) on sale of tangible fixed assets	(7)	(2)	(6)
Net realized (gain) on sale of investments in affiliated and other companies	(268)	(349)	(26)
Net unrealized loss (gain) on valuation of securities	128	(145)	19
Net unrealized loss (gain) on valuation of fixed assets	(15)		
Net unrealized loss on valuation of investments in affiliated and other companies	7	75	41
Net loss (gain) from investments carried at equity	(87)	(118)	(82)
(Increase) decrease in other assets	3,033	(4,151)	(4,490)
(Decrease) Increase in other liabilities	(2,520)	1,130	4,966
Net realized (gain) loss on translation adjustment and other changes	-	-	(49)
Taxes paid using capital reserve	-	-	(45)
Net cash provided by operating activities	1,782	(2,169)	1,408
Cash Flows from Investing Activities			
Effect of merger between San Paolo and IMI	-	-	(6,965)
Purchase of tangible fixed assets	(341)	(197)	(186)
Proceeds from sale of tangible fixed assets	30	12	103
Purchase of investments in affiliated companies	(97)	(152)	(33)
Proceeds from sale of investments in affiliated conmpanies	-	219	12
Purchase of investments in other companies	(1,745)	(2,002)	(230)
Proceeds from sale of investments in other conmpanies	846	584	120
Consideration paid for the acquisition of Banco di Napoli	(2,048)	-	-
Purchase of securities	(291,793)	(380,910)	(472,226)
Proceeds from sale and redemption of securities	292,968	387,703	474,744
Decrease (increase) in interest-bearing deposits	(190)	(3,050)	8,802
Decrease (Increase) in federal funds sold and reverse repo's	(29)	5,183	(3,031)
Net decrease (increase) in loans, net	(1,352)	(2,025)	(19,537)
Net cash provided by investing activities	(3,751)	5,365	(18,427)
Cash Flows from Financing Activities			
(Decrease) increase in deposits, net	(4,732)	5,049	(16,305)
(Decrease) increase in short-term borrowing, net	2,584	1,189	518
(Decrease) increase in repurchase agreements, net	915	(4,487)	1,536
Net increase (decrease) in long-term debt	4,363	(4,280)	31,193
Dividends paid	(724)	(652)	(46)
Other changes of shareholders' equity	(465)	(302)	-
Increase (decrease) of minority interest	43	394	151
Net cash (used in) provided by financial activities	1,984	(3,089)	17,047
Net (decrease) increase in cash and cash equivalents	15	107	28
Cash and Cash Equivalents, beginning of year	693	421	393
Cash and Cash Equivalents, end of year	708	528	421
Supplemental Information			
Taxes paid	649	854	396
Interest paid	7,450	4,258	8,026

Attachments

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 11.21.2000	-	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 December 31, 2000	**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), at "net equity" and Banco di Napoli S.p.A (€854 million), consolidated "line by line". The offsetting was made using the opportunity provided for in current regulations (See note (5) - "Consolidation principles").

Reconciliation of the Bank's financial statements and the consolidated financial statements for 2000:

(€/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 June 30, 2000 superior to 10% of ordinary voting rights in unquoted companies or limited liability companies (Consob 11715 of November 24, 1998) (1)

Name	Shareholder		%
1650 MISSION ASSOCIATES LIMITED PARTNERSHIP	SPB 1650 VAN NESS CORPORATION		13.75
1650 MISSION CORPORATION GENERAL PARTNER	SPB 1650 VAN NESS CORPORATION		13.89
BIESSEFIN in liquidation	SANPAOLO IMI		36.10
BOISSY R.E.R. 8	SOCIETE' FONCIERE D'INVESTISSEMENT		99.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT		1.00
		TOTAL	**100.00**
BRUMMEL INTERNATIONAL LIMITED	WOBCO HOLDING		100.00
CELEASING SRL	SANPAOLO IMI		100.00
CHATEAU BOLIDES	UNO IMMOBILIARE in liquidation		49.00
CIFRALI 8 in liquidation	BANQUE SANPAOLO S.A.		18.30
CIFRALI 9	BANQUE SANPAOLO S.A.		14.09
CIVE	SANPAOLO IMI		68.97
DULEVO	SANPAOLO IMI		16.30
ELVETIA EDILE	SANPAOLO IMI		100.00
FATA GROUP	NHS - NUOVA HOLDING SANPAOLO IMI		13.17
FEIC in liquidation	SANPAOLO IMI		17.24
FINDIRAMA in liquidation	APOKE' TWO in liquidation		62.86
	UNO HOLDING in liquidation		3.96
		TOTAL	**66.82**
FINLOMBARDA LEASING	SANPAOLO IMI		14.00
FONTI DI GAVERINA	SANPAOLO IMI		51.04
GENIA SRL	SANPAOLO IMI		100.00
GIACINTO in liquidation	APOKE' TWO in liquidation		100.00
GUINESS PEAT AVIATION A.T.R. LTD	SANPAOLO IMI BANK IRELAND PLC		12.50
IAM PIAGGIO	BANCA FIDEURAM		3.86
	SANPAOLO IMI		10.00
		TOTAL	**13.86**
IMMOBILIARE DELL'ISOLA CATTANEO	SANPAOLO IMI		48.57
IMMOBILIARE PEONIA ROSA	SANPAOLO IMI		57.00
IMPIANTI SRL	SANPAOLO IMI		14.16

Name	Shareholder		%
INTEGRATED SHIPPING COMPANY -I.S.CO.	SANPAOLO IMI		100.00
INTERBANK ONLINE SYSTEM LIMITED	SANPAOLO IMI		12.50
ITTICA UGENTO	SANPAOLO IMI		26.96
KISH RECEIVABLES COMPANY	TOBUK LIMITED		19.70
KONIG	SANPAOLO IMI		20.00
KYLE RECEIVABLES CPMPANY	TUSHINGHAM LIMITED		11.11
LEASARTE	SOFIR'S		100.00
LILLO	SANPAOLO IMI		50.00
LO.SE.RI.	SANPAOLO IMI		18.40
NEWGRANGE FINANCIAL SERVICES COMPANY	BONEC LTD		14.79
NUOVA VALVOTECNIC	SANPAOLO IMI INTERNATIONAL S.A.		16.67
PANTECNA in bankruptcy	SANPAOLO IMI		15.50
RECEIVABLES SERVICING COMPANY	LACKENSTAR LTD		15.76
RIMOLDI NECCHI SRL	NHS - NUOVA HOLDING SANPAOLO IMI		16.92
S.A. IMM. DE CONSTR. DE MONTECLIN in liquidation	BANQUE SANPAOLO S.A.		11.30
S.C.I. BOISSY RER 5	SOCIETE' FONCIERE D'INVESTISSEMENT		90.00
S.C.I. LA SOURCE DE SAINT HILARIE	SOCIETE' IMMOBILIERE D'INVESTISSEMENT		98.00
S.C.I. ROGNAC - NORD	SOCIETE' FONCIERE D'INVESTISSEMENT		50.00
S.C.I.BOISSY GRISELLE 7	SOCIETE' FONCIERE D'INVESTISSEMENT		99.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT		1.00
		TOTAL	**100.00**
S.C.I.BOISSY SAINT LEGER 94	SOCIETE' FONCIERE D'INVESTISSEMENT		99.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT		1.00
		TOTAL	**100.00**
S.G.R. SOCIETA' GESTIONE PER IL REALIZZO	BANCA FIDEURAM		0.63
	SANPAOLO IMI		9.48
		TOTAL	**10.11**
SAGO	SANPAOLO IMI		26.67
SCI BALCONS SAINTE MARIE	BANQUE SANPAOLO S.A.		18.00
SCI LE CHEVALIER	SOCIETE' FONCIERE D'INVESTISSEMENT		1.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT		99.00
		TOTAL	**100.00**
SCI LE CLOS DE NOYER in liquidation	BANQUE SANPAOLO S.A.		15.00

Name	Shareholder		%
SCI LES BALCONS DU DRAC	BANQUE SANPAOLO S.A.		15.41
SCI LES JARDIN DE FARNESE in liquidation	UNI INVEST		11.11
SCI PLEIN CIEL	BANQUE SANPAOLO S.A.		12.00
SCI PRALY II	BANQUE SANPAOLO S.A.		11.00
SCI PRALY III	BANQUE SANPAOLO S.A.		12.00
SERDI ET COMPAGNIE	SOCIETE' FONCIERE D'INVESTISSEMENT		1.00
	SOCIETE' IMMOBILIERE D'INVESTISSEMENT		99.00
		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**
SOCIETA' ITALIANA DI MONITORAGGIO	SANPAOLO IMI		16.67
SOCIETA' NAZIONALE FINANZIARIA	SOFIR'S		15.25
SOFIR'S	UNO HOLDING in liquidation		100.00
SOGEPI ET CIE LE FOURNAS SNC	BANQUE SANPAOLO S.A.		12.50
STARE	APOKE' TWO in liquidation		92.77
TECNO IDRO METEO (2)	SANPAOLO IMI		36.00
TECNOALIMENTI (2)	SANPAOLO IMI		30.00
TECNOBIOMEDICA (2)	SANPAOLO IMI		26.32
TECNOCITTA' srl	SANPAOLO IMI		12.00
TECNOFARMACI (2)	SANPAOLO IMI		20.50
TECNOGEN (2)	SANPAOLO IMI		29.96
TECNOTESSILE (2)	SANPAOLO IMI		40.00
TORSYL S.A. in liq.	SANPAOLO IMI INTERNATIONAL S.A.		15.79
UNIONVITA	FIDEURAM CAPITAL SIM		15.00
UNO BROKER in liquidation	SOFIR'S		100.00
UNO HOLDING in liquidation	APOKE' TWO in liquidation		77.69
	FINDIRAMA in liquidation		3.50
		TOTAL	**81.19**
UNO IMMOBILIARE in liquidation	APOKE' TWO in liquidation		21.59
	UNO HOLDING in liquidation		56.95
		TOTAL	**78.54**
WOBCO HOLDING	GED. I. T. - GEDEAM INVESTISSEMENTS		100.00
ZWHALEN & MAYR S.A.	SANPAOLO IMI INTERNATIONAL S.A.		12.96

(1) The list does not include shareholdings already given in Note 10
(2) Shareholdings resulting from transactions pursuant to Law 1089, October 25, 1968 (Fund for Applied Research)

PRO FORMA CONSOLIDATED STATEMENT OF INCOME FOR 2000

	pro forma 2000 (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
Income of companies carried at equity and dividends from shareholdings	147
NET INTEREST AND OTHER BANKING INCOME	**6,116**
Administrative costs	(3,528)
- personnel	(2,234)
- other administrative costs	(1,087)
- indirect duties and taxes	(207)
Other net income	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 adjustements to loans and financial fixed assets	(640)
INCOME BEFORE EXTRAORDINARY ITEMS	**1,698**
Net extraordinary income	401
INCOME BEFORE ETC.	**2,099**
Income taxes for the period	(768)
Change in reserve 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 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 designed in order to provide a representation of group performance following the acquisition of Banco di Napoli; it will be used as the basis of comparison for the group income statements in future years.