

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(€/mil)

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

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

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

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

CONSOLIDATED STATEMENT OF INCOME

(€/mil)

	2000	2000 restated (*)	1999
10. Interest income & similar revenues	7,622	6,679	5,966
including:			
– loans to customers	5,501	4,861	4,324
– debt securities	1,006	794	915
20. Interest expense & similar charges	-5,123	-4,584	-3,934
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 the Banco di Napoli Group (**)	-16	-	-
260. Net income for the year	1,292	1,292	1,050

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

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

Explanatory Notes to the consolidated financial statements

Introduction - Background information on the consolidated financial statements

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

Part A – Accounting policies

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

Part B – Consolidated balance sheet

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

Part C – Consolidated statement of income

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

Part D – Other information

- Section 1 – Directors and Statutory Auditors

Introduction - Background information on the consolidated financial statements

Form and content of consolidated financial statements

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

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

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

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

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

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

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

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

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

The following schedules are attached to the consolidated financial statements:

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

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

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

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

Scope of consolidation

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

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

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

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

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

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

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

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

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

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

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

Consolidation principles

The main consolidation principles adopted are as follows:

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

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

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

Note that "negative goodwill arising on consolidation" the first time that the investments formerly belong to the IMI Group were consolidated has been recorded as "negative goodwill arising on consolidation", instead of being booked to the various captions of consolidated shareholders' equity starting from the 2000 half-yearly report. The previous treatment was the one used in the financial statements of the former IMI Group. For comparison purposes, the prior period figures have been restated using consistent criteria. This restatement has not caused the amount of consolidated shareholders' equity and net income to change.

Investments in companies carried at equity are recorded in the financial statements at the amount equal to the corresponding portion of their shareholders' equity. Any balance not assignable to the assets or liabilities of the companies' concerned at the time this method is first implemented, is booked to "positive/negative goodwill arising on application of the equity method". In the years after the first year of consolidation

the adjustment of the value of these investments is booked to "negative goodwill arising on application of the equity method" and to "Income (losses) from investments carried at equity" respectively for the changes referring to reserves and those referring to the net income of the company in which the investment is held.

"Positive goodwill" arising on the application of line-by-line consolidation, proportional consolidation or the equity method is deducted from the total "negative goodwill" that existed already or which arose during the same year and up to their total amount. Investments acquired to be re-sold as part of the merchant banking activity are not taken into account for this offsetting. Compensation of positive differences with pre-existing negative differences arising on consolidation is made on the basis possibility envisaged by Article 32, paragraph 4, of legislative Decree 87/92, confirmed by paragraph 5 of the same article, as well as the applicable instructions of the Bank of Italy (provision of July 30, 1992 and successively updated). It is based on the prudent aim of not taking forward to future years the recovery, through amortization, of part of the cost which can be immediately compensated for with pre-existing consolidation reserves. Positive goodwill not offset against negative goodwill is amortized over a period of five years or over different periods depending on how the investment is used. This approach has been applied beginning from the financial statements as of December 31, 1998; positive goodwill arising on consolidation of certain equity investments of the IMI Group has been offset against the negative goodwill arising on consolidation of other equity investments of the IMI Group. On that occasion the amortization schedule of existing positive goodwill has been confirmed.

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

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

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

Financial statements used for consolidation

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

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

Audit of the consolidated financial statements

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

Comparison with the quarterly accounts as of December 31, 2000

The consolidated financial statements, prepared using final accounting information for the Parent Bank and its subsidiaries, includes a number of changes with respect to the quarterly report as of December 31, 2000, which was presented in order to provide advance information concerning the Group's results for the year.

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

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

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

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

Loans, guarantees and commitments

Loans

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

In detail:

- non-performing loans, being loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans, being loans to borrowers in temporary difficulties, are valued on a case-by-case basis;
- restructured loans, being loans for which a syndicate of banks (or a single bank) reschedules the repayment of principal or re-negotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured, being loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk", being loans to borrowers resident in countries with debt-servicing difficulties, are normally adjusted on a general basis by applying writedown percentages that not lower than those specified by the banking association. They do not include specific positions which are assessed on a case-by-case basis, using objective criteria, with reference to the category of risk concerned;
- performing loans, being loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. General adjustments to performing loans are calculated by the individual subsidiaries on a historical, statistical basis which, for the parent bank is based on the following stages:

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

The net present value adjustments reflect the difference between the:

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

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

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

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

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

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

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

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

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

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

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

Loans deriving from financing and deposit contracts

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

Reverse repurchase agreements on securities

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

Loan of securities

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

Finance leases

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

Guarantees and commitments

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

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

Investment securities

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

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

Dealing securities

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

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

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

Commitments to buy or sell for securities transactions to be settled

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

Equity investments

Equity investments which are neither fully consolidated nor valued at equity are carried at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account, among others, any reductions in the equity of the companies concerned. Equity investments can also be written down to take account of market trends. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Dividends from investments that are not consolidated line-by-line or valued at equity are recorded, together with the related tax credits, when the tax credit becomes collectible, usually in the year in which dividends are collected.

Own shares

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

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

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

Assets and liabilities denominated in foreign currency

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

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

Unsettled spot and forward currency transactions

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

Transactions not carried out for hedging purposes are valued:

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

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

Tangible fixed assets

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

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

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

Intangible fixed assets

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

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

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

Payables

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

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

Provision for employee termination indemnities

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

Provisions for risks and charges

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

Pensions and similar commitments

The accumulated provisions under this heading relate to supplementary pensions of Banco di Napoli. The contingency arising in this connection is assessed on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions.

Taxation

The provision for taxation covers deferred taxes, income taxes and the regional tax on business activities, including those charged on units operating abroad. The provision also takes into consideration current and potential disputes with the tax authorities.

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

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

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

Deferred tax liabilities are calculated by applying at the level of each consolidated company the average tax rate to taxable timing differences likely to generate a tax burden. Deferred tax assets are calculated on deductible timing differences if these are likely to be recovered.

Latent taxation on equity reserves of the Parent Bank that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited to a specific reserve pursuant to art. 21 of Decree 213/98, is charged directly against this reserve.

No provision is made for reserves of the Parent Bank subject to deferred taxation only in the event of distribution. This is because such reserves are allocated to accounts not available for distribution and because the events which would give rise to such taxation are not expected to occur.

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

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

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

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

Other provisions

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

Other provisions for risks and charges cover estimated losses arising from lawsuits and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Bank's commitment to support the Interbank Deposit Guarantee Fund, as well as potential charges deriving from the renegotiation of low interest subsidized mortgages and other potential liabilities.

The provision for other personnel charges comprises:

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

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

Reserve for general banking risks

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

Accruals and deferrals

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

Derivatives contracts

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

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

The values determined are recorded separately in the balance sheet without off-setting assets and liabilities. Agreements between the parties for the compensation of reciprocal receivables and payables in the case of default by one of the counterparts ("master netting agreement") is not relevant for disclosure purposes, but is taken into consideration when assessing the counterparty's lending risk.

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

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of assets or liabilities, on or off the balance sheet, from the risk of market fluctuations. In the case of off-balance sheet items, the hedging objective is achieved by the Group via the use of asset and liability management techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- intent to enter into a hedge;
- high degree of correlation between the technical and financial characteristics of the assets and liabilities hedged and those inherent in the hedging contract.

If just one of the conditions above ceases to apply, then the contract is re-qualified as "non-hedging".

Hedging derivatives are valued on a basis consistent with the assets and liabilities being hedged. The related procedures for presentation in the financial statements are summarized below:

Balance sheet: The period element of differentials or interest margins on contracts hedging the interest aris-

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

Statement of income: where derivative contracts are intended to hedge the interest arising from interest-earning / bearing assets and liabilities, the related economic effect will form part of the interest margin on an accruals basis. In this case, the related differentials and margins are allocated either to interest income or to interest expense, depending on their nature. If, on the other hand, the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated are treated as "Profits (losses) on financial transactions". More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest, if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits (losses) on financial transactions, if they relate to single-flow contracts where the duration of the underlying asset is more than one year (e.g. futures and options).

Non-hedging contracts

These are valued as follows:

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

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

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

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

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

Internal deals

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

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

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

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

Settlement date

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

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

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

Provisions recorded solely for fiscal purposes

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

Part B - Consolidated balance sheet

SECTION 1 - LOANS

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

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

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

Due from banks (caption 30)

Amounts due from banks include:

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

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

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

Loans to customers (caption 40)

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

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

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

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

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

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

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

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

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

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

Degree of risk in loan portfolio

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

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

Analysis of loans to customers

(Bank of Italy instructions dated 12.17.98)

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

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

Coverage of doubtful loans (*)

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

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

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

Analysis of loans to banks

(Bank of Italy instructions dated 12.17.98)

	31/12/00 (€/mil)			31/12/99 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	72	18	54	273	168	105
A.1 Non-performing loans	14	13	1	11	11	-
A.2 Problem loans	-	-	-	-	-	-
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	58	5	53	262	157	105
B. Performing loans	19,072	7	19,065	22,039	-	22,039
Total loans to banks	19,144	25	19,119	22,312	168	22,144

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

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

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

Movements during the year in gross doubtful loans to customer

(Bank of Italy instructions dated 12.17.98)

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

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

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

Movements during the year in gross doubtful amounts due from banks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other information relating to loans

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

SECTION 2 - SECURITIES

Securities owned by the Group are analysed as follows:

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

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

Investment securities

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

Investment securities (table 2.1 B.I.)

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

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

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

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

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

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

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

(€/mil)

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

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

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

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

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

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

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

Dealing securities

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

Dealing securities (table 2.3 B.I.)

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

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

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

(€/mil)

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

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

Other information relating to securities

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

SECTION 3 - EQUITY INVESTMENTS

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

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

Significant investments

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

Significant investments (table 3.1 B.I.)

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

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
17 Fideuram Multimanager Fund Management Company S.A.	Luxembourg	1	-	-	Banca Fideuram	99.20	99.20	XXX (D)
					Fideuram Vita	0.80	0.80	XXX
						100.00	100.00	
18 Financiere Wargny S.A.	France	1	24	18	Wargny Associes	50.17	50.17	XXX (E)(P)
					Wargny Societe' de Bourse	49.83	49.83	XXX
						100.00	100.00	
19 Fonditalia Management Company S.A.	Luxembourg	1	206	196	Banca Fideuram	99.96	99.96	XXX
					Fideuram Vita	0.04	0.04	XXX
						100.00	100.00	
20 Gruppo Bancario Banco di Napoli S.p.A. (subsequently BNH S.p.A.)	Rome	1	307	1	Sanpaolo IMI	100.00	100.00	XXX (C)
21 IDEA S.A.	Luxembourg	1	-	-	IMI Bank (Lux)	99.16	99.16	XXX
					Sanpaolo IMI International	0.83	0.83	XXX
						99.99	99.99	
22 IMI Bank (Lux) S.A.	Luxembourg	1	87	10	Banca IMI	99.99	99.99	XXX
					IMI Investments	0.01	0.01	XXX
						100.00	100.00	
23 IMI Capital Markets USA Corp.	United States	1	165	-	IMI Investments	100.00	100.00	XXX
24 IMI Investments S.A.	Luxembourg	1	162	1	Banca IMI	99.99	99.99	XXX
					Banca IMI Securities Corp.	0.01	0.01	XXX
						100.00	100.00	
25 IMI Real Estate S.A.	Luxembourg	1	3	-	IMI Bank (Lux)	99.99	99.99	XXX
					Sanpaolo IMI International	0.01	0.01	XXX
						100.00	100.00	
26 IMIWeb Bank S.p.A. (ex @IMIWeb S.I.M. S.p.A.)	Milan	1	84	-29	Banca IMI	100.00	100.00	XXX
27 IMIWeb (UK) Ltd (ex IMI Sigeco UK Ltd)	United Kingdom	1	14	-2	IMIWeb Bank	100.00	100.00	XXX
28 Independent Management for Institutional Advisory Co. S.A.	Luxembourg	1	6	6	IMI Investments	100.00	100.00	XXX
29 Interfund Advisory Company S.A.	Luxembourg	1	63	62	Banca Fideuram	99.92	99.92	XXX
					Fideuram Vita	0.08	0.08	XXX
						100.00	100.00	
30 Int. Securities Advisory Company S.A.	Luxembourg	1	5	4	Banca Fideuram	99.98	99.98	XXX
					Fideuram Vita	0.02	0.02	XXX
						100.00	100.00	
31 Lackenstar Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
32 LDV Holding B.V.	The Netherlands	1	166	-8	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	XXX
33 NHS-Nuova Holding Sanpaolo IMI S.p.A. (ex NHS-Nuova Holding Subalpina S.p.A.)	Turin	1	820	84	Sanpaolo IMI	51.00	51.00	XXX
34 Sanpaolo Asset Management S.A.	France	1	3	2	Banque Sanpaolo	99.97	99.97	XXX
					SCI Parisienne de L'Avenue Hoche	0.01	0.01	XXX
					Société Fonciere d'Investissement	0.01	0.01	XXX
					Société Immobiliere d'Investissement	0.01	0.01	XXX
						100.00	100.00	

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

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

A2 Proportional method

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

B. Investments carried at equity

Subsidiary companies (***)

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

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/mil)
					Held by	%		
9 Fideuram Assicurazioni S.p.A.	Rome	1	12	2	Banca Fideuram	100.00	100.00	12
10 Fideuram Vita S.p.A.	Rome	1	296	45	Banca Fideuram	99.75	100.00	293
11 Finance Gestion S.A.	France	1	-	-	Wargny Soci�t� de Bourse	50.02	50.02	- (E)
					Wargny Associes	49.98	49.98	-
						100.00	100.00	
12 Finomatic SARL	France	1	-	-	Wargny Associes	99.80	99.80	- (E)
13 Gedit S.A.	Luxembourg	1	-	-	Sanpaolo IMI	90.00	90.00	-
					Prospettive 2001	10.00	10.00	- (K)
						100.00	100.00	
14 Independent Management for Institutional Sicav	Luxembourg	1	-	-	IMI Bank (Lux)	50.00	50.00	-
					Independent Management for Institutional Adv,	50.00	50.00	-
						100.00	100.00	
15 Prospettive 2001 S.p.A.	Milan	1	13	-	Sanpaolo IMI	100.00	100.00	13
16 Sanpaolo IMI Capital Partners Limited	Guernsey	1	-	-	NHS - Nuova Holding	99.00	99.00	-
					Sanpaolo IMI			
					Sanpaolo IMI Management	1.00	1.00	- (K)
					100.00	100.00		
17 Sanpaolo IMI Institutional Asset Management SGR S.p.A.	Monza	1	1	-	Sanpaolo IMI Asset Management SGR	55.00	55.00	1
					Fideuram Capital	30.00	30.00	-
					Banca IMI	15.00	15.00	-
						100.00	100.00	
18 Sanpaolo IMI Management Ltd	United Kingdom	1	-	-	NHS - Nuova Holding	100.00	100.00	-
					Sanpaolo IMI			
19 Sanpaolo IMI Private Equity S.p.A.	Turin	1	2	-	NHS - Nuova Holding	100.00	100.00	2
					Sanpaolo IMI			
20 Sanpaolo Invest Ireland Limited	Ireland	1	-	-	Banca Sanpaolo Invest	100.00	100.00	-
21 Sanpaolo Leasint GMBH	Austria	1	-	-	Sanpaolo Leasint	100.00	100.00	-
22 Sanpaolo Life Ltd	Ireland	1	14	7	Sanpaolo Vita	75.00	100.00	- (K)
					Banca Sanpaolo Invest	25.00	0.00	1
						100.00	100.00	
23 Sanpaolo Vita S.p.A.	Milan	1	118	21	Sanpaolo IMI	100.00	100.00	127
24 Soci�t� Civile Les Jardins d'Arcadie	France	1	-	-	Banque Sanpaolo	55.00	55.00	-
25 Soci�t� Civile Parisienne de l'Av. Hoche	France	1	-	-	Banque Sanpaolo	100.00	100.00	3
26 Socavie S.A.	France	1	4	4	Banque Sanpaolo	99.80	99.80	4
					Soci�t� Fonciere d'Investissement	0.20	0.20	- (K)
						100.00	100.00	
27 Soci�t� Fonciere d'Investissement	France	1	-	-	Banque Sanpaolo	99.92	99.92	-
					Soci�t� Civile Parisienne de l'Av. Hoche	0.08	0.08	- (K)
						100.00	100.00	
28 Soci�t� Immobiliere d'Investissement	France	1	-	-	Banque Sanpaolo	99.98	99.98	-
					Soci�t� Fonciere d'Investissement	0.02	0.02	- (K)
						100.00	100.00	

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

Total investments in subsidiaries carried at equity **539**

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

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

Total investments carried at equity 811

(*) *Type of relationship:*

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

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

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

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

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

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

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

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

(D) *Newly constituted company.*

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

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

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

(H) *Company acquired during 2000.*

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

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

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

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

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

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

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

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

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

Other equity investments

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

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

(*) Percentage of total capital.

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

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

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

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

Composition of the investment portfolio

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

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

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

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

Changes during the year in the investment portfolio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

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

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

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

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

Changes in tangible fixed assets during the year are:

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

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

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

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

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

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

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

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

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

Other deferred charges include:

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

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

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

SECTION 5 - OTHER ASSETS

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

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

Goodwill arising on consolidation (caption 90)

Analysis of caption 90 " Goodwill arising on consolidation "

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

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

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

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

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

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

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

Other assets (caption 150)

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

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

(a) Mostly settled at the beginning of 2001.

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

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

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

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

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

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

Below there is a summary of these two matters.

The liquidation of Isveimer

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

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

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

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

Società per la Gestione di Attività (SGA)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accrued income and prepaid expenses (caption 160)

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

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

Other information

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

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

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

SECTION 6 - PAYABLES

Total Group deposits and other sources of funds are detailed below

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

Due to banks (caption 10)

Deposits taken from banks are analysed as follows:

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

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

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

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

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Due to customers			
– current accounts	38,531	31,344	+22.9
– deposits	14,865	4,752	n.s.
– repurchase agreements and securities borrowed	7,944	3,758	+111.4
– short-term payables relating to special management services carried out for the government	751	475	+58.1
– other (*)	2,627	2,860	-8.1
Securities issued			
– bonds	26,589	23,643	+12.5
– certificates of deposit	8,888	9,090	-2.2
– bankers' drafts	738	380	+94.2
– other securities	3,123	2,605	+19.9
Total	104,056	78,907	+31.9

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

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Repurchase agreements	7,665	3,748	+104.5
b) Securities borrowed	279	10	n.s.

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

Public funds administered (caption 40)

Public funds administered are provided by the State and other public agencies. These funds are analysed below:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Funds provided by the State	54	10	n.s.
Funds provided by regional public agencies	20	20	-
Other funds	14	20	-30.0
Total	88	50	+76.0
<i>including: funds with risk borne by the government under Law 19 of 2/6/87</i>	<i>13</i>	<i>16</i>	<i>-18.8</i>

Other information relating to payables

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

SECTION 7 - PROVISIONS

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Provisions for termination indemnities (caption 70)	743	438	+69.6
<i>including the contribution of the Banco di Napoli Group</i>	293		
Provisions for risks and charges (caption 80)	3,823	1,483	+157.8
<i>including the contribution of the Banco di Napoli Group</i>	2,011		
– pensions and similar commitments (caption 80a)	1,128	46	n.s.
<i>including the contribution of the Banco di Napoli Group</i>	1,085		
– taxation (caption 80b)	1,230	1,029	+19.5
<i>including the contribution of the Banco di Napoli Group</i>	63		
– other (caption 80c)	1,465	408	n.s.
<i>including the contribution of the Banco di Napoli Group</i>	863		
Reserve for possible loan losses (caption 90)	35	29	+20.7
Total	4,601	1,950	+135.9

Provisions for termination indemnities (caption 70)

<i>Changes in the reserve for termination indemnities during the year</i>		<i>(€/mil)</i>
Opening balance		438
Increases		
– provisions		42
– transfers		-
– other changes		295
Decreases		
– advances allowed under Law 297/82		8
– indemnities to employees leaving the Bank		21
– transfers		2
– other changes		1
Closing balance as per the restated balance sheet		743

Other increases include € 293 million of the contribution from the Banco di Napoli Group on its first-time consolidation.

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

<i>Changes in the reserve for pensions and similar commitments during the year "</i>		<i>(€/mil)</i>
Opening balance		46
Increases		
– provisions		1
– other		1,085
Decreases		
– utilisations		4
Closing balance		1,128

Other increases consist of the contribution by Banco di Napoli on its first-time consolidation.

As of December 31, 2000, the reserve is made up of provisions for supplementary pensions for the employees of the former IMI S.p.A. (€ 43 million) and for expenses to be incurred by Banco di Napoli (€ 1,085 million).

The balance as of December 31, 2000 attributable to Banco di Napoli corresponds to the mathematical reserve covering present and future commitments of the Company, deriving from the obligation to ensure additional benefits foreseen by the internal system as updated in accordance with Decree Law 503/92, Law 335/1995, and union agreements of July '96 as well as the Budget Law for 1998. Values have been calculated based on an actuarial study which estimated the expenses to be incurred for a closed group of recipients of the benefits, as provided for in Law 218/90, based on the following parameters: an estimated inflation rate of 2% and a nominal discounting rate of 5%.

In addition, it is worth noting that Banco di Napoli did not provide for any provision against possible additional charges, deriving from outstanding legal disputes presented by certain retired employees, aimed at keeping the link between pension increments and the salary rises of current personnel in the equivalent positions, instead of the automatic equalisation laid down by law, and paid by Banco di Napoli on the basis of Decree 503 of December 30, 1992. This because, according to the opinion expressed and recently confirmed by the legal advisor who is following these pending disputes, it is reasonable to expect that the court will decide in favour of the bank. This conclusion already looked more likely on the basis of Law 335/95, which confirms that the legal equalisation system is to be applied to all employees and retired employees, whenever they retired. This conclusion now appears to be definitively confirmed by Law 449/1997, which suppressed any so-called "Golden Clauses" that still existed and confirmed the previous legal interventions abolishing such clauses in individual pension plans and, therefore, also in the one managed by the bank. This valuation does not appear to have been overturned by the judgement of the Supreme Court of February 8, 2000, since it is valid only for one retired employee of the bank and, in any case, is founded on arguments which, according to the legal advisor, are not about to reverse the trend of interpretations inaugurated by the previous judgement of the same Court of July 10, 1998, already adopted by the court of Reggio Emilia in its judgement of January 21, 1999 and by the Milan court in its judgement of December 18, 1999. Again according to the bank's legal advisor, it is therefore likely that this trend will be confirmed by the joint Sections, which have already been appointed to resolve this disputed point of law.

The table below shows the valuables that Banco di Napoli has taken a commitment with the trade unions to lodge by way of a better guarantee for the supplementary pension fund:

Valuables lodged to better guarantee the supplementary pension fund of Banco di Napoli

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
- securities	1,023	901	+13.5
- property	37	45	-17.8
Total	1,060	946	+12.1

Taxation (caption 80.b)

Changes in the reserve for taxation during the year

			(€/mil)
	Current tax liabilities	Deferred tax liabilities	Total
Opening balance	759	270	1,029
Increases			
- provision for current income taxes	749	63	812
- transfer from the reserve for deferred taxation	73	-	73
- other changes (*)	86	5	91
Decreases			
- payment of income taxes	649	-	649
- transfer to current taxes	-	73	73
- other changes	22	31	53
Closing balance	996	234	1,230

(*) Other increases are made up of € 63 million of the contribution by Banco di Napoli on its first-time consolidation and exchange differences for funds denominated in currencies other than the Euro.

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

The subsidiary Fideuram Vita is in dispute with the tax authorities regarding the years from 1985 to 1987. The years 1988, 1989 and 1990 have been settled thanks to the favourable verdict pronounced by the Regional Tax Commission regarding disputed items in those years. The verdict was deposited on July 27, 2000 and the tax authorities did not appeal against it before the legal deadline.

Regarding the years 1985, 1986 and 1987, the company obtained a favourable judgement in the first degree, but decisions that were substantially unfavourable in the subsequent two degrees. However, Fideuram Vita has appealed to the Supreme Court, as it is still confident that the case can be won. If, on the other hand, the current adverse trend is confirmed, the potential liability for the company would be minimal, but it would become significant (albeit covered by existing reserves) if subsequent open years (from 1995 onwards) were also contested for the same reason. Based on expert opinions, and taking into account the positive evolution of the dispute and the fact that the case involves a practice that is universally applied by the whole of the insurance industry, the subsidiary has not made any specific provision for this risk.

Deferred tax assets and liabilities recorded in the consolidated financial statements relate to timing differences between the accounting and fiscal value of assets and liabilities accrued in 2000 and in prior years for which it is deemed likely that a tax liability will be incurred in the future (in the case of deferred tax liabilities) or which will most likely be recovered (in the case of deferred tax assets). Deferred taxation has been estimated by each Group company and it has also been estimated on preparation of the consolidated financial statements for the tax effect of those entries typical of the consolidation process. Different tax rates for each Group company have been applied to the tax effect caused by the timing differences.

Detail of deferred tax liabilities

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Deferred tax liabilities charged to the statement of income:	81	73	+11.0
- on the earnings of subsidiary companies (*)	51	54	-5.6
- other	30	19	+57.9
Deferred tax liabilities charged to shareholders' equity:	153	197	-22.3
- on Parent Bank reserves:	143	149	-4.0
<i>Reserve for general banking risks</i>	114	120	-5.0
<i>Other reserves - Reserve ex Law 169/83</i>	4	4	-
<i>Other reserves - Reserve ex Legislative Decree 213/98</i>	25	25	-
- on reserves of foreign subsidiaries	10	48	-79.2
Total	234	270	-13.3

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

Changes in deferred tax liabilities charged to the statement of income

Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)

(€/mil)

1. Opening balance	73
2. Increases	
2.1 Deferred tax liabilities arising during the year	63
2.2 Other increases	5
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	59
3.2 Other decreases	1
4. Closing balance	81

Changes in deferred tax liabilities charged to shareholders' equity

Changes in deferred tax liabilities (Bank of Italy instructions dated 08.03.99)

(€/mil)

1. Opening balance	197
2. Increases	
2.1 Deferred tax liabilities arising during the year	
2.2 Other increases	
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	14
3.2 Other decreases	30
4. Closing balance	153

The deferred tax liabilities that reversed during the year relate for € 34 million to the release of the reserve set up in prior years for the distribution within the Group of subsidiaries' reserves with the related tax charge. Additional € 6 million are due to the utilisation by the Parent Bank of the reserve for deferred taxation on the reserve for general banking risks to cover loan losses incurred during the year, but which are not immediately deductible for tax purposes.

Detail of deferred tax assets

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Deferred tax assets credited to the statement of income:			
- adjustments to the value of loans	617	386	+59.8
- provisions to reserves, accumulated depreciation and amortization	485	134	n.s.
- adjustments to the value of securities, equity investments and property	48	31	+54.8
- other non-deductible items	-	-	n.s.
- other	120	7	n.s.
Total (*)	1,270	558	+127.6

(*) The contribution by the Banco di Napoli Group, amounting to € 642 million as of December 31, 2000, is made up of deferred tax assets on loan adjustments, € 300 million, on provisions, amortization and depreciation, € 243 million and on other items, € 99 million.

Changes in deferred tax assets credited to the statement of income

<i>Changes in deferred tax assets (Bank of Italy instructions dated 03.08.99)</i>		<i>(€/mil)</i>
1. Opening balance		558
2. Increases		
2.1 Deferred tax assets arising during the year		191
2.2 Other increases (*)		660
3. Decreases		
3.1 Deferred tax assets reversing during the year		129
3.2 Other decreases		10
4. Closing balance		1,270

(*) Increases include € 642 million of the contribution by the Banco di Napoli Group on its first-time consolidation.

Information pursuant to Consob Communication 1011405 dated February 15, 2001 – Par. A: preliminary observations by the European Commission concerning tax benefits under Decree Law 153 of 17/5/99 (Ciampi Law)

Decree Law 153 of May 17, 1999 –known as the "Ciampi Law" - on the concentration of banks and banking groups, provides for tax at a reduced rate of 12.50% on income allocated to a special reserve up to a maximum amount of 1.2% of the difference between receivables and payables of all of the banks taking part in such operations and the equivalent figures of the largest bank involved in the concentration. The resulting figure then has to be spread over five years.

In March 2000, the European Commission asked the Italian Government for explanations on the tax relief provided under the Ciampi Law, as it suspected that it might involve State aid not permitted under the Treaty of Rome; and in the meantime, the Commission asked for the benefits to be suspended.

In a letter dated October 25, 2000, the European Commission informed the Italian Government that it had launched a formal enquiry (currently in progress) and also published the news in the Official Gazette of the European Community on February 10, 2001.

In addition to the Italian Government, the main banks, including Sanpaolo IMI, also sent the European Commission their observations defending the "Ciampi Law", explaining why it does not involve illegal State aid and confirming that the tax measures introduced fully respect EC regulations.

When approving the 1999 financial statements, Sanpaolo IMI allocated to the "Ciampi" reserve income of € 260 million, which was the portion of income which could benefit from this law in connection with the merger between Sanpaolo and IMI in 1998.

In line with the above, when paying income taxes for that year, Sanpaolo IMI used the tax relief deriving from the "Ciampi Law" for € 260 million, thus lowering the tax burden by around € 60 million. However, this lower disbursement did not result in better results in the statement of income as under the prudence principle, given the uncertainty caused by the intervention of the European Commission, the Bank's 1999 annual report included a tax provision equal to the benefit received to cover any additional tax liability if the law turned out to be inapplicable.

As for the 2000 financial statements, Sanpaolo IMI allocated to the "Ciampi" reserve income of € 381 million, equal to the portion of income that can benefit from this law in connection with the merger between Sanpaolo and IMI, as well as the acquisition of Banco di Napoli during the course of 2000.

In line with the above, when paying income taxes for that year, Sanpaolo IMI will be able to use the tax relief deriving from the "Ciampi Law" on the amount of € 381 million, lowering the tax burden by around € 93 million.

However, as in the previous year, this lower payment of tax does not result in better results in the statement of income under the prudence principle, even if we are convinced that the Ciampi Law complies with EC principles, the Bank has made a provision of € 93 million to cover any additional tax liability if the law turned out to be inapplicable. Deferred taxes have been calculated using the average tax rate without considering the tax relief mentioned above.

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

<i>Analysis of caption 80c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.)</i>				<i>(€/mil)</i>
	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance - pro forma	40	231	137	408
Increases				
– provisions	13	237	18	268
– other (*)	6	738	123	867
Decreases				
– revaluation of guarantees	2			2
– coverage of charges deriving from legal disputes and other		24	12	36
– payments of long-service bonuses		2		2
– other	5	26	7	38
Closing balance	52	1,154	259	1,465

(*) Increases include € 863 million of the contribution from the Banco di Napoli Group on its first-time consolidation. The increase is split as follows: € 6 million against guarantees and commitments, € 734 million against other provisions for risks and charges and € 123 million against other personnel charges.

Provisions for guarantees and commitments, € 52 million, cover expected losses in respect of guarantees and, more generally, the contingencies associated with the Group's guarantees and commitments.

Other provisions for risks and charges amounting to € 1,154 million include:

- The Parent Bank:
 - € 105 million, provisions against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;

- € 207 million provided to cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Bank's commitment to support the Interbank Deposit Guarantee Fund and with other potential liabilities.
- Banco di Napoli:
 - € 409 million provided for restructuring costs and staff severance incentives (€ 382 million), as well as organisational improvements (€ 27 million);
 - € 232 million of provisions against estimated losses on legal disputes and, more specifically, on claims from bankruptcy liquidators;
 - € 20 million provisions as a specific reserve against potential expenses deriving from possible renegotiations of mortgage loans;
 - € 36 million of expenses provided against the insurance positions of employees no longer in force since January 1, 1991;
 - € 35 million of other expenses.
- € 110 million relating to provisions of the remaining subsidiaries (€ 97 million) mainly against commercial and operating risks connected with the placement and management of financial products geared to households.

The provisions for other personnel charges, € 259 million, include:

- € 105 million relating to provisions made by the Parent Bank, on the basis of independent actuarial appraisals, to cover the technical deficit of its supplementary pension fund, an independent entity, which integrates the compulsory pension fund;
- € 13 million provided to the technical reserves, determined on the basis of mathematical and actuarial criteria, designed to cover long-service bonuses to the Bank's employees;
- € 5 million relating to other provisions by the Parent Bank;
- € 123 million referring to provisions of Banco di Napoli S.p.A. , attributable for € 75 million to work disputes, for € 24 million to supplementary pensions and employees involved in tax collection, for 19 million to bonuses for employees and for € 5 million for leave still to be taken;
- € 13 million of provisions of other subsidiaries, essentially attributable to Banque Sanpaolo S.A. (€ 12 million).

Information as per Consob Communication 1011405 of February 15, 2001.

Point B. Law 133 of 13/5/99 and the Budget Law 2001 concerning the renegotiation of low-interest mortgage loans

In 1999, various regulations were issued which imposed a review of the interest rates, as requested by the borrowers or loan sponsoring entities, on mortgages paid totally or partially by the public sector; of these regulations, art. 29 of Law 133/99, concerning low-interest mortgage loans for housing, is the most important for the Group in terms of its potential effects (above all for the Parent Bank and, to a lesser extent, for Banco di Napoli). To implement this article, Ministerial Decree 110 of March 24, 2000 was issued, against which there is an appeal outstanding before the Regional Administrative Tribunal of Lazio, as well as before the equivalent tribunals in other regions that are involved.

For this rule to become applicable, an "actual global average rate" will have to be established for house mortgage loans being repaid, pursuant to art. 145. 62 of the Budget Law 2001. A specific Treasury Decree will have to be issued, putting this category into the classification of lending transactions for the purpose of determining the actual global average rates.

It should be noted that this rule seems to be in contrast with art. 102 of the EU Treaty, given that it imposes on banks that granted low-interest loans to accept a review of the interest rates applied, thus permitting a form of privileged access on the part of the State to financial institutions.

In accordance with Consob Communication 1011405 of February 15, 2001, it has to be noted that the rates on loans involved in this provision will be adjusted once the regulatory picture has been completed. As for the impact on the Group, we would point out that the measure was effective from July 1, 1999. Taking into account that the renegotiation rate has not yet been determined, the potential cost for the period July 1, 1999- December 31, 2000 has been prudently calculated at around € 121 million (of which € 100 million to be borne by the Parent Bank); this amount has been allocated to the provision for risks and charges.

Based on the same prudent criteria, the resulting decrease in interest income for 2001 has been put at about € 64 million (of which € 55 million attributable to the Parent Bank), which should be absorbed by the forecast trend in net interest income. In the years after 2001 the negative impact on the statement of income will progressively decline following the expiry of outstanding mortgage loans.

Other low-interest mortgage loans

In addition to the regulations mentioned above on the question of low-interest housing loans, other rules have been introduced concerning the renegotiation of low-interest mortgage loans which tend to impose a review of interest rates if requested by customers or loan sponsoring entities, albeit in different forms and for different reasons.

Of these we would point out art. 128 of Law 388/2000 (Budget Law 2001), relating to low-interest mortgage loans granted to farms. This rule, which has various aspects that appear to be clearly contrary to the European regulations on State aid, gives borrowers the right to renegotiate outstanding loans at current more favourable interest rates applicable to low-interest transactions. Application of this norm, which should affect the interest accruing from the date renegotiation is requested, has been postponed until another Ministerial Decree is issued. Lastly, other regulations have been introduced as part of the assistance to the Piedmontese flood victims, as per Law 226/99.

The potential cost for the Group, prudently calculated with reference to these various rules, comes to around € 24 million for 2001 (of which € 10 million attributable to the Parent Bank), which is likely to be absorbed by the forecast trend in net interest income.

Point C. Instructions contained in Law 394 of 29/12/00 concerning fixed-rate mortgage loans (usury)

On February 27, 2001, Decree Law 394 of 29/12/00 on usury was converted into law. This provision concerning fixed-rate mortgage loans, which is applicable to instalments expiring after January 2, 2001, laid down an obligation to renegotiate outstanding loans on the basis of a "substitute rate" set at 9.96% for mortgage loans of households and companies, reduced to 8% for mortgage loans up to 150 million for the purchase of the primary residence (provided it is not considered a luxury home).

In accordance with Consob Communication 1011405 of February 15, 2001, we should point out that the Group banks involved in this matter (Sanpaolo IMI and Banco di Napoli) are taking steps to adjust interest rates on mortgage loans in accordance with this provision. As for its impact on the Group, the costs for 2000 have been estimated at € 5 million and allocated to the reserve for risks and charges, while the reduction in interest income foreseen for 2001 has been put at € 24 million; though this is likely to be absorbed by the forecast trend in net interest income. For the years after 2001, the negative effects will progressively decline.

Point D. Judgement 425 of 9/10/00, by which the Constitutional Court declared article 25, c.3 D.Lgs. 342 of 4/8/99 illegitimate. This article relates to clauses that charge interest on accrued interest (anatocism).

Judgement 425 of the Constitutional Court of October 17, 2000 established that the transitional rule laid down by legislative decree 342/99 (which declared clauses in bank contracts signed before the adjustments introduced by the decree permitting the capitalization of interest "valid and effective") was unconstitutional. However, such judgement did not discuss the legitimacy of quarterly capitalization, merely stating that capitalization was unconstitutional for formal reasons

regarding the excess of power of attorney in contrast with art. 76 of the Constitution. In addition, the matter does not involve contracts stipulated after 22/4/2000, when the new instructions imposing the same calculation period for interest income and expense became effective.

In any event, the legal reasons of previously signed contracts remain unprejudiced, as fundamental for the legitimacy of the quarterly capitalization and aimed at contrasting the recent judgements of the Supreme Court which, by changing the previous consolidated law of the same Court, did not recognize the existence of a regulatory use in this matter, thus nullifying the clause in question.

The matter is still under debate and the outcome is uncertain: in fact, there are recent pronouncements which confirm the legality of quarterly capitalization clauses from various aspects, dissenting from the decisions of the Supreme Court.

Up to now, the dispute is immaterial in terms of absolute values, also with respect to prior years.

Reserve for possible loan losses (caption 90)

<i>Changes during the year in "Reserves for possible loan losses" (table 7.2 B.I.)</i>		<i>(€/mil)</i>
A. Opening balance		29
B. Increases		
B1. provisions		8
B2. other changes		-
C. Decreases		
C1. releases		1
C2. other changes		1
D. Closing balance		35

This caption reflects provisions made by certain subsidiaries to cover lending risks - including risks deriving from derivatives transactions; these risks are only potential, so the reserve is not set off against asset balances.

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

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

This section comments on the following balance sheet captions:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Shareholders' equity			
– capital (caption 150)	3,931	3,926	+0.1
– additional paid-in capital (caption 160)	18	-	n.s.
– reserves (caption 170)			
– legal reserve	793	792	+0.1
– reserve for own shares	739	357	+107.0
– other reserves	850	739	+15.0
– revaluation reserves (caption 180)	9	-	n.s.
– reserve for general banking risks (caption 100)	355	357	-0.6
– negative goodwill arising on consolidation (caption 120)	-	952	-100.0
– negative goodwill arising on application of the equity method (caption 130)	63	199	-68.3
– net income for the year (caption 200)	1,292	1,050	+23.0
Group interest in shareholders' equity	8,050	8,372	-3.8
Own shares (asset caption 140)	739	357	+107.0
<i>including: own shares held by the Parent Bank (*)</i>	<i>697</i>	<i>336</i>	<i>+107.4</i>
Minority interests (caption 140)	715	539	+32.7
Subordinated liabilities (caption 110)	5,158	1,524	n.s.

(*) In the reclassified consolidated balance sheet, the Parent Bank's own shares are shown as an adjustment to the consolidated shareholders' equity, while other own shares are included in the dealing portfolio.

Group interest in consolidated shareholders' equity

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

Capital, additional paid-in capital, the legal reserve reflect the amounts reported in the financial statements of the Parent Bank; "Other reserves" comprise the remaining reserves of the Bank changes during the year in the Group's interest in the shareholders' equity of consolidated companies.

As for the 1999/2001 stock option plan, during the year 1,833,250 options to subscribe to new shares were exercised. This brought about a capital increase of € 5 million, booking additional paid-in capital of € 18 million. As of December 31, 2000 the share capital amounts to € 3,931,250,954.4 made up by 1,404,018,198 ordinary shares with a par value of € 2.8 each.

The "Reserve for own shares" was established by the Parent Bank and the subsidiary Banca d'Intermediazione Mobiliare IMI S.p.A. in relation to the year-end stock of Sanpaolo IMI shares. More specifically, own shares of the Parent Bank held by said subsidiary is mainly in connection with dealing activities, essentially to hedge FIB 30 futures and options. The reserve, formed using the portion of reserves specifically destined for this purpose, is offset by a matching balance in asset caption 140 "Own shares".

The "Revaluation reserves" reflect property revaluation carried out during the year, pursuant to Law 342 of November 21, 2000, by the subsidiary Banca Fideuram, net of € 3 million attributed to minority interests and shown under "minority interests" (see Part B – Section 4). In addition "Negative goodwill arising on application of the equity method" includes the Group's portion (€ 3 million) of the revaluation carried out according to the same law by Fideuram Vita (see Part B – Section 3).

Reserve for general banking risks (caption 100)

The reserve for general banking risks reflects the reserve shown in the financial statements of the Bank, € 336 million, and the reserves set up by certain subsidiary companies, € 19 million.

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

Analysis of caption 120 "Negative goodwill arising on consolidation"

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Negative goodwill arising on first-time line-by-line consolidation	952	952	-
Goodwill arising on consolidation:	-952	-	n.s.
- Banco di Napoli Group	-854	-	n.s.
- Cassa di Risparmio di Firenze (*)	-98	-	n.s.
Total	-	952	-100.0

(*) to integrate the amount of € 75 million to offset all of the negative goodwill arising on first-time consolidation using the equity method (see the following table).

Analysis of caption 130 "Negative goodwill arising on application of the equity method"

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Negative goodwill arising on first-time consolidation using the equity method	75	78	-3.8
Goodwill arising on: Cassa di Risparmio di Firenze	-75	-	n.s.
Changes in the shareholders's equity after the first-time consolidation (*)	63	121	-47.9
Total	63	199	-68.3

(*) This caption represents the Group's portion of the increase in shareholders' equity of investments recorded after the first consolidation. It is mainly attributable to companies operating in the insurance segment.

The decrease in negative goodwill arising on first-time consolidation using the equity method, € 3 million, is due to the disposal of the shareholding in Crediop Overseas Bank Ltd.

Positive differences that arose during the year following the line-by-line consolidation of Banco di Napoli and the consolidation at equity of Cassa di Risparmio di Firenze have been deducted from total negative goodwill arising on first-time consolidation up to their full amount (see Explanatory notes to the financial statements – Introduction - Background information on the consolidated financial statements).

Asset captions "90. Goodwill arising on consolidation" and "100. Goodwill arising on application of the equity method" are commented on in Part B – Section 5 "Other assets"

Own shares (asset caption 140)

Own shares in portfolio are represented by securities of the Parent Bank held by itself and by other Group companies. More specifically as of December 31, 2000, Sanpaolo IMI S.p.A. had 39,345,982 own shares in portfolio (total par value of € 110 million carried at a cost of € 697 million). The valuation of this portfolio as of December 31, 2000 shows a net unrealized gain of € 24 million, taking into account securities to be received and the commitment to deliver 27,503,729 own shares

as part of the agreement to transfer them to Fondazione Cassa di Risparmio di Venezia in exchange for a 10.92% interest in Cardine Banca S.p.A..

At the year end, Banca IMI holds an additional € 42 million of Sanpaolo IMI S.p.A. shares for dealing purposes as already mentioned, and therefore carried at market value.

Deferred taxation on reserves in suspense for tax purposes

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

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

As regards the *Reserve for general banking risks*, deferred taxes have been recorded in connection with the probability of loan losses, which given the fiscal nature of the reserve, would not be immediately deductible. This reserve is an equity item that would be taxable however it is used.

Deferred taxes have been charged on the *Reserve ex Law 169/83* because of the various circumstances in which it can be taxed. This reserve is unrestricted for statutory purposes and would be taxed not only in the event of distribution, but also if used in certain other ways.

Deferred taxes have also been booked for the Reserve ex art. 21 of D.Lgs. 213/98. At the end of '98, deferred taxes were calculated on the net exchange differences that arose on translation of the equity investments expressed in Euro-participating currencies.

In addition, the consolidated financial statements include deferred taxes against foreign subsidiaries' reserves.

The deferred taxation on these equity items has been booked to specific reserves. Movements and balances are shown in Section 7 of these Explanatory Notes.

For completeness sake, we would also point out that the other items in the Bank's equity that are in suspense for tax purposes, namely the Share Capital (€ 631 million), the Legal Reserve (€ 268 million), the Reserve ex Law 218/90 (€ 80 million) and the Reserve ex D.Lgs. 124/93 (€ 2 million), are taxable solely if distributed. Given the extent to which these items are restricted, no deferred taxes have been calculated on them, as the events that might give rise to them being taxed are not expected to take place in the foreseeable future.

Minority interests (liability caption 140)

As of December 31, 2000, the portion of minority interests totalling € 715 million essentially relates to the quota attributable to minority shareholders of the Banca Fideuram, Nuova Holding Sanpaolo IMI and Banco di Napoli sub-groups (the latter, in particular, entailed the booking of minority interests of € 132 million)

A statement of changes in the Group's share of consolidated shareholders' equity is attached to these notes, together with a reconciliation of the Bank's 2000 net income and shareholders' equity and the corresponding consolidated amounts.

Shareholders' equity for supervisory purposes

In accordance with Bank of Italy instructions on disclosure, the composition of regulatory capital and an analysis of the prudent supervisory requirements are given in the table below. The final estimates will be relayed to the Supervisory Body on approval of these financial statements.

Category/value	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
A. Shareholders' equity for supervisory purposes			
A.1 Tier 1 capital	6,868	7,505	-8.5
A.2 Tier 2 capital	3,257	1,255	159.5
A.3 Items to be deducted	-1,259	-737	70.8
A.4 Shareholders' equity for supervisory purposes	8,866	8,023	10.5
B. Minimum regulatory requirements			
B.1 Lending risk	7,604	5,667	34.2
B.2 Market risk (*)	47	531	n.s.
<i>including:</i>			
- risks on dealing portfolio	607	505	20.2
- exchange risks	40	26	53.8
- concentration risks	-	-	-
B.3 Other minimum requirements	41	40	2.5
B.4 Total minimum requirements	7,692	6,238	23.3
C. Risk assets and capital-adequacy ratios			
C.1 Risk-weighted assets (**)	96,150	77,975	23.3
C.2 Tier 1 capital/risk weighted assets	7.1%	9.6%	
C.3 Regulatory capital/risk weighted assets	9.2%	10.3%	

(*) Market risks are covered by Tier 3 subordinated liabilities of the Parent Bank for € 601 million.

(**) Total regulatory requirements multiplied by the recovery of the minimum compulsory ratio for lending risk (12.5).

Subordinated liabilities (caption 110)

Loan	amount in the financial statements as of 31/12/00 (€/mil)	Amount in original currency (in millions)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 31/12/99 (€/mil)
Preferred Securities in Euro	1,000	1,000	8.126% (a)	10/11/2000	(b)	-
<i>Total innovative capital instruments (Tier 1)</i>	<i>1,000</i>					<i>-</i>
Notes in Luxembourg francs	-	1,000	7.75%	26/05/93	26/05/00	25
Notes in Luxembourg francs	25	1,000	7.63%	9/7/93	9/7/01	25
Notes in Luxembourg francs	-	1,000	9.00%	10/2/92	10/2/00	25
Notes in US dollars	178	165	floating	12/7/93	30/7/03	165
Notes in US dollars	86	79	floating	24/9/93	24/9/03	79
Notes in US dollars	101	94	floating	30/11/93	30/11/05	94
Notes in US dollars	-	32	floating	25/8/95	25/8/00	32
Notes in Canadian dollars	108	151	floating	10/11/93	10/11/03	104
Notes in Italian lire	356	690,000	10.40%	30/6/94	30/6/04	356
Notes in Italian lire	29	56,130	floating	15/6/93	15/6/03	-
Notes in Italian lire	36	69,790	floating	15/10/93	15/10/03	-
Notes in Euro	150	150	5.75%	15/9/99	15/9/09	-
Notes in Euro	-	198,000	floating	6/7/95	6/7/00	102
Notes in Euro	27	52,000	floating	30/12/96	20/1/02	27
Subordinated loan in US dollars	108	100	floating	15/9/93	15/9/03	-
Subordinated loan in US dollars	11	10	floating	25/3/91	25/3/01	-
Subordinated loan in Italian lire	39	75,000	5.10%	1/6/98	1/6/03	51
Subordinated loan in Italian lire	93	180,000	5.30%	1/1/98	1/1/03	124
Subordinated loan in Italian lire	87	168,000	floating	1/2/98	1/2/03	115
Subordinated loan in Euro	500	500	6.38%	6/4/00	6/4/10	-
Subordinated loan in Euro	350	350	floating	6/4/00	6/4/10	-
Subordinated loan in Euro	1,000	1,000	floating	27/9/00	27/9/10	-
Subordinated loan in Euro	200	200	floating	1/10/99	1/10/09	200
Subordinated loan in Euro	65	65	floating	12/10/99	12/10/09	-
Subordinated loan in Euro	8	8	floating	22/12/00	22/12/10	-
<i>Total subordinated liabilities (Tier 2)</i>	<i>3,557</i>					<i>1,524</i>
Subordinated loan in Euro	456	456	5.63%	3/10/00	3/10/03	-
Subordinated loan in Euro	145	145	floating	6/11/00	6/11/03	-
<i>Total Tier 3 subordinated liabilities</i>	<i>601</i>					<i>-</i>
Total	5,158					1,524

(a) The remuneration of the preferred securities is fixed at 8.126% up to November 10, 2010. After that date, a floating coupon will be paid at 12 months Euribor increased by 350 b.p.

(b) The securities cannot be redeemed. Only Sanpaolo IMI has the right to redeem the Notes, totally or partially, and this right can be exercised after November 10, 2010.

During the year, the Group issued new subordinated loans and non redeemable capital instruments for € 3,459 million (net of changes in intercompany positions) of which:

- € 1,000 million in the form of innovative capital instruments represented by the issuance of *Preferred Securities*, to finance the acquisition of Banco di Napoli, while maintaining an adequate level of capital ratios . These securities were issued by Sanpaolo IMI Capital Company I LLC, a vehicle created specifically for this purpose in the USA;
- € 1,858 million in the form of Tier 2 subordinated loans;
- € 601 million in the form of Tier 3 subordinated loans, to hedge the Group's market risks, according to the current rules of the Bank of Italy;

It has to be noted that, subordinated liabilities not included in the calculation of regulatory capital amount to € 256 million.

The technical characteristics of these innovative capital instruments and of the Group's outstanding subordinated loans are reported below.

Preferred Securities, which are attributable to Tier 1 capital, satisfy the following requirements:

- the securities are not redeemable, the issuer's redemption right, if any, cannot be exercised during the first 10 years after issuance; redemption has to be authorized in advance by the Bank of Italy;
- the contract provides for the possibility of suspending interest payments on the securities, even partially, if the Parent Company directly controlling the issuer did not distribute dividends during the previous year;
- dividends cannot be accumulated in subsequent years;
- in the event of the liquidation of Sanpaolo IMI, the holders of securities can only be reimbursed after all other subordinated and non-subordinated creditors have been paid.

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts lay down that:

- early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the duration exceeds 5 years;
- in the event that the issuer is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

The Tier 3 subordinated loans, which are deducted from the capital requirements for market risks, meet the following conditions:

- the original duration is less than 2 years;
- the payment of interest and principal is suspended if the capital requirements of Sanpaolo IMI should fall below 7% on an individual basis or 8% on a consolidated basis.
- in the event that the issuer is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Other information on subordinated liabilities

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

SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following :

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Other liabilities (caption 50)	17,420	15,715	+10.8
<i>including the contribution of the Banco di Napoli Group</i>	2,520		
Accrued expenses and deferred income (caption 60)	3,114	5,154	-39.6
<i>including the contribution of the Banco di Napoli Group</i>	462		
Total	20,534	20,869	-1.6

Other liabilities (caption 50)

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	3,967	9,676	-59.0
Amounts available for third parties	3,024	1,134	+166.7
Unprocessed transactions	2,890	1,462	+97.7
Tax payments accounts	1,231	107	n.s.
Amounts in transit with branches and subsidiaries	986	584	+68.8
Counterparty of valuations of foreign currency derivatives contracts	714	-	n.s.
Amounts payable due to settlement value date	367	127	+189.0
Due to the tax authorities	340	276	+23.2
Premiums collected on options sold	322	318	+1.3
Amounts due to employees	241	300	-19.7
Transactions by foreign branches	47	324	-85.5
Deposits guaranteeing agricultural and construction loans	37	35	+5.7
Items relating to securities transactions	17	23	-26.1
Non-liquid balances from portfolio transactions	13	334	-96.1
Other	3,224	1,015	n.s.
Total	17,420	15,715	+10.8

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Accrued expenses			
– interest on securities issued	989	1,188	-16.8
– charges on derivative contracts	977	3,266	-70.1
– interest on amounts due to banks	253	157	+61.1
– interest on amounts due to customers	184	119	+54.6
– payroll and other operating costs	81	40	+102.5
– other	271	57	n.s.
Deferred income			
– income from derivative contracts	147	114	+28.9
– interest on discounted notes	60	49	+22.4
– other	152	164	-7.3
Total	3,114	5,154	-39.6

SECTION 10 - GUARANTEES AND COMMITMENTS

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Guarantees given (caption 10)	15,670	11,045	+41.9
<i>including the contribution of the Banco di Napoli Group</i>	1,428		
Commitments (caption 20)	26,518	18,028	+47.1
<i>including the contribution of the Banco di Napoli Group</i>	4,439		
Total	42,188	29,073	+45.1

Guarantees given in favour of third parties comprise:

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Commercial guarantees	12,173	9,437	+29.0
b) Financial guarantees	3,174	1,416	+124.2
c) Assets lodged in guarantee	323	192	+68.2
Total	15,670	11,045	+41.9

Commitments outstanding at year end are as follows:

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Commitments to grant finance (certain to be called on)	8,260	2,287	n.s.
b) Commitments to grant finance (not certain to be called on)	18,258	15,741	+16.0
Total	26,518	18,028	+47.1

Firm commitments are detailed below:

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Undrawn lines of credit granted	13,537	11,548	+17.2
Purchase of securities not yet settled	3,918	741	n.s.
Mortgage loans to be disbursed	2,609	861	n.s.
Other commitments certain to be called on	2,424	1,548	+56.6
Put options issued	2,226	2,252	-1.2
Deposits and loans to be made	1,141	354	n.s.
Membership of Interbank Deposit Guarantee Fund	105	70	+50.0
Other commitments not certain to be called on	558	654	-14.7
Total	26,518	18,028	+47.1

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Portfolio securities lodged with third parties to guarantee repurchase agreements	10,119	9,372	+8.0
Securities lodged with the clearing-house for transactions on the derivatives market	702	58	n.s.
Securities lodged with central banks to guarantee advances	607	205	+196.1
Securities lodged with the Bank of Italy to guarantee bankers' drafts	142	70	+102.9
Securities lodged to guarantee promissory notes	51	-	n.s.
Total	11,621	9,705	+19.7

Unused lines of credit

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

(table 10.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Central banks	38	41	-7.3
b) Other banks	71	641	-88.9
Total	109	682	-84.0

Forward transactions

Forward transactions, excluding those on behalf of third parties, show the following amounts:

(table 10.5 B.I.)

	(€/mil)			
	Hedging transactions	Dealing transactions (*)	Other transactions	Total
1. Purchase/sale of				
1.1 securities				
– purchases	-	3,828	-	3,828
– sales	-	2,851	-	2,851
1.2 currency				
– currency against currency	2,707	3,949	-	6,656
– purchases against euro	8,984	5,691	-	14,675
– sales against euro	6,592	5,546	-	12,138
2. Deposits and loans				
– to be disbursed	-	-	2,947	2,947
– to be received	-	-	1,317	1,317
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	4,541	-	4,541
– sales	1,303	5,994	-	7,297
b) currency				
– currency against currency	412	614	-	1,026
– purchases against euro	1,717	972	-	2,689
– sales against euro	971	1,282	-	2,253
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	3	-	3
– purchases against euro	295	-	-	295
– sales against euro	28	-	-	28
b) other instruments				
– purchases	22,253	108,598	-	130,851
– sales	20,116	105,576	3,481	129,173
Total (**)	65,378	249,445	7,745	322,568

(*) Including derivative contracts hedging the dealing portfolio € 1.107 million

(**) Includes basis swaps both in purchases, € 15,070 million, and in sales € 15,070 million

At year end, hedging contracts, entered into as part of credit intermediation activities by the parent bank, show an unrecognized net loss of € 324 million. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivatives contracts in question is to hedge interest and exchange rate risks with regard to funding activities (particularly deposit-taking transactions made via the issue of bonds with a structured yield) or lending activities.

The above-mentioned contracts are in fact recorded on a consistent basis with those adopted for hedging transactions, with the identification of accruals in the financial statements. Had the assets and liabilities being hedged been valued in the same way, this would have led to a gain which would have offset the above loss.

Derivatives contracts included under structured financial instruments amount to € 3,481 million, at nominal value. Forward transactions outstanding as of December 31, 2000, presented in the table above, essentially reflect the activities of the Bank and those subsidiaries operating in the stockbroking and credit intermediation sector.

See part C, section 3 on profits and losses on financial transactions for the results of the valuation of derivative contracts.

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

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basle Committee for Bank Supervision, together with the International Organization of Securities Commissions (IOSCO).

The table below shows the notional nominal capital, by type, of purchase/sale of currency and derivative contracts on interest rates, exchange rates and stockmarket index.

<i>Notional amounts</i>	<i>(€/mil)</i>				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	2,768	9,574	-	-	12,342
- Swap (b)	167,145	1,521	-	-	168,666
- Options purchased	11,959	480	969	-	13,408
- Options sold	12,930	567	754	-	14,251
- Other derivative contracts	-	285	1,278	-	1,563
Exchange traded contracts					
- Futures purchased	6,117	-	-	-	6,117
- Futures sold	2,388	-	298	-	2,686
- Options purchased	1,434	-	506	-	1,940
- Options sold	2,921	-	617	-	3,538
- Other derivative contracts	-	-	1	-	1
Total trading contracts	207,662	12,427	4,423	-	224,512
Total non-trading contracts	39,411	21,356	5,088	207	66,062
Total contracts (c)	247,073	33,783	9,511	207	290,574
- including OTC contracts	233,315	33,783	8,089	207	275,394

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

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

(c) Includes basis swaps amounting to € 15,070 million and does not include forward transactions on currency with original duration of less than 2 days which total € 5,981 million.

The table below shows the residual duration of the above OTC transactions.

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>				(€/mil)
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	94,330	87,859	51,126	233,315
Exchange rate related	29,152	4,112	519	33,783
Stockmarket index related	2,271	5,538	280	8,089
Other contracts	-	207	-	207

The table below reports the credit risk equivalent related to OTC contracts broken down into their various components: positive market value and add on.

<i>Notional amounts, market values and similar add on</i>					(€/mil)
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	233,315	33,783	8,089	207	275,394
A. Market value of OTC trading contracts					
A .1 positive market value	3,688	446	120	-	4,254
A .2 negative market value	3,420	423	161	-	n.s.
B. Add on	870	171	152	-	1,193
C. Market value of OTC non-trading contracts					
C.1 positive market value	646	894	591	-	2,131
C .2 negative market value	865	958	308	-	n.s.
D. Add on	216	299	412	19	946
Credit risk equivalent (A.1+B+C.1+D)	5,420	1,810	1,275	19	8,524

Market values of hedging and dealing derivatives contracts arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the credit risk of off-balance sheet items for solvency ratio purposes. The market values identified in the table above derive from applying such criteria. In particular, such market values include the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

Lastly, the table below shows the breakdown of credit risk equivalent on OTC contracts by type of counterparty.

<i>Credit quality of OTC derivative contracts, by counterparty</i>				(€/mil)
	Positive market value	Add on	Credit risk equivalent (a) (current value)	
Governments and central banks	7	-	7	
Banks	6,015	1,793	7,808	
Other operators	363	346	709	
Total	6,385	2,139	8,524	

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

The transactions above are not supported by real or personal guarantees. No losses on derivatives have been recorded during the year nor are there any derivative contracts expired and not settled.

Derivative contracts on loans

Transactions in derivatives on loans carried out by the Group as of December 31, 2000 are analysed below:

(Table 10.6 B.1.)

Categories of operations	Negotiation	Other transactions	Total
<i>(€/mil)</i>			
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	-	166	166
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	-	931	931
2.2 Without exchange of capital			
– credit default swap	-	54	54
Total	-	1,151	1,151

Other information relating to guarantees

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

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as "significant exposures" by the Bank of Italy in compliance with EC guidelines. For this purpose, the positions are considered significant if the overall exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Bank's regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk, which takes into account the nature of the counterparty and the guarantees received.

(Table 11.1 B.I.)

	31/12/00
a) Amount (€/mil)	10,318
b) Number	6

Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

(Table 11.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Governments	10,028	4,471	+124.3
b) Other public entities	4,901	5,469	-10.4
c) Non-financial businesses	50,228	40,762	+23.2
d) Financial institutions	14,871	6,751	+120.3
e) Family businesses	3,388	2,498	+35.6
f) Other operators	15,290	13,223	+15.6
Total	98,706	73,174	+34.9

Distribution of loans to resident non-financial and family businesses

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

(Table 11.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Other services for sale	7,318	5,490	+33.3
b) Commerce, salvage and repairs	6,267	5,412	+15.8
c) Construction and public works	3,810	3,711	+2.7
d) Energy products	3,459	2,847	+21.5
e) Transport	2,589	2,840	-8.8
f) Other sectors	19,995	15,691	+27.4
Total	43,438	35,991	+20.7

Distribution of guarantees given, by category of counterparty

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

(Table 11.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Governments	6	20	-70.0
b) Other public entities	132	13	n.s.
c) Banks	800	795	+0.6
d) Non-financial businesses	12,820	8,860	+44.7
e) Financial institutions	1,455	971	+49.8
f) Family businesses	115	95	+21.1
g) Other operators	342	291	+17.5
Total	15,670	11,045	+41.9

Geographical distribution of assets and liabilities

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

(table 11.5 B.I.)

	31/12/00 (€/mil)				31/12/99 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	9,861	6,826	2,432	19,119	10,131	8,772	3,241	22,144
1.2 loans to customers	81,607	10,210	6,889	98,706	60,999	7,679	4,496	73,174
1.3 securities	16,794	3,772	4,392	24,958	12,608	4,110	1,662	18,380
Total	108,262	20,808	13,713	142,783	83,738	20,561	9,399	113,698
2. Liabilities								
2.1 due to banks	7,406	10,451	11,739	29,596	9,722	7,173	11,117	28,012
2.2 due to customers	49,967	9,312	5,439	64,718	31,958	8,283	2,948	43,189
2.3 securities issued	27,808	7,392	4,138	39,338	25,081	6,459	4,178	35,718
2.4 other accounts	3,222	1,023	1,000	5,245	527	1,047	-	1,574
Total	88,403	28,178	22,316	138,897	67,288	22,962	18,243	108,493
3. Guarantees and commitments	19,345	8,802	14,041	42,188	12,974	7,304	8,795	29,073

Maturities of assets and liabilities

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

(Table 11.6 B.I.)

	(€/mil)								Total	
	On demand	Up to 3 months	Specified duration				Unspecified duration			
			Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years				
				Fixed rate	Indexed rate	Fixed rate	Indexed rate			
1. Assets										
1.1 Treasury bonds eligible for refinancing	111	474	1,588	1,652	3,218	1,039	886	-	8,968	
1.2 due from banks	3,687	11,778	2,696	209	289	125	42	293	19,119	
1.3 loans to customers	14,824	20,594	13,291	13,063	15,345	8,464	11,522	1,603	98,706	
1.4 bonds and other debt securities	54	1,255	1,546	2,587	4,227	2,733	1,585	-	13,987	
1.5 off-balance sheet transactions	11,862	108,529	74,436	43,927	3,225	30,151	1,532	-	273,662	
Total assets	30,538	142,630	93,557	61,438	26,304	42,512	15,567	1,896	414,442	
2. Liabilities										
2.1 due to banks	4,839	15,614	4,232	990	1,687	405	1,829	-	29,596	
2.2 due to customers	44,794	13,613	3,852	928	539	773	219	-	64,718	
2.3 securities issued:										
– bonds	355	1,437	2,606	8,678	6,655	4,307	2,551	-	26,589	
– certificates of deposit	146	4,450	2,783	870	623	-	16	-	8,888	
– other securities	753	2,600	439	69	-	-	-	-	3,861	
2.4 subordinated liabilities	-	71	57	650	1,122	1,650	1,608	-	5,158	
2.5 off-balance sheet transactions	11,549	108,088	72,596	45,937	2,290	32,205	927	-	273,592	
Total liabilities	62,436	145,873	86,565	58,122	12,916	39,340	7,150	-	412,402	

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the Euro-zone as of December 31, 2000 are broken down as follows. Figures as of December 31, 1999, reported for comparison purposes, relate to all transactions made in currencies other than the Lire. These include asset and liability balances pertaining to currencies that are part of the Euro-zone for € 17,781 million and € 22,337 million respectively.

(Table 11.7 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Assets			
1. due from banks	5,547	6,453	-14.0
2. loans to customers	11,543	7,956	+45.1
3. securities	5,247	3,196	+64.2
4. equity investments	147	125	+17.6
5. other accounts	33	51	-35.3
Total assets	22,517	17,781	+26.6
b) Liabilities			
1. due to banks	11,333	8,949	+26.6
2. due to customers	10,034	5,626	+78.4
3. securities issued	5,771	7,288	-20.8
4. other accounts	616	474	+30.0
Total liabilities	27,754	22,337	+24.3

Taking into consideration the effects of currency swap transactions for specific and generic hedging of transactions in foreign currency, the currency short position shown above is substantially offset.

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales of securities on behalf of third parties during the year are summarized below:

(Table 12.1 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Purchases			
1. settled	153,776	42,964	n.s.
2. not settled	116	163	-28.8
Total purchases	153,892	43,127	n.s.
b) Sales			
1. settled	146,355	32,641	n.s.
2. not settled	359	34	n.s.
Total sales	146,714	32,675	n.s.

Transactions on behalf of third parties include € 80,496 million of purchases and € 80,548 million of sales involving derivative contracts.

Portfolio management

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

(Table 12.2 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Asset management (*)	34,392	23,953	+43.6

(*) Pursuant to specific Bank of Italy instructions the information refers solely to personalized management of customers' assets, excluding group mutual funds, € 79,727 million, and technical reserves of insurance subsidiaries for € 14,794 million.

Custody and administration of securities

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

(Table 12.3 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Third-party securities held on deposit	211,964	209,672	+1.1
b) Third-party securities deposited with third parties	134,350	128,231	+4.8
c) Portfolio securities deposited with third parties (a)	22,259	14,087	+58.0

(a) Excluding securities deposited with third parties to secure repurchase agreements which, as required, are already included in table 10.3 B.I - Assets lodged to guarantee the Group's liabilities.

Collection of receivables on behalf of third parties debit and credit adjustments

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

(Table 12.4 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
a) Debit adjustments			
1. current accounts	741	690	+7.4
2. central portfolio	102	97	+5.2
3. cash	-	-	-
4. other accounts	19	-	-
b) Credit adjustments			
1. current accounts	90	97	-7.2
2. transferors of notes and documents	757	693	+9.2
3. other accounts	15	-	n.s.

Other transactions

Reserve for Research Grants

Starting from January 2000, the Ministry of University and Scientific and Technological Research directly manages the Reserve for Applied Research, now called "Reserve for Research Grants" and authorized 10 banks, among which Sanpaolo IMI, to carry out the technical and economic valuation of research and development projects and of training programs for researchers, as well as control over their implementation.

In 2000, 403 applications arrived for total investments of € 1,156 million, representing around 45% of global applications for industrial research grants (the other 55% is shared among the other 9 authorized banks). 487 preliminary inquiries were carried out (+6% versus 1999) 411 contracts drawn up (+9%), assisted loans amounting to € 431 million were drawn on public funds and € 117 million were drawn on the Bank's funds, taking advantage of interest subsidies provided by the government under Law 346/88 (totalling € 548 million, + 6%).

Management activities carried out on behalf of the Ministry were recompensed with commission totalling € 12 million.

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

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

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

As of December 31, 2000, 4,048 requests had received for a total of € 1,820 million, broken down as follows:

- € 1,467 million relating to the consolidation of short-term debt (of which € 1,455 million already being paid and € 12 million waiting for the final documentation);
- € 353 million for participating loans;

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

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totalled € 901 million at year end (€ 857 million in 1999).

Notes for collection and tax collection services

The nominal value of third parties' receivables for which the Group was appointed to handle collection as part of portfolio transactions amounts to € 9,375 million.

In addition, through Banco di Napoli subsidiaries, Sanpaolo Riscossioni Genova and Sanpaolo Riscossioni Prato, the Group manages the collection of tax rolls with or without the obligation to advance amounts not collected for a total of € 12,946 million.

Asset management services rendered by third parties

The amount of asset management services offered to customers through Group companies as of December 31, 2000 came to € 4,006 million broken down as follows: € 351 million of mutual funds and fund-based portfolio management schemes, € 1,279 million of portfolio management schemes and € 2,376 million of insurance policies.

Part C - Consolidated statement of income

SECTION 1 - INTEREST

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Interest income and similar revenues (caption 10)	7,622	6,679	5,966
Interest expense and similar charges (caption 20)	5,123	4,584	3,934

Interest income and similar revenues (caption 10)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On amounts due from banks	991	930	715
<i>including on:</i>			
– deposits with central banks	50	42	24
b) On loans to customers	5,501	4,861	4,324
<i>including on:</i>			
– loans using public funds	-	-	-
c) On debt securities	1,006	794	915
d) Other interest income	87	48	12
e) Net differential on hedging transactions (*)	37	46	-
Total	7,622	6,679	5,966

(*) This balance represents the net effect of hedging derivative differentials.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On assets denominated in foreign currency	552	412	870

"Interest income and similar revenue" on assets denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On amounts due to banks	1,522	1,423	992
b) On amounts due to customers	1,401	1,149	892
c) On securities issued	2,117	1,939	1,834
<i>including on:</i> <i>- certificates of deposit</i>	436	411	480
d) On public funds administered	-	-	-
e) On subordinated liabilities	83	73	81
f) Net differential on hedging transactions (*)	-	-	135
Total	5,123	4,584	3,934

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) On liabilities denominated in foreign currency	762	636	839

"Interest expense and similar charges" on liabilities denominated in foreign currency relates to transactions denominated in currencies not included in the Euro-zone.

SECTION 2 - COMMISSION

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Commission income (caption 40)	3,452	3,270	2,587
Commission expense (caption 50)	817	808	530

Commission income (caption 40)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) Guarantees given	46	43	44
b) Collection and payment services	247	207	177
c) Management, dealing and advisory services			
1. dealing in securities	153	152	106
2. dealing in currency	36	33	31
3. portfolio management	180	173	123
4. custody and administration of securities	40	39	39
5. placement of securities	113	101	199
6. advisory services	40	40	36
7. "door-to-door" sales of securities and financial products and services	120	120	108
8. acceptance of instructions	186	179	110
9. management of mutual funds	1,683	1,653	1,107
d) Tax collection services	52	27	32
e) Other services	556	503	475
Total	3,452	3,270	2,587

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Deposits and current account overdrafts	172	143	109
Loans granted	145	135	143
Banking functions in relation to mutual funds deposited	127	124	108
Current accounts	66	57	61
Loan-arrangement activities	3	2	1
Other services	43	42	53
Total	556	503	475

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) Collection and payment services	60	56	50
b) Management and dealing services			
1. dealing in securities	44	43	42
2. dealing in currency	1	1	1
3. portfolio management	2	1	-
4. custody and administration of securities	29	29	16
5. placement of securities	8	8	1
6. "door-to-door" sales of securities and financial products and services	582	580	369
7. management of mutual funds	36	36	18
c) Other services	55	54	33
Total	817	808	530

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Loan-arrangement activities	9	9	2
Intermediation on financing transactions	7	6	12
Guarantees received	5	5	1
Loans obtained	1	1	8
Other services	33	33	10
Total	55	54	33

SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Profits (losses) on financial transactions (caption 60)	165	156	103

Profits (losses) on financial transactions (caption 60)

Profits and losses in the official (non-restated) statement of income comprise:

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

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	476	-	6,515	6,991
A2. Writedowns	-426	-	-8,384	-8,810
B. Other profits and losses	100	57	1,827	1,984
Total	150	57	-42	165
<i>including:</i>				
1. on government securities	13			
2. on other debt securities	30			
3. on equities	114			
4. on security derivatives	-7			

Profits and losses in the restated statement of income comprise:

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

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	468	-	6,514	6,982
A2. Writedowns	-421	-	-8,381	-8,802
B. Other profits and losses	96	55	1,825	1,976
Total	143	55	-42	156
<i>including:</i>				
1. on government securities	10			
2. on other debt securities	30			
3. on equities	112			
4. on security derivatives	-9			

Current legislation on financial statements requires separate identification of the effects of an integrated, hedged treasury portfolio, comprising shares and other securities (in lire and foreign currencies, sensitive to interest rate flotation) and derivatives (futures, options, IRS, interest rate/cross currency and other instruments). The result of the caption "profits and losses from financial transactions" should therefore be read together with the effects shown under dividends on shares as part of net interest and other banking income.

SECTION 4 - ADMINISTRATIVE COSTS

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Payroll costs (caption 80.a)	1,929	1,620	1,534
Other administrative costs (caption 80.b)	1,147	1,032	932
Total	3,076	2,652	2,466

Payroll costs (caption 80.a)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Wages and salaries	1,380	1,167	1,097
Social security charges	425	369	365
Termination indemnities	97	81	69
Pensions and similar commitments	27	3	3
Total	1,929	1,620	1,534

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

	31/12/00	31/12/00 restated	31/12/99
a) Executives	439	353	338
b) Managers	5,046	4,488	4,388
c) Other employees	24,339	19,663	19,490
Total	29,824	24,504	24,216

The average number of employees in 2000 includes half of the Banco di Napoli Group employees as of December 31, 2000, as laid down by law.

Other administrative costs (caption 80.b)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Rental of premises	117	106	88
Consultancy services	112	109	84
Software maintenance and upgrades	71	71	83
Other expenses for personnel training, travel and assignments	52	45	37
Maintenance of operating assets	50	43	41
External data processing	48	36	25
Postage and telegraph charges	41	36	38
Data transmission charges	41	32	28
Advertising and entertainment	41	40	24
Telephone	36	33	32
Energy	33	28	26
Legal and judiciary expenses	31	26	24
Security services	30	24	24
Maintenance of properties owned by the Bank	27	20	18
Cleaning of premises	23	19	20
Office supplies	21	19	16
Investigation/commercial information costs	16	14	11
Insurance premiums - banks and customers	12	10	11
Database access charges	11	17	16
Transport and counting of valuables	11	10	11
Courier and transport services	11	10	10
Maintenance of leasehold premises	8	8	7
Lease instalments payable	7	7	14
Contributions and membership fees to trades unions and business associations	6	6	6
Other expenses	102	90	69
Total	958	859	763
Indirect duties and taxes			
– stamp duties	133	122	120
– substitute tax (Pres. Decree 601/73)	18	16	13
– local property taxes	8	7	10
– non-recoverable VAT on purchases	6	6	11
– tax on stock exchange contracts	5	5	-
– other	19	17	15
Total	189	173	169
Total other administration costs	1,147	1,032	932

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the consolidated statement of income, and writebacks, reported in captions 130 and 160, are detailed below:

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Adjustments to intangible and tangible fixed assets (caption 90)	389	326	293
Provisions for risks and charges (caption 100)	323	249	81
Adjustments to loans and provisions for guarantees and commitments (caption 120)	647	580	664
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	417	403	361
Provisions to reserves for possible loan losses (caption 140)	8	8	10
Adjustments to financial fixed assets (caption 150)	36	35	89
Writebacks of adjustments to financial fixed assets (caption 160)	15	15	2

Adjustments to intangible and tangible fixed assets (caption 90)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Adjustments to intangible fixed assets			
– amortization of software costs	114	88	47
– amortization of goodwill arising on application of the equity method	32	32	25
– amortization of merger differences	27	27	37
– amortization of goodwill	18	17	18
– amortization of other deferred charges	17	14	29
– amortization of goodwill arising on consolidation	13	13	4
– amortization of start-up and capital increase expenses	1	1	1
Adjustments to tangible fixed assets			
– depreciation of property	59	45	59
– depreciation of furniture and installations	108	89	73
Total	389	326	293

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the provision of accelerated depreciation.

Provisions for risks and charges (caption 100)

Provisions for risks and charges, € 323 million, made during the year reflect the consolidation of the corresponding provision of the Bank (€ 201 million) and provisions made by subsidiary Banco di Napoli (€ 74 million). The remainder refers essentially to provisions made by the subsidiaries operating in the placement and management of financial products against the risks involved in such activities.

The provision made by the Parent Bank is allocated as follows:

- € 188 million for lawsuits, above all claims from bankruptcy liquidators and other potential liabilities;
- € 13 million designed to increase the coverage of the reserve for other payroll costs, pension and similar commitments, including € 6 million to cover long-service bonuses to the Bank's employees, € 6 to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund and € 1 million to cover other potential pension charges.

The provision made by Banco di Napoli in the second half of the year is split as follows:

- € 21 million to increase the reserve for other payroll costs;
- € 18 million to strengthen the reserve for risks involved in potential disputes on the renegotiation of interest rates and conditions;
- € 15 million to increase the reserve for other risks and charges against lawsuits, above all claims from bankruptcy liquidators and other potential liabilities;
- € 13 million against costs in connection with the renegotiation of mortgage loans;
- € 7 million for other risks and charges.

The provisions made by other subsidiaries relate to prudent provisions made by subsidiaries operating in the area of financial services for households for risks involved in the marketing financial products.

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

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
a) Adjustments to loans	634	567	663
<i>including:</i>			
– general adjustments for country risk	16	16	56
– other general adjustments	114	114	11
b) Provisions for guarantees and commitments	13	13	1
<i>including:</i>			
– general provisions for country risk	-	-	-
– other general provisions	8	8	-
Total	647	580	664

In addition to the above adjustments, default interest of € 142 million due during the year has been reversed from interest income.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Revaluation of loans previously written down	107	106	134
Revaluation of loans previously written off	1	1	3
Revaluation of provisions for guarantees and commitments	2	2	1
Collection of loan principal previously written down	200	199	116
Collection of loan principal and interest previously written off	46	45	65
Collection of default interest previously written down	61	50	42
Total	417	403	361

Provisions to reserves for possible loan losses (caption 140)

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

Adjustments to financial fixed assets (caption 150)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Adjustments to investment securities	16	16	14
Adjustments to equity investments	20	19	75
Total	36	35	89

Adjustments to investment securities refer to the writedown made by the Parent Bank of debt securities issued by "Countries at risk", to take account of market trends, in compliance with art. 18 of D.Lgs 87/92.

Adjustments to equity investments, € 20 million, relate to the writedown of holdings in the following companies:

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Beni Stabili S.p.A.	-	-	58
Elsacom N.V.	8	8	-
Blixer S.p.A.	4	4	-
Inter Europa Bank Rt	-	-	4
Banca Popolare di Lodi S.C.R.L.	3	3	-
Milano Assicurazioni S.p.A.	-	-	3
Filos S.p.A.	2	2	-
Other	3	2	10
Total	20	19	75

Writebacks of adjustments to financial fixed assets (€ 15 million) mainly refer to writebacks to the investment in Montedison S.p.A. (€ 14 million) by NHS - Nuova Holding Sanpaolo IMI S.p.A.

SECTION 6 - OTHER CONSOLIDATED STATEMENT OF INCOME CAPTIONS

Dividends and other revenues (caption 30)

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Shares, quotas and other equities			
– dividends	107	106	94
– tax credits	62	62	54
Equity investments, other than those consolidated on a line-by-line basis or carried at equity			
– dividends	48	48	69
– tax credits	14	11	33
Total	231	227	250

Other operating income (caption 70)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Expenses recovered from customers			
– stamp duties	122	116	115
– other taxes	20	19	16
– other recoveries	19	18	15
– legal costs	14	14	14
Income from merchant banking activities	11	11	28
Reimbursement of services rendered to third parties	7	2	14
Rent and other income from property	4	3	5
Other income from leasing activities	2	2	3
Other income	51	34	14
Total	250	219	224

Other operating expenses (caption 110)

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Other charges on leasing transactions	17	17	16
Real estate leasing charges	3	3	3
Losses from merchant banking activities	-	-	2
Other expenses	11	5	19
Total	31	25	40

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Out-of-period income			
– release of surplus provisions	6	6	1
– other out-of-period income	75	40	33
Amounts not payable	5	5	2
Gains on:			
– equity investments (*)	259	259	327
– Own shares in portfolio	83	83	-
– investment securities	14	12	1
– tangible fixed assets	9	8	3
Total	451	413	367

(*) the detail of gains on investments is shown in Part B - Section 3 of these notes.

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

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
Severance bonus incentive for voluntary redundancy	7	5	22
Amounts not collectible	5	5	1
Losses on:			
– investment securities	5	5	-
– equity investments	2	2	4
– tangible fixed assets	1	1	1
Other out-of-period expenses	35	26	45
Total	55	44	73

Income taxes for the year (caption 240)*Breakdown of caption 240 Income taxes for the year" (Bank of Italy instructions dated 03.08.99)*

	31/12/00 (€/mil)	31/12/00 restated (€/mil)	31/12/99 (€/mil)
1. Current income taxes	883	867	696
2. Change in deferred tax assets	-88	-62	-28
3. Change in deferred tax liabilities	-10	-10	17
4. Income taxes	785	795	685

SECTION 7 - OTHER INFORMATION REGARDING THE CONSOLIDATED STATEMENT OF INCOME

Geographical distribution of revenues

The geographical distribution of revenues, based on the location of the Bank's branches and of consolidated companies, is as follows (as shown in the official (non-restated) financial statements):

(table 7.1 B.I.)

	31/12/00 (€/mil)				31/12/99 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income & similar revenues	5,840	922	823	7,585	4,708	894	364	5,966
Dividends and other revenues	216	15	-	231	220	30	-	250
Commission income	2,349	1,077	26	3,452	1,958	611	18	2,587
Profits (losses) on financial transactions	138	27	-	165	98	-12	17	103
Other operating income	349	-209	110	250	194	30	-	224
Total revenues	8,892	1,832	959	11,683	7,178	1,553	399	9,130

The geographical distribution of revenues, based on the location of the Bank's branches and of consolidated companies, is as follows (as shown in the restated financial statements):

(table 7.1 B.I.)

	31/12/00 restated (€/mil)				31/12/99 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income & similar revenues	5,053	882	698	6,633	4,708	894	364	5,966
Dividends and other revenues	212	15	-	227	220	30	-	250
Commission income	2,164	1,102	4	3,270	1,958	611	18	2,587
Profits (losses) on financial transactions	129	29	-2	156	98	-12	17	103
Other operating income	319	-209	109	219	194	30	-	224
Total revenues	7,877	1,819	809	10,505	7,178	1,553	399	9,130

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

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

Remuneration (table 1.1 B.I.)

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Directors	4	3	+33.3
Statutory Auditors	1	1	-

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

Stock option plans are described in the consolidated report on operations and in the explanatory notes to the statutory financial statements – Part D – Section 1 – Directors and Statutory Auditors.

Loans and guarantees given

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

	31/12/00 (€/mil)	31/12/99 (€/mil)	Change %
Directors	6	10	-40.0
Statutory Auditors	1	1	-

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors, € 0,2 million, and to companies and banks identified pursuant to article 136 of the Consolidated Banking Act, € 6,6 million, including the drawdown against credit lines granted to the latter.

Attachments

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CONSOLIDATED CASH FLOWS

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

LIST OF SHAREHOLDINGS OF MORE THAN 10% IN UNQUOTED
AND LIMITED LIABILITY COMPANIES

PRO FORMA CONSOLIDATED STATEMENT OF INCOME FOR 2000

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	(€/mil)					
	Capital	Reserves and retained earnings	Reserve for general banking risks	Goodwill arising on consolidation and on application of the equity method	Net income	Total
Shareholders' equity as of December 31, 1999	3,926	1,888	357	1,151	1,050	8,372
Allocation of 1999 net income:						
- to reserves	-	326	-	-	(326)	-
- to shareholders	-	-	-	-	(724)	(724)
Reclassifications between reserves	-	64	-	(64)	-	-
Change in the reserve for general banking risks	-	-	(2)	-	-	(2)
Offsetting of goodwill on consolidation (1)	-	-	-	(1,027)	-	(1,027)
Exercise of stock options	5	18	-	-	-	23
Undistributed dividends on own shares held by the Parent Bank	-	2	-	-	-	2
Cancellation of reserves for deferred taxes and other tax effects on reserves	-	98	-	-	-	98
Revaluation ex L. 342 21.11.2000	-	9	-	3	-	12
Differences arising on the translation of foreign currency financial statements and other adjustments	-	4	-	-	-	4
Net income	-	-	-	-	1,292	1,292
Shareholders' equity as of December 31, 2000	3,931	2,409	355	63	1,292	8,050
Own shares in portfolio - Parent Bank	-	(697)	-	-	-	(697)
Shareholders' equity as per reclassified balance sheet as of 31/12/00	3,931	1,712	355	63	1,292	7,353

(1) The offsetting concerns positive differences arising from the consolidation for the first time of the Cassa di Risparmio di Firenze S.p.A. (€ 173 million), al "net equity" and Banco di Napoli S.p.A. (€ 854 million), consolidated "line by line". The offsetting was made using the opportunity provided for in current regulations (see Explanatory Notes, Introduction - Background information on the Consolidated Financial Statements, paragraph Principles of consolidation).

STATEMENT OF CONSOLIDATED CASH FLOWS

(€/mil)

APPLICATION OF FUNDS

Use of funds generated by operations	835
Dividends paid	724
Use of reserve for termination indemnities	32
Use of provisions for risks and charges	77
Use of reserve for general banking risks	2
Increase in funds applied	11,919
Loans to customers	7,028
Acquisition of shareholding in Banco Napoli	2,922
Own shares	382
Dealing securities	210
Goodwill arising on consolidation and on application of the equity method	1,021
Tangible fixed assets	140
Intangible fixed assets	216
Decrease in funds taken	4,231
Due to banks	914
Other liability items	3,317
Total	16,985

(€/mil)

SOURCES OF FUNDS

Funds generated by operations	2,487
Net income	1,292
Provision for termination indemnities	44
Net adjustments to loans and provisions for guarantees and commitments	177
Provisions for risks and charges	274
Adjustments to tangible fixed assets	134
Adjustments to intangible fixed assets	192
Adjustments to financial fixed assets	21
Adjustments to goodwill arising on consolidation and on application of the equity method	90
Exchange differences on translating the net equity of consolidated companies and other adjustments	115
Net changes in the reserve for taxation	140
Provision to the reserve for possible loan losses	8
Increase in funds taken	3,981
Minority interests	43
Due to customers and securities issued	605
Subordinated liabilities	3,310
Exercise of stock options	23
Decrease in funds applied	10,517
Cash and deposits with central banks	3
Due from banks:	5,542
Investment securities	287
Equity investments	547
Other assets	4,138
Total	16,985

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

	(€/mil)				
	Net income	Capital and reserves	Shareholders' net equity	Provision for loan losses	Total
FINANCIAL STATEMENTS OF THE PARENT BANK	1,198	6,501	7,699	-	7,699
Balance of companies consolidated line by line	1,231	6,981	8,212	41	8,253
Consolidation adjustments:					
- carrying value of shareholdings consolidated line by line	-	-5,847	-5,847	-	-5,847
- dividends from consolidated companies	-1,190	843	-347	-	-347
- compensation of positive consolidation differences	-	-1,263	-1,263	-	-1,263
- amortization of positive consolidation differences	-45	-132	-177	-	-177
- reversal of income from sales of shareholdings	-114	90	-24	-	-24
- shareholdings valued at net equity	88	138	226	-	226
- writedowns on shareholdings	168	-	168	-	168
- minority interests	-94	-621	-715	1	-714
- other adjustments	50	68	118	-6	112
CONSOLIDATED FINANCIAL STATEMENTS	1,292	6,758	8,050	36	8,086

LIST OF SHAREHOLDINGS AT DECEMBER 31, 2000 OF MORE THAN 10% IN VOTING SHARES IN UNQUOTED COMPANIES OR IN LIMITED LIABILITY COMPANIES (CONSOB RULING 11715 OF NOVEMBER 24, 1998) (1)

Name	Shareholder	%
S.C.I. BOISSY GRISELLE 7	SOCIETE' FONCIERE D'INVESTISSEMENT	99.00
	SOCIETE' IMMOBILIARE D'INVESTISSEMENT	1.00
	TOTAL	100.00
UNO BROKER in liquidation	SOFIR'S	100.00
LEASARTE	SOFIR'S	100.00
SOFIR'S	HOLDING 21 (EX UNO HOLDING in liq.)	100.00
GIACINTO in liquidation	APOKE' TWO	100.00
S.C.I. BOISSY RER 5	SOCIETE' FONCIERE D'INVESTISSEMENT	90.00
RECEIVABLES SERVICING COMPANY	LACKENSTAR LTD	15.76
WOBCO HOLDING	GED, I, T, - GEDEAM INVESTISSEMENTS	100.00
S.A. IMMOBILIARE DE CONSTRUCTION DE MONTECLIN in liquidation	BANQUE SANPAOLO S.A.	11.30
CIFRALI 8	BANQUE SANPAOLO S.A.	18.30
CIFRALI 9	BANQUE SANPAOLO S.A.	14.09
SOGEPI ET CIE LE FOURNAS SNC	BANQUE SANPAOLO S.A.	12.50
SCI LES BALCONS DU DRAC	BANQUE SANPAOLO S.A.	15.41
SCI LE CLOS DE NOYER en liquidation	BANQUE SANPAOLO S.A.	15.00
SCI BALCONS SAINTE MARIE	BANQUE SANPAOLO S.A.	18.00
SCI PLEIN CIEL	BANQUE SANPAOLO S.A.	12.00
SCI PRALY II	BANQUE SANPAOLO S.A.	11.00
SCI PRALY III	BANQUE SANPAOLO S.A.	12.00
CHATEAU BOLIDES	IMMOBILIARE 21 (EX UNO IMMOBILIARE)	49.00
FINDIRAMA in liquidation	SOFIR'S	100.00
FATA GROUP	NHS - NUOVA HOLDING SANPAOLO IMI	13.17
HOLDING 21 (EX UNO HOLDING)	APOKE' TWO	100.00
SOCIETA' NAZIONALE FINANZIARIA	SOFIR'S	15.25
CIVE	SANPAOLO IMI	69.97
INTEGRATED SHIPPING COMPANY - I.S.CO.	SANPAOLO IMI	100.00
FEIC	SANPAOLO IMI	17.24
CENTRALE DEI BILANCI	SANPAOLO IMI	7.22
	BANCO DI NAPOLI	3.33
	ISVEIMER	0.83
	TOTAL	11.38
FONTI DI GAVERINA	SANPAOLO IMI	51.04
SOCIETA' PER I SERVIZI BANCARI - SSB	BANCO DI NAPOLI	7.01
	BANCA FIDEURAM	0.02
	SANPAOLO IMI	7.24
	TOTAL	14.27
IMMOBILIARE DELL'ISOLA CATTANEO	SANPAOLO IMI	48.57
ITTICA UGENTO	SANPAOLO IMI	26.96

Name	Shareholder	%
LO.SE.RI.	SANPAOLO IMI	18.40
DULEVO	SANPAOLO IMI	16.30
CELEASING SRL	SANPAOLO IMI	100.00
BIESSEFIN in liquidation	SANPAOLO IMI	36.10
IMMOBILIARE 21 (EX UNO IMMOBILIARE)	STARE in liquidation APOKE' TWO	10.00 90.00
	TOTAL	100.00
FINLOMBARDA LEASING	SANPAOLO IMI	14.00
SAGO (2)	SANPAOLO IMI	26.67
TECNOFARMACI (2)	SANPAOLO IMI	20.50
TECNOBIOMEDICA (2)	SANPAOLO IMI	26.32
TECNOALIMENTI (2)	SANPAOLO IMI	30.00
TECNOGEN (2)	SANPAOLO IMI	29.96
IAM PIAGGIO	SANPAOLO IMI SVILUPPI IMMOBILIARI	10.00 3.86
	TOTAL	13.86
LILLO	SANPAOLO IMI	50.00
HERMES	NHS - NUOVA HOLDING SANPAOLO IMI	15.00
BN COMMERCIO E FINANZA	ISVEIMER in liq.	100.00
BN FINPROGET	BN COMMERCIO E FINANZA	100.00
BN FINRETE	BN COMMERCIO E FINANZA	1.00
SOFIMER - SOCIETA' FINANZIARIA MERIDIONALE	BANCO DI NAPOLI ISVEIMER in liq.	20.00 20.00
	TOTAL	40.00
S.E.R.I.T. NAPOLI	BANCO DI NAPOLI	18.64
ISVEIMER in liq.	BANCO DI NAPOLI	65.23
KYLE RECEIVABLES CPMPANY	TUSHINGHAM LIMITED	11.11
NEWGRANGE FINANCIAL SERVICES COMPANY	BONEC LTD	14.79
ELVETIA EDILE	SANPAOLO IMI	100.00
SCI LES JARDIN DE FARNESE en liquidation	UNI INVEST (EX SANPAOLO GESTION IMMOBILIERE)	11.11
S.C.I. BOISSY SAINT LEGER 94	SOCIETE' FONCIERE D'INVESTISSEMENT SOCIETE' IMMOBILIERE D'INVESTISSEMENT	99.00 1.00
	TOTAL	100.00
SOC. D'AMENAGEMENTS DE ZONES IND. ET COMM. - SAZIC	SOCIETE' FONCIERE D'INVESTISSEMENT SOCIETE' IMMOBILIERE D'INVESTISSEMENT	99.00 1.00
	TOTAL	100.00
S.C.I. ROGNAC - NORD	SOCIETE' FONCIERE D'INVESTISSEMENT	50.00
S.C.I. LA SOURCE DE SAINT HILARIE	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	98.00
BOISSY R.E.R. 8	SOCIETE' FONCIERE D'INVESTISSEMENT SOCIETE' IMMOBILIERE D'INVESTISSEMENT	99.00 1.00
	TOTAL	100.00
GENIA SRL	SANPAOLO IMI	100.00
INTERBANK ONLINE SYSTEM LIMITED	SANPAOLO IMI	12.50
IMPIANTI	SANPAOLO IMI ISVEIMER in liq.	14.16 5.25
	TOTAL	19.41

Name	Shareholder	%
IMMOBILIARE PEONIA ROSA	SANPAOLO IMI	57.00
KONIG	SANPAOLO IMI	20.00
GUINNESS PEAT AVIATION A.T.R. LTD	SANPAOLO BANK IRELAND PLC	12.50
KISH RECEIVABLES COMPANY	TOBUK LIMITED	19.70
NUOVA VALVOTECNIC	SANPAOLO IMI INTERNATIONAL S.A.	16.67
PANTECNA in failure	SANPAOLO IMI	15.50
SCI LE CHEVALIER	SOCIETE' IMMOBILIERE D'INVESTISSEMENT	99.00
	SOCIETE' FONCIERE D'INVESTISSEMENT	1.00
	TOTAL	100.00
RIMOLDI NECCHI srl	NHS - NUOVA HOLDING SANPAOLO IMI	16.92
TECNOCITTA' srl	SANPAOLO IMI	12.00
TECNOTESSILE (2)	SANPAOLO IMI	40.00
TORSYL S.A. in liq.	SANPAOLO IMI INTERNATIONAL S.A.	15.79
1650 MISSION ASSOCIATES LP	SANPAOLO IMI	13.75
1650 MISSION CORPORATION GP	SANPAOLO IMI	13.89
BRUMMEL INTERNATIONAL LIMITED	WOBCO HOLDING	100.00
ZWHALEN & MAYR S.A.	SANPAOLO IMI INTERNATIONAL S.A.	12.96
CHIARI & FORTI S.p.A.	ISVEIMER S.p.A.	10.53
FIDES S.p.A. (FAILED)	ISVEIMER S.p.A.	20.00

(1) Shareholdings already listed in Part B - Section 3 of the consolidated Explanatory Notes are not included in the list.

(2) Shareholdings derived from transactions pursuant to Law 1089 of October 25, 1968, (Applied Research Fund) see, Section 12 - consolidated and company Explanatory Notes.

PRO FORMA CONSOLIDATED STATEMENT OF INCOME FOR 2000

	2000 pro forma (1) (€/mil)
NET INTEREST INCOME	2,874
Net commissions and other dealing revenues	2,804
Profits and losses from financial transactions and dividends on shares	291
Profits from companies carried at equity and dividends from shareholdings	147
NET INTEREST AND OTHER BANKING INCOME	6,116
Administrative costs	-3,528
- <i>personnel</i>	-2,234
- <i>other administrative costs</i>	-1,087
- <i>indirect duties and taxes</i>	-207
Other operating income, net	247
Adjustments to tangible and intangible fixed assets	-329
OPERATING INCOME	2,506
Value adjustments on goodwill, merger differences and consolidation	-168
Provisions and net adjustments to loans and financial fixed assets	-640
INCOME BEFORE EXTRAORDINARY ITEMS	1,698
Net extraordinary income	401
INCOME BEFORE TAXES	2,099
Income taxes for the year	-768
Change in reserves for general banking risks	2
Income attributable to minority interests	-100
PRO FORMA NET INCOME	1,233
Adjustments for alignment to net income	59
NET INCOME	1,292

(1) The pro forma consolidated statement of income for 2000 has been prepared, according to the criteria detailed in the Explanatory Notes, on the basis of the acquisition of control of Banco di Napoli from 1/1/2000. The pro forma consolidated statement of income has been prepared in order to provide a representation of the Group's statement of income following the acquisition of Banco di Napoli; it will be used as the basis of comparison for Group income statements in future years.