

# Half Year Report 2001

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SANPAOLO IMI S.p.A.

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REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

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

COMPANY REGISTER OF TURIN 06210280019

SHARE CAPITAL EURO 3,932,435,119.2 FULLY PAID

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PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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### Board of Directors

Rainer Stefano Masera (*)	<i>Chairman</i>
Enrico Salza (*)	<i>Deputy Chairman</i>
Alfonso Iozzo (*)	<i>Managing Director</i>
Luigi Maranzana (*)	<i>Managing Director</i>
Alberto Carmi	<i>Director</i>
Giuseppe Fontana	<i>Director</i>
Gabriele Galateri di Genola e Suniglia (*)	<i>Director</i>
Richard Gardner	<i>Director</i>
Mario Manuli	<i>Director</i>
Virgilio Marrone	<i>Director</i>
Abel Matutes	<i>Director</i>
Iti Mihalich (*)	<i>Director</i>
Emilio Ottolenghi	<i>Director</i>
Remi François Vermeiren	<i>Director</i>
<i>(*) Members of the Executive Committee</i>	

### Board of Statutory Auditors

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

### Independent Auditors

PricewaterhouseCoopers S.p.A.

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# KEY FIGURES

	First half 2001	First half 2000 pro forma (1)	Change first half 2001 / First half 2000 pro forma (%)	2000	
				Pro forma (1)	Financial Statement
<b>CONSOLIDATED STATEMENT OF INCOME (€/mil)</b>					
Net interest income	1,423	1,396	+1.9	2,874	2,572
Net commissions and other net dealing revenues	1,329	1,438	-7.6	2,852	2,641
Administrative costs	-1,784	-1,752	+1.8	-3,572	-3,076
Operating income	1,200	1,316	-8.8	2,514	2,460
Provisions and net adjustments to loans and financial fixed assets	-251	-271	-7.4	-639	-581
Income before extraordinary items	880	959	-8.2	1,699	1,789
Net extraordinary income	177	310	-42.9	402	396
Net income	688	729	-5.6	1,231	1,292
<b>CONSOLIDATED BALANCE SHEET (€/mil)</b>					
Total assets	174,042	177,901	-2.2	172,101	172,101
Loans to customers (excluding net NPLs and SGA loans)	95,116	90,851	+4.7	94,953	94,953
Securities	26,392	28,049	-5.9	25,000	25,000
Equity investments	4,240	2,917	+45.4	3,573	3,573
Customer deposits and securities issued	105,124	103,135	+1.9	104,144	104,144
Subordinated liabilities	5,178	3,760	+37.7	5,158	5,158
Shareholders' equity	7,668	7,282	+5.3	7,353	7,353
<b>CUSTOMER FINANCIAL ASSETS (€/mil)</b>					
Customer financial assets	307,573	306,075	+0.5	304,141	304,141
- Direct deposits	105,124	103,135	+1.9	104,144	104,144
- Indirect deposits	202,449	202,940	-0.2	199,997	199,997
- Asset administration	74,852	74,399	+0.6	71,084	71,084
- Asset management	127,597	128,541	-0.7	128,913	128,913
- Group products	123,327	124,530	-1.0	124,907	124,907
- Other products	4,270	4,011	+6.5	4,006	4,006
<b>PROFITABILITY RATIOS (%)</b>					
Annualized RoE (2)	19.0	21.0		18.5	18.1
Cost / Income ratio (3)	60.4	57.2		59.2	56.2
Net commissions / Administrative costs	74.5	82.1		79.8	85.9
<b>CREDIT RISK RATIOS (%)</b>					
Net non-performing loans / Net customer loans	0.8	1.2		1.0	1.0
Net problem loans and loans in restructuring / Net customer loans	0.9	1.5		1.0	1.0
<b>CAPITAL ADEQUACY RATIOS (%) (4)</b>					
Tier 1 capital / Weighted assets	7.2	n.a.		6.6	6.6
Total capital / Weighted assets	9.2	n.a.		9.1	9.1
<b>SANPAOLO IMI SHARES</b>					
Number of shares (millions)	1,404	1,403	+0.1	1,404	1,404
- number of shares in circulation	1,387	1,399	-0.9	1,365	1,365
- number of own shares held by the Parent Bank	17	4	n.s.	39	39
Quoted price per share (€; reference prices)					
- average	16.201	14.774	+9.7	16.612	16.612
- low	14.002	11.483	+21.9	11.483	11.483
- high	18.893	18.482	+2.2	20.800	20.800
Earnings per average number of shares in circulation (€)	0.50	0.52	-3.8	0.93	0.93
Dividend per share (€)				0.57	0.57
Dividend / Average annual price (%)				3.42	3.42
Shareholders' equity per share in circulation (€)	5.53	5.21	+6.1	5.39	5.39
<b>OPERATING STRUCTURE</b>					
Employees	35,628	35,809	-0.5	35,729	35,729
Domestic branches	2,170	2,112	+2.7	2,137	2,137
Foreign branches and representative offices	95	89	+6.7	91	91
Financial planners	5,529	5,216	+6.0	5,495	5,495

(1) The pro forma figures have been restated, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000. This provides a consistent comparison with 2001.

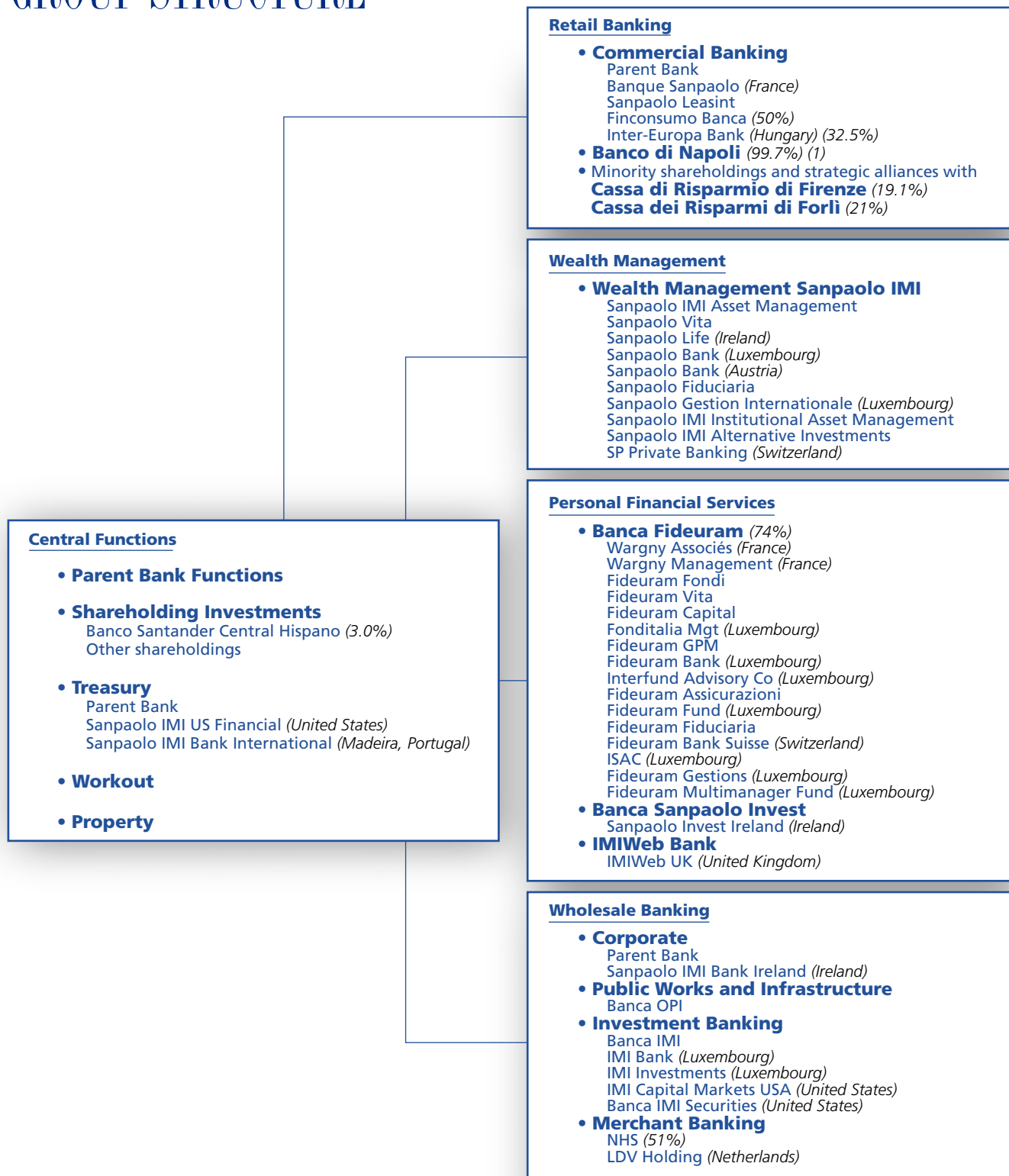
(2) Annualized net income / Average net shareholders' equity excluding income for the period.

(3) Administrative costs (net of recoveries) and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income.

(4) The ratios reflect the Bank of Italy's regulatory clarifications made in its technical note of 3 August 2001.

The pro forma figures for the first half of 2000 and for the year 2000 are unaudited.

# GROUP STRUCTURE



(1) Shareholding in ordinary capital.

The above breakdown by Business Areas shows the structure of the Group as it operated during the first half of 2001; it is consistent with the results given in the Report on Operations. The Group underwent a reorganization from 1 September 2001, changing the scope of the Business Areas. In particular, the Retail Banking sector now has the following separate Business Areas: Sanpaolo Network, consisting of the Parent Bank's Italian branches and related direct banking channels; Banco di Napoli; and the Group's other distribution networks in Italy and abroad (including Banque Sanpaolo). There are also plans to set up another autonomous Business Area in private banking.





# CONSOLIDATED HALF YEAR REPORT

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**RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS**

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**REPORT ON OPERATIONS**

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**INDEPENDENT AUDITORS' REPORT**

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**CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**

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**ATTACHMENTS**

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# Reclassified consolidated financial statements

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RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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RECLASSIFIED CONSOLIDATED BALANCE SHEET

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QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED BALANCE SHEET

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## Reclassified consolidated statement of income

	First half 2001 (€/mil)	First half 2000 pro forma (1) (€/mil)	Change first half 2001 / First half 2000 pro forma (%)	2000	
				Pro forma (1) (€/mil)	Financial Statement (€/mil)
<b>NET INTEREST INCOME</b>	<b>1,423</b>	<b>1,396</b>	<b>+1.9</b>	<b>2,874</b>	<b>2,572</b>
Net commissions and other net dealing revenues	1,329	1,438	-7.6	2,852	2,641
Profits and losses from financial transactions and dividends on shares	138	165	-16.4	296	263
Profits from companies carried at equity and dividends from shareholdings	144	76	+89.5	147	146
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>3,034</b>	<b>3,075</b>	<b>-1.3</b>	<b>6,169</b>	<b>5,622</b>
Administrative costs	-1,784	-1,752	+1.8	-3,572	-3,076
- <i>personnel</i>	-1,116	-1,094	+2.0	-2,256	-1,929
- <i>other administrative costs</i>	-563	-555	+1.4	-1,109	-958
- <i>indirect duties and taxes</i>	-105	-103	+1.9	-207	-189
Other operating income, net	123	120	+2.5	247	213
Adjustments to tangible and intangible fixed assets	-173	-127	+36.2	-330	-299
<b>OPERATING INCOME</b>	<b>1,200</b>	<b>1,316</b>	<b>-8.8</b>	<b>2,514</b>	<b>2,460</b>
Adjustments to goodwill and merger and consolidation differences	-69	-86	-19.8	-176	-90
Provisions and net adjustments to loans and financial fixed assets	-251	-271	-7.4	-639	-581
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>880</b>	<b>959</b>	<b>-8.2</b>	<b>1,699</b>	<b>1,789</b>
Net extraordinary income	177	310	-42.9	402	396
<b>INCOME BEFORE TAXES</b>	<b>1,057</b>	<b>1,269</b>	<b>-16.7</b>	<b>2,101</b>	<b>2,185</b>
Income taxes for the period	-315	-489	-35.6	-770	-785
Change in reserves for general banking risks	4	3	+33.3	2	2
Income attributable to minority interests	-58	-54	+7.4	-102	-94
Reversal of second half income Banco di Napoli group (2)	-	-	n.s.	-	-16
<b>NET INCOME</b>	<b>688</b>	<b>729</b>	<b>-5.6</b>	<b>1,231</b>	<b>1,292</b>

(1) The pro forma statement of income for the first half of 2000 and for the year 2000 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000. This provides a more consistent comparison with 2001.

(2) This caption refers to the portion of the net result of the second half of 2000 of the Banco di Napoli group included in the price of the various tranches acquired by SANPAOLO IMI during 2000. As described in the Explanatory Notes to the consolidated financial statements at 31/12/2000, the reversal is made necessary in that the income statement contribution of the Neapolitan group to last year's consolidated financial statements was reflected line by line throughout the whole of the second half.

The pro forma income statements for the first half of 2000 and for the year 2000 are unaudited.

## Quarterly analysis of the reclassified consolidated statement of income

	2001			2000 pro forma (1)			
	2nd quarter (€/mil)	1st quarter (€/mil)	Quarterly average (€/mil)	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)
<b>NET INTEREST INCOME</b>	<b>697</b>	<b>726</b>	<b>719</b>	<b>759</b>	<b>719</b>	<b>709</b>	<b>687</b>
Net commissions and other net dealing revenues	676	653	713	735	679	692	746
Profits and losses from financial transactions and dividends on shares	73	65	74	76	55	49	116
Profits from companies carried at equity and dividends from shareholdings	85	59	37	41	30	41	35
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>1,531</b>	<b>1,503</b>	<b>1,543</b>	<b>1,611</b>	<b>1,483</b>	<b>1,491</b>	<b>1,584</b>
Administrative costs	-911	-873	-893	-932	-888	-897	-855
- <i>personnel</i>	-561	-555	-564	-601	-561	-550	-544
- <i>other administrative costs</i>	-295	-268	-277	-278	-276	-296	-259
- <i>indirect duties and taxes</i>	-55	-50	-52	-53	-51	-51	-52
Other operating income, net	69	54	62	65	62	63	57
Adjustments to tangible and intangible fixed assets	-93	-80	-82	-127	-76	-66	-61
<b>OPERATING INCOME</b>	<b>596</b>	<b>604</b>	<b>630</b>	<b>617</b>	<b>581</b>	<b>591</b>	<b>725</b>
Adjustments to goodwill and merger and consolidation differences	-36	-33	-44	-49	-41	-44	-42
Provisions and net adjustments to loans and financial fixed assets	-150	-101	-160	-263	-105	-159	-112
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>410</b>	<b>470</b>	<b>426</b>	<b>305</b>	<b>435</b>	<b>388</b>	<b>571</b>
Net extraordinary income	104	73	100	41	51	201	109
<b>INCOME BEFORE TAXES</b>	<b>514</b>	<b>543</b>	<b>526</b>	<b>346</b>	<b>486</b>	<b>589</b>	<b>680</b>
Income taxes for the period	-120	-195	-193	-97	-184	-200	-289
Change in reserves for general banking risks	2	2	1	-1	-	3	-
Income attributable to minority interests	-35	-23	-26	-22	-26	-29	-25
<b>NET INCOME</b>	<b>361</b>	<b>327</b>	<b>308</b>	<b>226</b>	<b>276</b>	<b>363</b>	<b>366</b>

(1) The pro forma quarterly statements of income for 2000 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000. This allows a more consistent comparison with 2001.

The quarterly income statements are unaudited.

## Reclassified consolidated balance sheet

	30/6/2001 (€/mil)	30/6/2000 pro forma (1) (€/mil)	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000 (€/mil)
<b>ASSETS</b>				
Cash and deposits with central banks and post offices	478	617	-22.5	708
Loans	117,097	121,247	-3.4	117,825
- due from banks	18,717	25,852	-27.6	19,119
- loans to customers	98,380	95,395	+3.1	98,706
Dealing securities	21,777	20,929	+4.1	18,329
Fixed assets	11,000	12,164	-9.6	12,396
- investment securities	4,615	7,120	-35.2	6,671
- equity investments	4,240	2,917	+45.4	3,573
- intangible fixed assets	377	335	+12.5	359
- tangible fixed assets	1,768	1,792	-1.3	1,793
Differences arising on consolidation and on application of the equity method	1,064	941	+13.1	989
Other assets	22,626	22,003	+2.8	21,854
<b>Total assets</b>	<b>174,042</b>	<b>177,901</b>	<b>-2.2</b>	<b>172,101</b>
<b>LIABILITIES</b>				
Payables	136,156	138,250	-1.5	133,740
- due to banks	31,032	35,115	-11.6	29,596
- customer deposits and securities issued	105,124	103,135	+1.9	104,144
Provisions	4,241	4,035	+5.1	4,601
- for taxation	864	999	-13.5	1,230
- for termination indemnities	758	740	+2.4	743
- for risks and charges	1,509	1,105	+36.6	1,500
- for pensions and similar	1,110	1,191	-6.8	1,128
Other liabilities	20,062	23,844	-15.9	20,534
Subordinated liabilities	5,178	3,760	+37.7	5,158
Minority interests	737	730	+1.0	715
Shareholders' equity (2)	7,668	7,282	+5.3	7,353
<b>Total liabilities</b>	<b>174,042</b>	<b>177,901</b>	<b>-2.2</b>	<b>172,101</b>
<b>GUARANTEES AND COMMITMENTS</b>				
Guarantees given	15,250	13,405	+13.8	15,670
Commitments	31,059	26,381	+17.7	26,518

(1) The pro forma balance sheet figures at 30/6/2000 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000.

(2) Reserves are net of own shares held by the Parent Bank, 3,709,000 at a book value of 47 million Euro at 30 June 2000, 39,345,982 at a book value of 697 million Euro at 31 December 2000 and 16,712,003 at a book value of 289 million Euro at 30 June 2001.

The pro forma balance sheet figures at 30/6/2000 are unaudited.

## Quarterly analysis of the reclassified consolidated balance sheet

	2001		31/12 (€/mil)	2000		
	30/6 (€/mil)	31/3 (€/mil)		30/9 pro forma (1) (€/mil)	30/6 pro forma (1) (€/mil)	31/3 pro forma (1) (€/mil)
<b>ASSETS</b>						
Cash and deposits with central banks and post offices	478	507	708	676	617	514
Loans	117,097	117,966	117,825	118,220	121,247	118,771
- due from banks	18,717	21,382	19,119	23,028	25,852	24,752
- loans to customers	98,380	96,584	98,706	95,192	95,395	94,019
Dealing securities	21,777	19,283	18,329	18,601	20,929	18,557
Fixed assets	11,000	12,197	12,396	12,415	12,164	11,955
- investment securities	4,615	5,746	6,671	7,103	7,120	6,635
- equity investments	4,240	4,313	3,573	3,199	2,917	3,224
- intangible fixed assets	377	356	359	335	335	326
- tangible fixed assets	1,768	1,782	1,793	1,778	1,792	1,770
Differences arising on consolidation and on application of the equity method	1,064	966	989	907	941	918
Other assets	22,626	23,452	21,854	21,518	22,003	23,660
<b>Total assets</b>	<b>174,042</b>	<b>174,371</b>	<b>172,101</b>	<b>172,337</b>	<b>177,901</b>	<b>174,375</b>
<b>LIABILITIES</b>						
Payables	136,156	135,464	133,740	135,093	138,250	134,402
- due to banks	31,032	30,679	29,596	31,380	35,115	30,529
- customer deposits and securities issued	105,124	104,785	104,144	103,713	103,135	103,873
Provisions	4,241	4,857	4,601	4,204	4,035	4,194
- for taxation	864	1,432	1,230	1,147	999	1,352
- for termination indemnities	758	753	743	743	740	739
- for risks and charges	1,509	1,553	1,500	1,132	1,105	903
- for pensions and similar	1,110	1,119	1,128	1,182	1,191	1,200
Other liabilities	20,062	20,077	20,534	20,937	23,844	23,595
Subordinated liabilities	5,178	5,148	5,158	3,803	3,760	3,906
Minority interests	737	736	715	755	730	699
Shareholders' equity (2)	7,668	8,089	7,353	7,545	7,282	7,579
<b>Total liabilities</b>	<b>174,042</b>	<b>174,371</b>	<b>172,101</b>	<b>172,337</b>	<b>177,901</b>	<b>174,375</b>

(1) The pro forma balance sheet figures at 31/3/2000, 30/6/2000 and 30/9/2000 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000.

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

The pro forma balance sheet figures at 31/3/2000, 30/6/2000 and 30/9/2000 as well as the balance sheet figures at 31/3/2001 are unaudited.





# Report on Operations

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ECONOMIC BACKGROUND

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ACTION POINTS AND INITIATIVES IN THE FIRST HALF

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CONSOLIDATED RESULTS

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OPERATING VOLUMES AND ORGANIZATION

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DEVELOPMENTS IN THE SECOND HALF OF THE YEAR

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# Economic background

## The international economy

The first half of 2001 featured a considerable slowdown in world economic growth. Contributing factors were the sharp deceleration of the US economy, the ongoing stagnation in Japan, and a more moderate rate of growth in emerging nations and the Euro-zone.

From the fourth quarter of 2000, the rate of growth in the United States' GDP began to slow down gradually, mainly because of a substantial reduction in capital investment, along with modest growth in consumer spending. In the manufacturing sector, where the crisis originated, industrial output experienced a notable contraction during the first half.

In order to oppose this deterioration in the economic cycle and in the climate of confidence among businesses and households, the Federal Reserve adopted a particularly aggressive stance in its monetary policy. In six interventions, the policy rate was cut from 6.5% at the beginning of January to 3.75% at the end of June.

During the first quarter of 2001 Japan's GDP rate of growth stood at 0.1%. Alongside the considerable decrease in exports - following the drop in international demand for IT-related goods - there has also been considerable weakness on the part of internal demand. Preliminary estimates foresee a negative trend in GDP in the second quarter.

One important restriction on the Japanese economy's ability to recover, bearing in mind the high ratio of public debt to GDP, is the problems involved in restructuring the local banking system, which is weighed down by a substantial amount of non-performing loans.

Emerging nations generally have seen a fairly drastic reduction in their rates of growth in both exports and GDP. The deterioration that took place in the conditions of financial equilibrium, both internal and external, led to a considerable rise in the spreads on certain countries' eurobonds, notably those of Argentina and Turkey.

## The Euro-zone and Italy

In the first quarter of the year, the Euro-zone's GDP increased by 2.6% compared with 3.4% for the whole of

2000. The growth profile was penalized by the weakness in both international and domestic demand. Preliminary estimates signal a further slowdown in the rate of growth in productive activities in the second quarter.

Consumer price inflation rose steadily during the period under review, with a headline rate in excess of 3% during the course of the half year. This trend reflects the shock that took place in certain food prices, as well as the struggle that energy prices are having climbing down from the peak they reached last September.

These are the reasons why Europe's monetary policy has remained particularly prudent. A 25 basis point cut in the policy rate was decided in May, following the revision of the statistics for the rate of growth in the money supply (M3). Excluding the distortions produced by the anomalous behavior of certain minor components, this monetary aggregate was in line with expectations for inflation to come back down to below the ECB's medium-term target rate.

Less favorable cyclical conditions have been met in Germany and Italy, both countries with a higher level of commercial openness and therefore more exposed to the international slowdown.

In Italy, first quarter of 2001 saw GDP rise only marginally less than in the last quarter of 2000. But industrial output has been falling steadily since the start of the year. Preliminary estimates foresee a fall in the rate of GDP growth during the course of the second quarter.

Reflecting the trend in the major Euro-zone countries, Italy's inflation rate also took a rapid hike, rising to around 3% during the half year. Consumer price trends, however, have been showing the differential between Italian inflation and the average rate for the Euro-zone in gradual decline.

## Securities dealing and banking

The deterioration in the cyclical conditions of the real economy world-wide has been accompanied by a generally negative performance by the main international stock exchanges during the first half. In the United States, the S&P500 and Nasdaq100 have fallen by 7.3% and 21.8% respectively. In Europe the DJ Euro Stoxx50 went down 11.1%.

In the same period, Italy's MIB30 has fallen by 15.2%. This weakness has been felt in all sectors. The financial sector is down 14.6% while industrials have lost 3.9%. Securities in the high tech and services sectors have seen a particularly drastic decline (-19.3%), having already fallen during the second half of 2000, reflecting the fall in the Nasdaq index in the United States.

The capitalization of the Italian Stock Exchange at the end of June had fallen to 680 billion Euro, down 17% compared with the end of 2000. Trading volumes during the half year amounted to 352.2 billion Euro, with a daily average of 2.8 billion Euro, compared with 3.8 in the first six months of 2000.

The uncertainties regarding how the cycle will evolve and the decline in the major equity indices has put a brake on market placements. The investment flows through the Stock Exchange in the form of public sale and subscription offerings came to a total of 4 billion Euro. Quoted companies raised a further 3.2 billion Euro through rights issues. In total, there were 14 public offerings, of which 12 were IPOs, while there were 15 increases in capital.

The headline rate of growth in bank loans at the end of June came to 11.1%, which is down on the figure at the end of 2000, with short-term loans up 12.7% and medium- and long-term loans up 9.6%. The rate of growth of bank deposits slowed down considerably, above all

because of the deceleration in the growth of current account deposits (+2.8%).

In the first six months of the year, there was a slight decrease in bank interest rates, both short-term and long-term. Together with money market rates, the former felt the effect of expectations that the ECB's policy rates would be cut, while the latter were affected by the drop in medium- and long-term yields on domestic and international financial markets between the end of 2000 and the beginning of 2001.

### **Asset management**

This unfavorable phase in financial markets has had a considerable impact on the trend of the asset management business. At the end of June, the assets under management by Italian mutual funds came to 536.7 billion Euro, down 2.7% on December 2000; net asset management flows during the half year were negative for 1.5 billion Euro.

Within the overall aggregate for mutual funds, there was a remix during the half year in favor of money and bond funds. The decline in the proportion of assets invested in funds with a higher equity content reflected, on the one hand, the decline that took place in stock market values and, on the other, a cautious attitude on the part of market participants still faced by an uncertain market.

## Action points and initiatives in the first half

During the first half of 2001, when the external context was far from easy, the SANPAOLO IMI Group combined rationalization and structural containment of costs with measures to develop those sectors that showed greater potential for value creation.

Rationalization and cost containment were launched by developing a project for the creation of a Macchina Operativa Integrata (Integrated Operating Vehicle) to lend support to the Group's IT needs; this part of the plan also involves reorganizing the head office functions.

The development initiatives concerned:

- the Group's competitive positioning in Italy: the Banco di Napoli Relaunch Plan for the next three years was approved; the Group's presence in non-traditional areas of the country was reinforced by implementing commercial arrangements with Cassa di Risparmio di Firenze and taking stakes in Cassa dei Risparmi di Forlì and Banca Cardine;
- the improvement of the Group's monitoring of its various customer segments: various steps, including a review of the organizational structure, have been taken to optimize the Group's ability to service private customers, to develop the activities geared to small businesses and to rationalize and upgrade operations with corporate customers;
- the selective entry into foreign markets: private banking activity in France has been started up by Banca Fideuram through Wargny and various initiatives have been taken in Switzerland; the foundations have also been laid for targeted expansion in countries of central-eastern Europe that offer high growth opportunities;
- strategic and commercial partnership agreements have been reached with leading international groups: a strategic agreement has been signed with the Caisse des Dépôts et Consignations Group and joint projects have been continued with Banco Santander Central Hispano.

### The Macchina Operativa Integrata project and the structural cost containment initiatives

During the first half, SANPAOLO IMI approved a plan of rationalization and structural cost containment, aiming at

a further improvement of Group efficiency. This plan, which was launched in June and will be completed over a period of two years, consists of two distinct projects:

- the creation of a Macchina Operativa Integrata between the SANPAOLO IMI Parent Bank and Banco di Napoli in information systems, auxiliary support and back office functions;
- a reorganization of the Parent Bank and subsidiaries' head office functions.

The Macchina Operativa Integrata project envisages the unification in a single organizational structure of the information systems and support functions of the Parent Bank and Banco di Napoli. Thanks to a common IT platform and same operating system, the Group's two commercial banks will be able to optimize investments in new technologies and personnel. The benefits that are expected from this include:

- a significant reduction in costs at Group level in information technology and auxiliary activities;
- making available SANPAOLO IMI's multi-channel information system to Banco di Napoli, with its greater functionality and customer segmentation;
- the creation of a structure and an IT platform that in future can be extended to other banks, whether inside or outside the Group.

The project to reorganize the head office functions of the Parent Bank and major subsidiaries is also intended to achieve a structural reduction in Group costs. The project envisages cost containment initiatives in personnel and other administrative expenses.

This combination of measures, together with the rationalization taking place at Banco di Napoli, will allow the SANPAOLO IMI Group to achieve, from 2003 onwards, a structural reduction in personnel of approximately 3,000 people with a decrease in administrative costs of more than 350 million Euro, around 10% of last year's total.

### The Banco di Napoli Relaunch Plan

June also saw approval of the Banco di Napoli Relaunch Plan, which defines the steps that are required to achieve the strategic objectives underlying the acquisition of the Naples bank.

By launching a series of initiatives geared to boosting growth, efficiency and productivity, the Plan aims to make

the Banco a center of excellence for banking and financial services in the south of Italy. In particular, the Plan envisages that the Banco should:

- focus on its traditional historical areas and on customer sectors in households and SMEs; commercial development will be addressed to these particular sectors;
- implement a rigorous plan to raise efficiency so as to optimize the cost structure;
- complete the sale of all non-core businesses.

The Relaunch Plan sets the Banco a target RoE of 15% in 2004, considerably higher than the 6.5% achieved in 2000. The target cost to income ratio is 57%, against 78% in 2000.

The Banco has recently taken the following steps in line with the objectives of the Relaunch Plan:

- the restructuring of the domestic distribution network: 11 territorial areas have been identified, reorganizing the former structure made up of areas, regional offices and dependent offices;
- the revision of the shareholding portfolio: the subsidiary Fumagalli & Soldan has now been sold and the mutual fund management activities have been absorbed by the Wealth Management structures of the SANPAOLO IMI Group;
- the withdrawal from the activities conducted by the foreign network: the transfer of the Hong Kong branch to the Parent Bank's Corporate Area has been defined, as has the sale of the London branch to a third party; the business activity of the New York branch is currently being downsized;
- a voluntary incentive retirement scheme: this initiative has so far led to agreements for the departure of some 500 employees.

The first half of 2001 also saw SANPAOLO IMI complete its residual Public Offer for the ordinary shares of the Banco, with a view to gaining total ownership of the Banco, with a view to gaining total ownership of the Banco, with a view to gaining total ownership of the Banco. The transaction was completed in May and involved 42.1 million ordinary shares of the Banco which were bought at 1.549 Euro per share, the price established by Consob. At the closing, 84.92% of the shares in question (1.92% of the Banco's ordinary share capital) had been tendered; the outlay incurred by SANPAOLO IMI was therefore equal to 55.4 million Euro and the total stake held in Banco di Napoli's ordinary share capital rose from 97.74% to 99.66%. Banco di Napoli's shares were delisted on 1 June; furthermore, having exceeded the shareholding threshold of 98%, SANPAOLO IMI will exer-

cise its right to acquire the remaining ordinary shares within four months of the conclusion of the Offer at a price to be established by an expert appointed by the President of the Naples Court.

### Alliances and commercial agreements in Italy

As part of the collaboration agreements reached with Cassa di Risparmio di Firenze in 2000, which identify SANPAOLO IMI as the Tuscan bank's main point of reference in the field of asset management, CR Firenze Gestion Internationale, a Luxembourg mutual fund management company owned 20% by SANPAOLO IMI and 80% by the Cassa, became operational in April 2001. The banks of the Cassa di Risparmio di Firenze Group, with a total of more than 400 branches, began to distribute funds managed by this company in April; in the first three months of operations, net subscriptions amounted to 1,368 million Euro.

In June 2001 SANPAOLO IMI and Cassa di Risparmio di Firenze also completed the acquisition of a 15% and a 5% stake respectively in Cassa dei Risparmi di Forlì, bought from Fondazione Cassa dei Risparmi di Forlì for a total of 163 million Euro. A Public Offer for a further stake of 8% in Cassa di Risparmio di Forlì was then launched in the middle of July, as envisaged in last November's agreements; the Offer, at a price of 41.413 Euro per ordinary share and 42.246 Euro per preferred share, was accepted 100%, which meant a total outlay of 62 million Euro, bringing SANPAOLO IMI's shareholding to 21% and that of Cassa di Risparmio di Firenze to 7%.

The collaboration agreements among SANPAOLO IMI, Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì concerning the distribution of insurance and asset management products, leasing, debt placement and financing and consultancy for companies and local entities also became operational during the first half. In particular, Cassa dei Risparmi di Forlì began distributing Sanpaolo Vita policies and fund-based portfolio management by Sanpaolo IMI Asset Management, as well as mutual funds managed by CR Firenze Gestion Internationale, through its network of 61 branches.

Of the various initiatives carried out on the domestic market, it is also worth remembering the acquisition in January from Fondazione Cassa di Risparmio di Venezia of a 10.9% stake in Banca Cardine. The Cardine Group

was the result of merging the Casse Venete and Cassa di Risparmio di Bologna, becoming a banking reality of primary importance in north-east Italy, where it has a network of around 800 branches. SANPAOLO IMI paid for the investment by selling to Fondazione Cassa di Risparmio di Venezia 27.5 million SANPAOLO IMI shares, equal to 1.96% of its share capital, with a value of 516 million Euro.

### Other initiatives to reinforce the competitive position

Efforts to specialize the distribution and production structures continued during the first half of 2001, the purpose being to improve the Group's management of its customer segments. Measures, which led to a new Group structure after the end of the first half, included the following:

- the completion of the project to establish an autonomous Business Area dedicated to Wealth Management, separate from the branch network, to provide asset management products and services to distribution networks within the Group, as well as to other networks and institutional investors. April saw the final transfer of the Parent Bank's interests in subsidiaries handling mutual funds, portfolio management, private banking and life insurance to the new holding company, Wealth Management Sanpaolo IMI;
- the launch of a project to set up a bank with an independent network to specialize in private banking in Italy. This bank will be based on the 16 existing private banking branches belonging to Commercial Banking;
- the development, as part of the Commercial Banking's Italian Branch Network, of a new organizational model geared to specialize each branch in the prevalent customer segment: companies, households and small businesses.

Other initiatives to reinforce the competitive positioning of the distribution networks operating in Italy include the following:

- in Commercial Banking, the opening of an additional 31 branches, bringing the total to 1,363, as well as the launch to customers of information and statement services through the Internet and mobile phone as part of a plan to introduce a multi-channel distribution model;
- reinforcement of Banca Sanpaolo Invest's network of financial consultants, with 44 more compared to the start of the year, to 1,532.

### Initiatives abroad

With a view to diversifying the Group's sources of revenue, SANPAOLO IMI has identified selected foreign countries where it could apply the experience gained in Italy in private banking. At the end of 2000, these policies were translated into the acquisition by Banca Fideuram of the Wargny Group, which in addition to having a pre-eminent position in traditional and on line securities dealing on the French market, also has a niche presence in private banking. In the first half of 2001, Banca Fideuram introduced a new business plan for Wargny, which envisages applying for a banking license and starting up an asset management business next Autumn, according to the model already tested in Italy.

Two further important initiatives in international private banking took place during the first half in Switzerland. In fact, February saw Fideuram Bank (Suisse) start up operations out of offices in Lugano and Zurich, specializing in asset management for affluent customers. During the same month, Wealth Management set up SP Private Banking, based in Geneva with a branch also in Lugano.

SANPAOLO IMI is also taking steps to strengthen its operations in central eastern European countries with high growth potential.

These initiatives include talks with the main shareholders of Banca Koper, Slovenia's fourth largest bank in terms of total assets. This is a bank that operates through a network of 37 branches located in and around Ljubana, mainly in retail, with a market share of more than 7% in Slovenia, a market with close trading links with Italy and one of the most interesting markets in the area in terms of macro-economic indicators and growth prospects. At the end of July, SANPAOLO IMI completed the due diligence on Banca Koper, as authorized by the Slovenian central bank, as a preliminary step prior to negotiations for the acquisition of a stake in the bank.

Further initiatives, aimed at reinforcing the Group's presence in the corporate sector, are in course in Poland, Hungary and the Czech Republic. Specifically:

- a collaboration agreement was signed by Sanpaolo IMI Bank Ireland and FIAT Bank Polska to develop financial support in local currency mainly for Italian companies operating in Poland;
- procedures to open a representative office in Budapest were set in motion; this office will complement Inter-

Europa Bank, a Hungarian bank which is held 32.5% by SANPAOLO IMI and 10% by Banco Santander Central Hispano;

- a representative office in Prague is expected to be opened before the end of the year.

In July, Sanpaolo Vita also signed a letter of intent to create a new *bancassurance* company in joint venture with Agrotiki Life & Health, the Greek insurance company controlled by the Agricultural Bank of Greece, the country's number two bank, with a network of more than 440 branches. This new company, which should become operational early next year, will progressively broaden its activities from Greece into the Balkans, opening up interesting opportunities for Sanpaolo Vita in countries where the life insurance market has considerable growth prospects, both in relation to the expected reform of the local social security system, and in connection with the harmonization their financial markets with the European Union's more financially developed markets.

### Expansion plans with international partners

During the first half, SANPAOLO IMI initiated collaboration with France's Caisse des Dépôts et Consignations Group in private equity and project finance. In July, the two groups signed an umbrella agreement that lays down the general guidelines for future strategic cooperation; it will initially involve the asset management, capital market and finance sectors, and could subsequently be expanded to cover insurance, financial guarantees, custody, electronic banking and managing property funds. Relationships between the two Groups will be reinforced by setting up a cross-shareholding, which is expected to take place before the end of this year. Indeed, the agreement envisages that the CDC Group should participate in the SANPAOLO IMI shareholder syndicate with a 2% stake; SANPAOLO IMI would in turn buy an interest of around 5% in CDC Ixis, the CDC Group's investment bank, joining CDC's shareholder syndicate.

Still in Europe, initiatives for joint development with Banco Santander Central Hispano continued during the first half. In particular:

- the project launched in April 2000 in partnership with Commerzbank, The Royal Bank of Scotland and Société Générale, to create an Internet platform to offer on line treasury and capital market products to companies and institutional investors. As part of this

project, Centradia was set up as a UK company with share capital of 50 million Euro. This company, which is currently in its start-up phase, will operate as a multi-bank, multi-product and multi-client portal;

- an agreement, currently in course of definition, with All Funds Bank, a subsidiary of the Banco Santander Central Hispano Group that specializes in the distribution of third-party mutual funds on-line. The purpose is to share an IT platform and existing distribution relationships;
- the Spanish bank's membership in July of the Gruppo Europeo di Interesse Economico Coopération Bancaire pour l'Europe (CBE-GEIE), which was founded in Brussels in 1992 on the initiative of certain European banks, including IMI, to provide companies with services and advice on EU projects; Banco di Napoli, Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì also joined CBE-GEIE.

### Other important initiatives

Other initiatives during the first half included the measures taken to further improve asset quality. First, in May was the sale without recourse of short-term unguaranteed non-performing loans with a book value of 111 million Euro; the transaction was paid for at a price of 2 million Euro over book value. Then, in June, agreement was reached with a major Italian company to sell 100% of Sanpaolo Immobiliare, the company that specializes in managing the non-performing mortgage loans sold without recourse by the Parent Bank in 1994; the transaction, which was completed at the beginning of July, reduced the net book value of the Group's non-performing loans by 45 million Euro and led to a pre-tax capital gain of 5 million Euro, which will be accounted for in the income statement in the second half of the year. These initiatives helped bring about a further improvement in the ratio of net non-performing loans to total net loans, which fell to 0.8% at the end of June, including the effect of selling Sanpaolo Immobiliare.

Certain important disposals of equity investments took place in the first half:

- in June, the SANPAOLO IMI Group sold a 10.7% stake in Beni Stabili, out of its 14.2% interest which fell as a result to 3.5%. This transaction generated a capital gain of 50 million Euro;
- NHS, the merchant bank controlled 51% by the SANPAOLO IMI Group, reduced its interest in Montedison



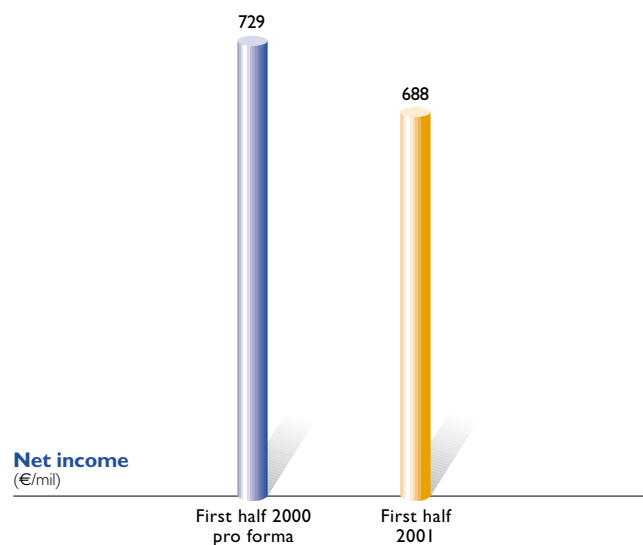
from 6.2% to 4.4%, making capital gains of 58 million Euro. At the beginning of July, the residual interest in Montedison was sold by NHS to Italoenergia; this transaction, which took place at a price of 3.22 Euro per share, will give to a pre-tax capital gain of 170 million

Euro, due to be booked in the second half of the year. NHS then bought a 7.81% interest in Italoenergia, which made the SANPAOLO IMI Group one of the company's principal shareholders, together with FIAT, EDF, IntesaBCI and Banca di Roma.

## Consolidated results

The SANPAOLO IMI Group, in an external scenario which showed a sharp deterioration compared with the first half of last year, posted net income for the period of 688 million Euro, down by 5.6% on the pro forma figure for the first six months of 2000.

Despite the difficult state of the market, the Group managed to keep revenues at substantially the same levels as in the first half of 2000: net interest and other banking income came to 3,034 million Euro, against 3,075 million Euro a year ago. Major investments made last year and in the first half of 2001, designed to reinforce distribution structures, were reflected in higher Group costs, amortization in particular. Operating income fell by 8.8% to 1,200 million Euro and income before extraordinary items was 880 million Euro, compared with 959 in the first half of 2000.

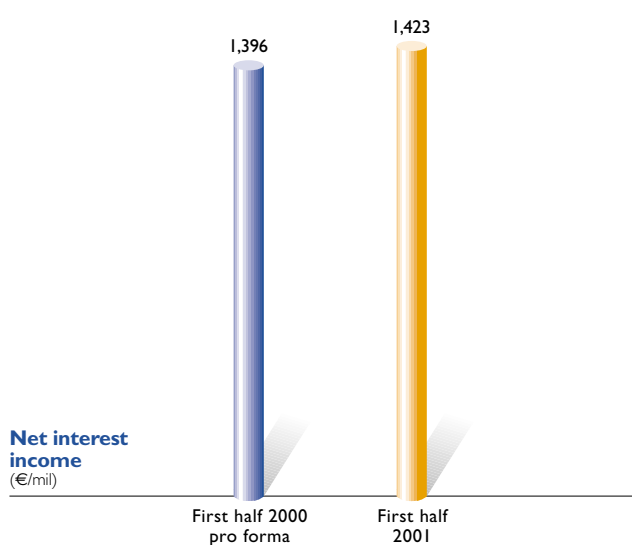


### Net interest income

Group net interest income in the first half of 2001 was 1,423 million Euro, with an increase of 1.9% on the same period of 2000. This improvement was possible thanks to the growth, on the average figure for the first half of 2000, in operating volumes, especially loans to customers, as well as in market rates and short-term spreads.

The decline in interest rates since the end of last year was however reflected in a slowdown in net interest income during the second quarter of 2001 compared with the first three months of the year. The margin, equal to 726 million Euro during the first quarter, showed a flow of 697 million in the following quarter as a result of the contraction in short-term mark down, as well as in medium- and long-term spreads.

As regards the Group's operating volumes, average interest-earning assets during the first half of 2001 rose by 1.2% compared with the same period in 2000; in particular, net



### Net interest income

	First half 2001 (€mil)	First half 2000 pro forma (€mil)	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma (€mil)
Interest income and similar revenues	4,246	4,068	+4.4	8,441
Interest expense and similar charges	-2,901	-2,663	+8.9	-5,636
Reclassification (1)	78	-9	n.s.	69
<b>Net interest income</b>	<b>1,423</b>	<b>1,396</b>	<b>+1.9</b>	<b>2,874</b>

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

loans, excluding net non-performing loans, loans to SGA, the company to which the doubtful loans of Banco di Napoli were transferred, and repurchase agreements, rose by 5.7%. Average interest-bearing liabilities rose by 1.6% on

the first six months of 2000; of these, customer deposits, made up of amounts due to customers and securities issued, net of repurchase agreements, went down by 2.2%, largely due to a 5.5% drop in the long-term element.

#### Analysis of average amounts, interest and rates

	First half 2001			First half 2000 pro forma		
	Average amount (€/mil)	Interest (€/mil)	Annualized average rate (%)	Average amount (€/mil)	Interest (€/mil)	Annualized average rate (%)
Interest-earning assets	126,576	3,942	6.23	125,103	3,598	5.75
- loans to customers	89,567	2,981	6.66	84,728	2,698	6.37
- in €	78,920	2,691	6.82	75,048	2,414	6.43
- in foreign currency	10,647	290	5.45	9,680	284	5.87
- due from banks	13,048	315	4.83	15,330	295	3.85
- in €	6,749	153	4.53	8,218	125	3.04
- in foreign currency	6,299	162	5.14	7,112	170	4.78
- securities	14,558	406	5.58	15,928	416	5.22
- in €	9,698	254	5.24	11,053	264	4.78
- in foreign currency	4,860	152	6.26	4,875	152	6.24
- repurchase agreements	5,263	130	4.94	4,300	82	3.81
- in €	4,782	113	4.73	3,914	70	3.58
- in foreign currency	481	17	7.07	386	12	6.22
- other interest-earning assets of Banco di Napoli	4,140	110	5.31	4,817	107	4.44
Non interest-earning assets (1)	46,859			50,447		
<b>Total assets</b>	<b>173,435</b>	<b>3,942</b>		<b>175,550</b>	<b>3,598</b>	
Interest-bearing liabilities	119,787	2,519	4.21	117,958	2,202	3.73
- due to customers	51,507	735	2.85	51,367	531	2.07
- in €	44,152	548	2.48	44,773	382	1.71
- in foreign currency	7,355	187	5.08	6,594	149	4.52
- securities issued	36,987	994	5.37	39,156	1,065	5.44
- in €	34,844	929	5.33	36,101	960	5.32
- in foreign currency	2,143	65	6.07	3,055	105	6.87
- due to banks	19,148	470	4.91	18,763	407	4.34
- in €	9,036	230	5.09	8,886	167	3.76
- in foreign currency	10,112	240	4.75	9,877	240	4.86
- repurchase agreements	7,072	164	4.64	5,472	103	3.76
- in €	7,072	164	4.64	5,390	101	3.75
- in foreign currency	-	-	-	82	2	4.88
- subordinated liabilities	5,073	156	6.15	3,200	96	6.00
- in €	4,035	123	6.10	2,040	64	6.27
- in foreign currency	1,038	33	6.36	1,160	32	5.52
Non interest-bearing liabilities (1)	46,400			50,662		
Shareholders' equity	7,248			6,930		
<b>Total liabilities and shareholders' equity</b>	<b>173,435</b>	<b>2,519</b>		<b>175,550</b>	<b>2,202</b>	
<b>Net interest income</b>		<b>1,423</b>			<b>1,396</b>	

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

In interest rates, the fall in market yields which began towards the end of last year continued in the first half of 2001, having reached their high last Autumn; the reduction was accentuated as a result of the ECB's 25 basis points cut at the beginning of May. However, on average, reference rates in the first half of 2001 were higher than in the same period of 2000 and in the whole of that year; in particular, three month Euribor averaged 4.67% in the first half of 2001, with an increase of 76 basis points on the first six months of 2000 and 29 basis points on the average for the whole of 2000.

In the first half of 2001, the average annual yield on the Group's interest-earning assets was 6.23%, almost half a point higher than in the first six months of last year; the yield on customer loans came to 6.66%, up 29 basis points, while the yield on the securities portfolio was 5.58%, up 36 basis points. The increase in the average cost of interest-bearing liabilities was the same as for interest-earning assets, from 3.73% in the first half of 2000 to 4.21% in the first six months of 2001.

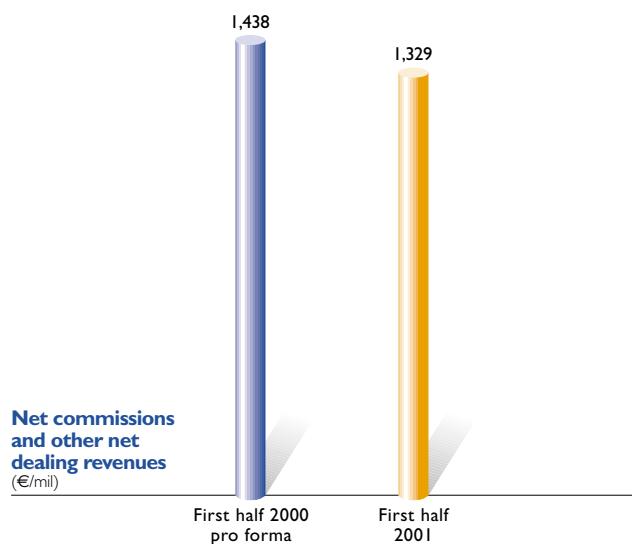
The overall spread therefore stayed the same, at just over 2%; there was an increase in the spread on short-term transactions with customers.

### Net interest and other banking income

The Group's net interest and other banking income in the first half of 2001 was 3,034 million Euro, a decrease of 1.3% compared with the same period of 2000.

Net commissions amounted to 1,329 million Euro, down 7.6%; the period of instability affecting stock markets did in fact lead to a drop in commission income from asset management and dealing activities compared with the high levels reached in the first part of last year, when conditions were particularly favorable. The contribution made by commissions, however, rose during the course of the first half: at 676 million Euro, commissions in the second quarter were up on the first quarter figure of 653 million Euro.

In particular, commission income in the asset management, dealing and advisory services during the first half of 2001 came to 921 million Euro, down 13.2% compared with the first six months of 2000; on the other hand, revenues from



### Net interest and other banking income

	First half 2001 (€/mil)	First half 2000 pro forma (€/mil)	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma (€/mil)
Net interest income	1,423	1,396	+1.9	2,874
Net commissions and other net dealing revenues	1,329	1,438	-7.6	2,852
- management, dealing and advisory services	921	1,061	-13.2	2,092
- loans and guarantees	104	97	+7.2	200
- collection and payment services	84	79	+6.3	171
- deposits and current accounts	138	141	-2.1	285
- other services and net dealing revenues	82	60	+36.7	104
Profits and losses from financial transactions and dividends on shares	138	165	-16.4	296
Profits from companies carried at equity and dividends from shareholdings	144	76	+89.5	147
<b>Net interest and other banking income</b>	<b>3,034</b>	<b>3,075</b>	<b>-1.3</b>	<b>6,169</b>

loans and guarantees were up, as are those from collection and payment services, 7.2% and 6.3% respectively; other services and net dealing revenues rose from 60 million Euro in the first half of 2000 to 82 million in the first half of 2001, of which 12 came from merchant banking.

Despite the drop in the Group's net commissions during the first half, they are still more than enough to cover personnel costs and represent around three quarters of total administrative costs.

Profits from financial transactions, 138 million Euro in the first half of 2001, fell by 16.4% compared with the same period of 2000. This contraction is partly due to the changed market conditions, and partly to the particularly high profits made in the first half of last year due to the sale of sizeable shareholdings held for trading purposes.

Profits from companies carried at equity and dividends from minority shareholdings amounted to 144 million Euro, up 89.5% on the first half of 2000. This increase was due above all to the higher dividends received on the larger investment portfolio: in fact, dividends rose from 38 million Euro in the first half of 2000 to 97 million in the first half of 2001; of these, 27 million came from the stake in Banca Cardine acquired at the start of the year and 19 million relate to Banco Santander Central Hispano.

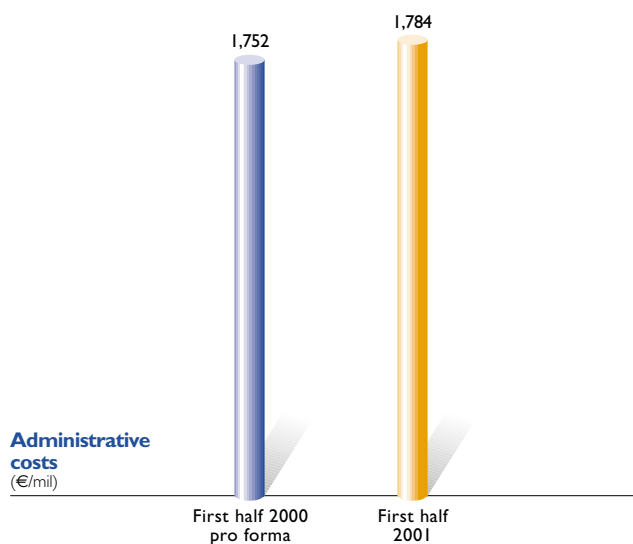
Profits from companies carried at equity were also higher than last year at 47 million Euro thanks to the contribution of 25 million made by the insurance companies in Wealth Management, Sanpaolo Vita and Sanpaolo Life,

13 million by Fideuram Vita and 10 million from the shareholding in Cassa di Risparmio di Firenze.

As regards the Group's companies operating in life insurance, the embedded value attributable to new business has led to an increase during the year estimated at 23.8 million Euro for Sanpaolo Vita and Sanpaolo Life and 9.3 million Euro for Fideuram Vita.

## Operating income

Group operating income, which in the first half of 2001 amounted to 1,200 million Euro, fell by 8.8% compared with the first half of last year.



## Operating income

	First half 2001 (€mil)	First half 2000 pro forma (€mil)	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma (€mil)
Net interest and other banking income	3,034	3,075	-1.3	6,169
Operating costs	-1,834	-1,759	+4.3	-3,655
- administrative costs	-1,784	-1,752	+1.8	-3,572
- personnel	-1,116	-1,094	+2.0	-2,256
- other administrative costs	-563	-555	+1.4	-1,109
- indirect duties and taxes	-105	-103	+1.9	-207
- other operating income, net	123	120	+2.5	247
- adjustments to tangible fixed assets	-100	-76	+31.6	-185
- adjustments to intangible fixed assets	-73	-51	+43.1	-145
<b>Operating income</b>	<b>1,200</b>	<b>1,316</b>	<b>-8.8</b>	<b>2,514</b>

Administrative costs rose during the first half to 1,784 million Euro, up 1.8% on the first six months of 2000. Operating amortization came to 173 million Euro, an increase of 36.2%.

The increase in costs, which is in line with expectations, should be considered in relation to the acceleration from the second half of last year in initiatives to strengthen the Group's distribution channels; the increase in amortization was also due to the higher rates applied by Banco di Napoli. Group costs should decelerate during the second half of the year as the basis of comparison will be more consistent and recent cost-containment measures should start to take effect.

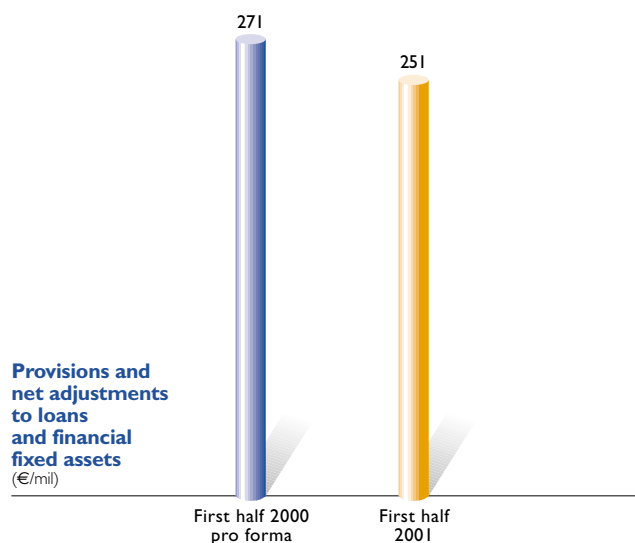
### Income before extraordinary items

Income before extraordinary items came to 880 million Euro, down 8.2% on last year's first half figure of 959 million Euro.

Amortization on merger goodwill and positive differences arising on full consolidation and valuation at equi-

ty amounted to 69 million Euro. This item includes 43 million Euro relating to goodwill on the books for Banco di Napoli.

Provisions and net adjustments to loans and financial fixed assets in the first half of 2001 showed a further reduction



### Income before extraordinary items

	First half 2001 (€/mil)	First half 2000 pro forma (€/mil)	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma (€/mil)
Operating income	1,200	1,316	-8.8	2,514
Adjustments to goodwill and merger and consolidation differences	-69	-86	-19.8	-176
Provisions and net adjustments to loans and financial fixed assets	-251	-271	-7.4	-639
- provisions for risks and charges	-101	-154	-34.4	-346
- adjustments to loans and provisions for guarantees and commitments	-136	-112	+21.4	-272
- net writedowns	-214	-288	-25.7	-578
- net provisions for guarantees and commitments	-	-10	n.s.	-12
- recoveries	78	186	-58.1	318
- net adjustments to financial fixed assets	-14	-5	+180.0	-21
- net adjustments of equity investments	-13	-5	+160.0	-6
- net adjustments of investment securities	-1	-	n.s.	-15
<b>Income before extraordinary items</b>	<b>880</b>	<b>959</b>	<b>-8.2</b>	<b>1,699</b>

to 251 million Euro, 7.4% down on the first half of 2000 figure of 271 million Euro, including significant recoveries of non-performing loans from non-recourse sales booked during the period. This was made possible by a considerable improvement in asset quality over the past year and in the first half of 2001.

Provisions for the period include 50 million Euro to cover the effects of legislation on usury and regulations on subsidized and agricultural mortgages, which are not yet reflected in net interest income; in the first half of 2000 such charges amounted to 119 million Euro.

### Net income

Net extraordinary income of 177 million Euro contributed to the net result of 688 million Euro, including:

- 58 million Euro in capital gains on the sale of shares in Montedison by NHS; it should be noted that a further capital gain of 170 million Euro, realized at the beginning of July following the sale of the remaining stake in Montedison to Italennergia, will be booked to income in the second half of 2001;

- 50 million Euro in capital gains realized on the sale of a 10.7% stake in Beni Stabili;
- 39 million Euro on the reversal of surplus provisions by Banco di Napoli on the positive conclusion of two disputes, net of extraordinary provisions for social security;
- 30 million Euro in capital gains realized on the sale of own shares to Fondazione Carivenezia as part of the acquisition of a 10.9% stake in Banca Cardine.

The 42.9% reduction in extraordinary income compared with the first half of 2000 is due to the fact that last year showed particularly high capital gains on the sale of own shares and of the 40% interest in Crediop.

The tax rate for the first six months of 2001 was 30%, down from the 39% in the same period of 2000; this reduction is due to the posting at the end of the first half of lower current taxes and prepaid taxes of 88 million Euro against the recovery of carry-forward tax losses in the books of Group companies. It should also be noted that taxes for the period have been calculated without taking account of the incentives envisaged under the Legge Ciampi for the merger between San Paolo and IMI and the acquisition of Banco di Napoli.

### Net income

	First half 2001 (€/mil)	First half 2000 pro forma (€/mil)	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma (€/mil)
Income before extraordinary items	880	959	-8.2	1,699
Net extraordinary income	177	310	-42.9	402
- net gains on disposal of equity investments	109	218	-50.0	259
- other net extraordinary items	68	92	-26.1	143
<b>Income before taxes</b>	<b>1,057</b>	<b>1,269</b>	<b>-16.7</b>	<b>2,101</b>
Income taxes for the period	-315	-489	-35.6	-770
Change in reserves for general banking risks	4	3	+33.3	2
Income attributable to minority interests	-58	-54	+7.4	-102
<b>Net income</b>	<b>688</b>	<b>729</b>	<b>-5.6</b>	<b>1,231</b>

## Operating volumes and organization

### Assets managed on behalf of customers

Customer financial assets at the end of June 2001 amounted to 307.6 billion Euro, an increase over the six months of 3.4 billion Euro and a growth of 0.5% on an annual basis.

This increase in financial assets in the first half was helped by the growth in asset administration, which rose by 3.8 billion Euro from the end of 2000, as well as by a positive trend in direct deposits which posted an increase of 980 million Euro in the first six months of the year. These increases more than offset the decline in the asset management stock, down by 1.3 billion Euro during the first

half, penalized by the negative trend in equity markets; asset management is still the largest portion of the Group's customer financial assets at 41.5%, compared with 34.2% for direct deposits and 24.3% for asset administration.

### Asset management and administration

Despite the difficult external scenario, in the first six months of 2001 the Group registered net asset management flows of 2.6 billion Euro; however, against this inflow, the decline in market prices led to a reduction of 3.9 billion Euro of the Group's total existing stock of asset management, which at the end of June came to 127.6 billion Euro, down by 0.7% over the 12 months. The trend in the second quarter was better than in the first three months of the year: in the second quarter the Group's asset management volumes rose by 2.6 billion Euro, thanks

#### Customer financial assets

	30/6/2001		30/6/2000 pro forma		Change 30/6/01- 30/6/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Asset management	127,597	41.5	128,541	42.0	-0.7	128,913	42.4
Asset administration	74,852	24.3	74,399	24.3	+0.6	71,084	23.4
Direct deposits	105,124	34.2	103,135	33.7	+1.9	104,144	34.2
<b>Customer financial assets</b>	<b>307,573</b>	<b>100.0</b>	<b>306,075</b>	<b>100.0</b>	<b>+0.5</b>	<b>304,141</b>	<b>100.0</b>

#### Asset management

	30/6/2001		30/6/2000 pro forma		Change 30/6/01- 30/6/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Group products	123,327	96.7	124,530	96.9	-1.0	124,907	96.9
- Mutual funds and fund-based portfolio management	102,406	80.3	106,473	82.8	-3.8	105,629	82.0
- Portfolio management	7,046	5.5	6,962	5.5	+1.2	6,860	5.3
- Life technical reserves	13,875	10.9	11,095	8.6	+25.1	12,418	9.6
Other products	4,270	3.3	4,011	3.1	+6.5	4,006	3.1
<b>Asset management</b>	<b>127,597</b>	<b>100.0</b>	<b>128,541</b>	<b>100.0</b>	<b>-0.7</b>	<b>128,913</b>	<b>100.0</b>

#### Net asset management flows

	First half 2001 (€/mil)	First half 2000 pro forma (€/mil)	2000 (€/mil)
Group products	2,278	8,387	14,846
Other products	335	239	267
<b>Net asset management flows</b>	<b>2,613</b>	<b>8,626</b>	<b>15,113</b>

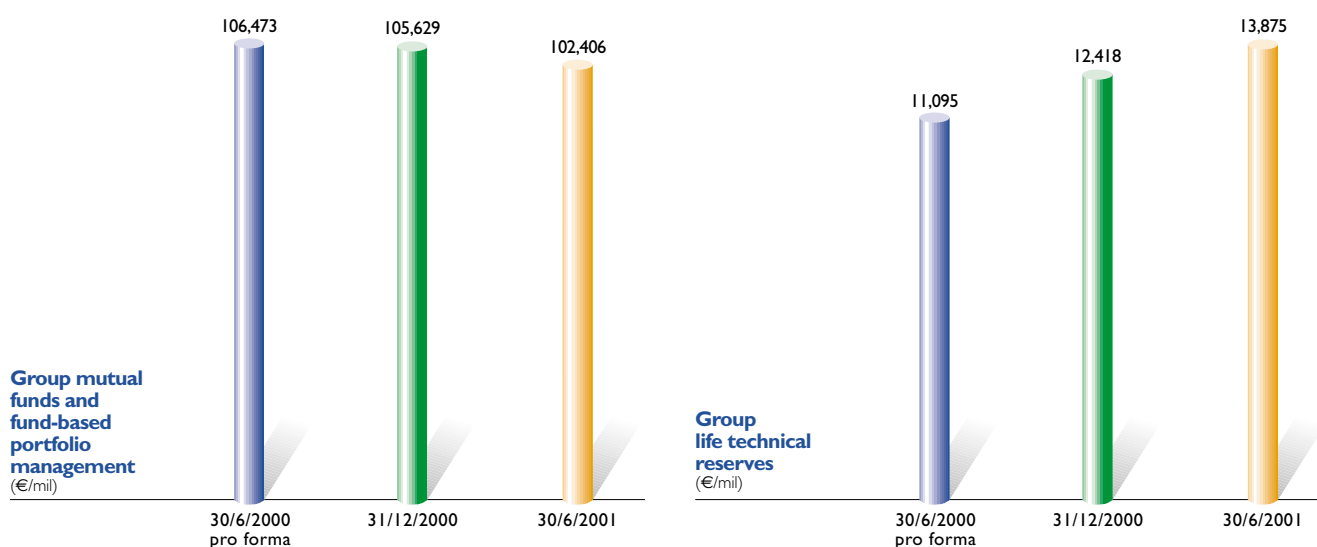


to a net inflow of 2.1 billion Euro and a revaluation of the existing stock of 0.5 billion Euro.

Of the various asset management products, mutual funds and fund-based portfolio management were the most penalized by the fall in share prices; at the end of June, the assets managed by the Group came to 102.4 billion Euro, down by 3.1% on the start of the year and by 3.8% on the end of June 2000. In fact, during the course of the first half, the stock showed a negative performance of 3.5 billion Euro, only partly offset by a net positive inflow of 294 million Euro. Compared with the end of the previous year, the

proportion of equity funds fell by almost two percentage points, from 38.8% to 36.9% of the total, while that of balanced funds went from 19% at the end of December 2000 to 17.5% at the end of June 2001. At the end of the first half of 2001, the Group's share of the mutual funds domestic market came to 18.9%, stable compared with December 2000 and slightly up on the 18.8% at the end of June 2000.

Group performance in the insurance sector was particularly positive: the total value of life policies rose to 13.9 billion Euro, an increase of 11.7% from the start of the year and of 25.1% from the end of June 2000; net flow for the



#### Market shares of asset management and direct customer deposits

	30/6/2001 (%)	30/6/2000 pro forma (%)	31/12/2000 (%)
Asset management	14.0	14.2	14.2
- Mutual funds and fund-based portfolio management	18.9	18.8	18.9
- Portfolio management	10.2	9.5	9.7
- Life insurance	7.4	7.2	7.3
Direct customer deposits	8.4	9.0	8.6

#### Mutual funds by type

	30/6/2001 (%)	30/6/2000 pro forma (%)	31/12/2000 (%)
Equity	36.9	40.4	38.8
Balanced	17.5	17.7	19.0
Bond	45.6	41.9	42.2
Total Group mutual funds	100.0	100.0	100.0

period, 1.6 billion Euro, was driven above all by unit linked and index linked policies, which represented around two thirds of the premiums written. The market share of insurance technical reserves was further strengthened, at around 7.4%.

The results of third party asset management products distributed through the SANPAOLO IMI networks have also improved: the net inflow during the first half, 335 million Euro, brought the amount to 4.3 billion Euro, 3.3% of the Group's total.

Overall, assets managed by the Group on behalf of customers at the end of June are put at 14% of the Italian market. The slight drop in the share compared with the end of December 2000 and June 2000 is mainly due to the fact that mutual funds, in which the SANPAOLO IMI Group has a higher share, fell as a proportion of total asset management because of the reductions following the drop in share prices.

The first half of 2001 was also affected by a growing propension on the part of customers to invest directly in fixed-income products: the Group's asset administration volumes rose to 74.9 billion Euro, up 5.3% on the end of 2000 and up 0.6% on an annual basis.

### Direct deposits

The first half of 2001 closed with direct customer deposits of 105.1 billion Euro, up by 0.9% since the start of the year and by 1.9% over the 12 months.

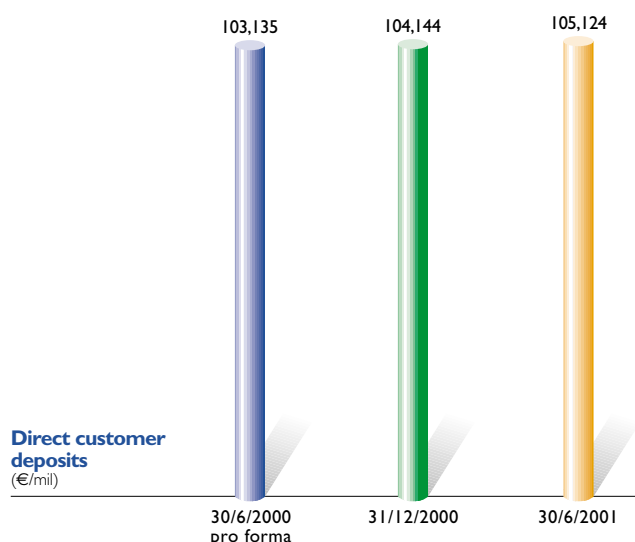
Compared with the end of 2000, there has been a recomposition of the overall aggregate: the decline in certificates of deposit, of around 1 billion Euro, was in fact more than

offset by an inflow of bonds worth 697 million Euro and a 1.2 billion increase in commercial paper. Demand deposits, represented by current accounts and deposits, remained stable at the same level as at the end of 2000, showing a slight change, 1.7%, over the year; at the end of June 2001 it accounted for more than half of the total aggregate.

The Group's market share at the end of first half of 2001 came to 8.4%.

### Customer loans

At the end of June 2001 the Group's net loans, excluding non-performing loans and SGA loans, the company to which the doubtful loans of Banco di Napoli were transferred, came to 95.1 billion Euro, up 4.7% over the year and slightly up on the end of 2000.



### Direct customer deposits

	30/6/2001		30/6/2000 pro forma		Change 30/6/01-30/6/00 pro forma (%)	31/12/2000	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Current accounts and deposits	53,488	50.9	52,581	51.0	+1.7	53,396	51.3
Certificates of deposit	7,803	7.4	9,969	9.7	-21.7	8,888	8.5
Bonds	27,286	26.0	26,724	25.9	+2.1	26,589	25.5
Commercial paper	4,296	4.1	2,013	1.9	+113.4	3,107	3.0
Repurchase agreements and securities lending	8,237	7.8	7,717	7.5	+6.7	7,944	7.6
Other deposits	4,014	3.8	4,131	4.0	-2.8	4,220	4.1
<b>Direct customer deposits</b>	<b>105,124</b>	<b>100.0</b>	<b>103,135</b>	<b>100.0</b>	<b>+1.9</b>	<b>104,144</b>	<b>100.0</b>

The most dynamic component was in medium- and long-term loans, which rose by 6.3% over the year, compared with 2.5% growth in short-term loans.

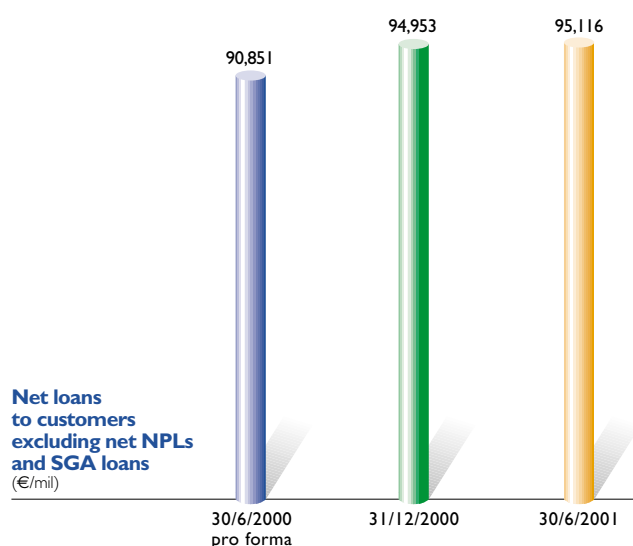
The positive trend in loans to the private sector continued: loans to households grew by 1.9% on the end of June 2000 and by 2.8% since the start of the year; more specifically, in the first half of 2001 the Parent Bank's Italian Branch Network made new mortgage loans to households for a total of 864 million Euro, 5.6% more than in the same period of 2000.

The trend in loans to family businesses and non-financial companies was also positive, with an increase of 6.2% year on year and 1.9% since the end of 2000. The loans disbursed by the Group's foreign network came to 14.4 billion Euro, up 8.5% on the end of June 2000 and down 2.1% since the start of the year.

As regards the loans made in Italy, the geographical breakdown shows that the dynamic growth in loans to customers resident in the north east of the country continued, rising by more than 13% on an annual basis; the performance in the north west and south of Italy was more mod-

est, while loans to customers in central Italy remained stable compared with the end of June 2000.

The Group's market share on the national market at the end of June 2001 was 8.6% for total loans; more specifi-



#### Loans to customers

	30/6/2001		30/6/2000 pro forma		Change 30/6/01-30/6/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Short-term loans	39,625	40.3	38,647	40.5	+2.5	41,438	42.0
Medium- and long-term loans	55,491	56.4	52,204	54.7	+6.3	53,515	54.2
<b>Loans to customers excluding net NPLs and SGA loans</b>	<b>95,116</b>	<b>96.7</b>	<b>90,851</b>	<b>95.2</b>	<b>+4.7</b>	<b>94,953</b>	<b>96.2</b>
Net non-performing loans	830	0.8	1,182	1.3	-29.8	1,015	1.0
SGA loans	2,434	2.5	3,362	3.5	-27.6	2,738	2.8
<b>Loans to customers</b>	<b>98,380</b>	<b>100.0</b>	<b>95,395</b>	<b>100.0</b>	<b>+3.1</b>	<b>98,706</b>	<b>100.0</b>

#### Loans to customers by counterparty

	30/6/2001		30/6/2000 pro forma		Change 30/6/01-30/6/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Loans to households	15,150	15.4	14,862	15.6	+1.9	14,736	14.9
Loans to family businesses and non-financial companies	54,623	55.5	51,420	53.9	+6.2	53,616	54.3
Loans to financial companies	15,026	15.3	15,068	15.8	-0.3	14,871	15.1
Loans to governments and public bodies	13,128	13.3	13,566	14.2	-3.2	14,929	15.1
Other	453	0.5	479	0.5	-5.4	554	0.6
<b>Loans to customers</b>	<b>98,380</b>	<b>100.0</b>	<b>95,395</b>	<b>100.0</b>	<b>+3.1</b>	<b>98,706</b>	<b>100.0</b>

cally, medium- and long-term loans had an 11% share, while short-term loans took 6.3%.

### Doubtful loans

The quality of the Group's assets improved yet again in the first half of 2001, thanks to the rigorous loan policy adopted by the Group, dynamic loan recovery, and various operations designed to reduce the volume of non-performing loans. Operations of this kind during the first half of 2001 included the following:

- in May there was the sale without recourse of short-term unguaranteed non-performing loans with a book value of 111 million Euro; the operation was

settled at a price of 2 million Euro above net book value;

- agreement was reached with a major Italian corporation to sell 100% of Sanpaolo Immobiliare, the company that specializes in handling the non-performing mortgage loans sold without recourse by the Parent Bank in 1994. This operation, whose balance sheet effects were already reflected in the accounts at the end of June, reduced the net value of the Group's non-performing loans by 45 million Euro; from an economic point of view, it led to a pre-tax capital gain of 5 million Euro, which will be booked in the second half.

As a result, doubtful loans were reduced during the first half of 2001 by 289 million Euro, at 1,868 million Euro at

### Loans to customers by type of lending

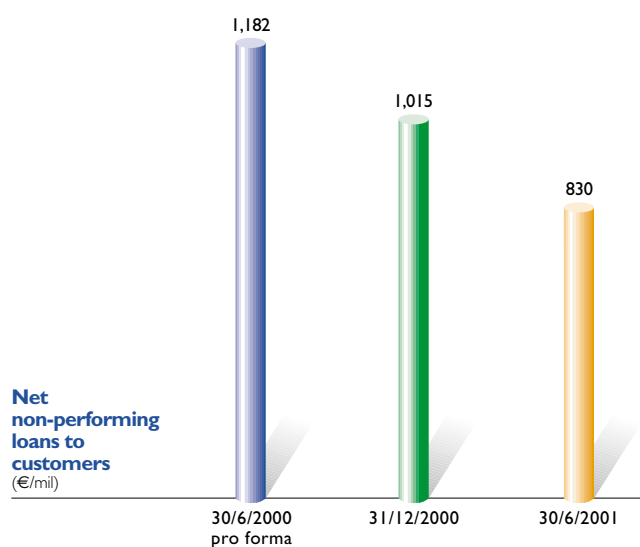
	30/6/2001		30/6/2000 pro forma		Change 30/6/01- 30/6/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Loans to households	15,150	15.4	14,862	15.6	+1.9	14,736	14.9
- Domestic network	13,924	14.2	13,669	14.3	+1.9	13,534	13.7
- overdraft	1,127	1.1	1,199	1.3	-6.0	1,178	1.2
- personal loans	872	0.9	1,057	1.1	-17.5	900	0.9
- mortgage loans	11,260	11.5	10,753	11.2	+4.7	10,898	11.0
- other	665	0.7	660	0.7	+0.8	558	0.6
- Foreign network	1,226	1.2	1,193	1.3	+2.8	1,202	1.2
Loans to family businesses, companies, governments, public bodies and others	83,230	84.6	80,533	84.4	+3.3	83,970	85.1
- Domestic network	70,024	71.2	68,430	71.7	+2.3	70,434	71.4
- overdraft	9,231	9.4	9,932	10.4	-7.1	9,981	10.1
- repurchase agreements	2,528	2.6	3,148	3.3	-19.7	2,193	2.2
- import/export financing	2,417	2.4	1,816	1.9	+33.1	2,234	2.3
- leasing	1,928	2.0	1,595	1.7	+20.9	1,753	1.8
- mortgage loans	32,708	33.3	32,284	33.8	+1.3	33,209	33.7
- other	21,212	21.5	19,655	20.6	+7.9	21,064	21.3
- Foreign network	13,206	13.4	12,103	12.7	+9.1	13,536	13.7
<b>Loans to customers</b>	<b>98,380</b>	<b>100.0</b>	<b>95,395</b>	<b>100.0</b>	<b>+3.1</b>	<b>98,706</b>	<b>100.0</b>

### Market shares in customer loans

	30/6/2001 (%)	30/6/2000 pro forma (%)	31/12/2000 (%)
Short-term loans	6.3	7.2	7.0
Medium- and long-term loans	11.0	11.9	11.4
<b>Total loans</b>	<b>8.6</b>	<b>9.5</b>	<b>9.2</b>

the end of June; on an annual basis, this is a reduction of 32.3%. More specifically, in loans to customers:

- net non-performing loans fell to 830 million Euro, down 29.8% on the year and by 185 million Euro compared with December. The proportion of these positions to total customer loans fell to 0.8% against 1% at the end of 2000 and 1.2% in June last year; taking account of fiscal write-offs, the percentage coverage of non-performing loans at the end of June came to 75.9%;
- problem loans, restructured loans and loans being restructured at the end of June 2001 came to 867 million Euro, down by 37.5% over the year and by 115 million Euro on the end of December. Taking account of fiscal write-offs, the percentage coverage comes to 35.5%;
- unsecured loans to countries at risk at the end of June 2001 amounted to 109 million Euro, against 106 million at the end of 2000.



## Activities on financial markets

### Dealing and treasury activities

The Group's securities portfolio at the end of June 2001 amounted to 26.4 billion Euro; it shows a growth of 5.6% since the start of the year and a reduction of 5.9% over the 12 months. The investment element fell to 4.6 billion Euro, representing 17.5% of the total, compared with 26.7% at the end of last year and 25.4% at the end of June 2000.

The dealing portfolio held by the Banca IMI Group rose during the first half to 14.8 billion Euro, a change over the year of 21.3%; at the end of June 2001 the total amount consisted 33% of government bonds and 46% of other types of bonds.

Banca IMI reinforced its role as primary dealer on the more important government bond markets in Europe and the United States, also achieving good results in the market for corporate bonds and bank capital. In equity markets, the Company consolidated its position in both cash and derivatives; positive results were achieved in trading activities thanks to a policy of limiting risks, giving preference at the same time to any arbitrage opportunities offered by the market.

The Parent Bank's treasury securities portfolio at the end of the first half amounted to 5.4 billion Euro, an increase of 18% on December 2000. The portfolio was managed with a view to generating income, as well as to satisfy the refinancing needs related to the system of guarantees adopted by the European Central Bank; the portfolio maintained a prevalent amount of CCTs, with

### Analysis of loan portfolio

	30/6/2001		30/6/2000 pro forma		Change 30/6/01-30/6/00 pro forma (%)	31/12/2000	
	Amount (€ mil)	%	Amount (€ mil)	%		Amount (€ mil)	%
Non-performing loans	830	0.8	1,182	1.2	-29.8	1,015	1.0
Problem, restructured and in course of restructuring loans	867	0.9	1,387	1.5	-37.5	982	1.0
Loans to countries at risk - customers	109	0.1	92	0.1	+18.5	106	0.1
Performing loans	96,574	98.2	92,734	97.2	+4.1	96,603	97.9
<b>Total loans to customers</b>	<b>98,380</b>	<b>100.0</b>	<b>95,395</b>	<b>100.0</b>	<b>+3.1</b>	<b>98,706</b>	<b>100.0</b>
Non-performing and problem loans - banks	1		2		-50.0	1	
Loans to countries at risk - banks	61		96		-36.5	53	

a slight increase in the component of less than one year. The overall volume of securities traded by the Parent Bank amounted to 11 billion Euro; operations in repurchase agreements, used to satisfy the needs of retail and corporate customers, amounted to 73 billion Euro, of which 35 billion Euro were handled on the MTS/PCT platform.

Operations in the interbank market were carried out by both the Parent Bank and the subsidiaries that specialize in raising funds on overseas markets. Two thirds of the Parent Bank's funding activities were in Euro; on the e-Mid electronic market, the Bank maintained an active role in various new development projects, taking part, for example, in launching the platform for trading in dollar deposits.

As regards medium- and long-term funding, total deposits at the end of June came to 2.8 billion Euro; funding policies were aimed at reducing recourse to public issues, generally of larger amounts but more expensive, giving preference to private placements; during the period, securities were placed by means of two public issues for a total value of 1.4 billion Euro; total funding through private placements came to 1.1 billion Euro, of which half in the form of structured operations; the funds raised by the branch network amounted to 300 million Euro.

#### Placement and advisory business

In the first half of 2001 Banca IMI organized debt placements for corporate and banking issuers worth 7.2 bil-

lion Euro; the main issues concerned RDM International, SCCI, Mosaico Finance, Banca Agrileasing, Findomestic Banca and Cassa dei Risparmi di Forlì.

In the equity sector, Banca IMI took part in the public placement of Orange; it acted as Global Coordinator, leading the private placements of Tiscali and the fifth tranche of ENI, as well as the placements carried out by I Viaggi del Ventaglio and Air Dolomiti; it acted as mandated intermediary in the residual takeover bid for Banco di Napoli; it acted as sponsor in the increase in capital by Banca Popolare di Milano; it also handled the disposal of the Treasury's investments in SANPAOLO IMI and Beni Stabili.

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

#### Equity investments

The Group's investments in companies that are not consolidated on a line by line basis amounted to 4.2 billion Euro at period end, a net increase of 667 million Euro with respect to the beginning of the year. The main operations, which have already been commented on above, were as follows:

- completion at the beginning of the year of the acquisition from Fondazione Cassa di Risparmio di Venezia of a 10.9% stake in Banca Cardine; SANPAOLO IMI

#### Securities, interbank position and derivatives

	30/6/2001		30/6/2000 pro forma		Change 30/6/01- 30/6/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Investment securities	4,615	17.5	7,120	25.4	-35.2	6,671	26.7
Dealing securities (1)	21,777	82.5	20,929	74.6	+4.1	18,329	73.3
<b>Total portfolio</b>	<b>26,392</b>	<b>100.0</b>	<b>28,049</b>	<b>100.0</b>	<b>-5.9</b>	<b>25,000</b>	<b>100.0</b>
Loans to banks	18,717		25,852		-27.6	19,119	
Funding from institutional banking organizations	3,874		4,031		-3.9	4,542	
Funding from other banks	27,158		31,084		-12.6	25,054	
Derivatives and forward transactions in foreign currencies (at nominal value)	372,399		300,681		+23.9	311,625	

(1) This item includes SANPAOLO IMI shares bought by subsidiaries as part of their securities dealing activities, for 17 million Euro as of 30/6/2001, 57 million Euro as of 30/6/2000 and 42 million Euro as of 31/12/2000.

acquired the investment by giving Fondazione Cassa di Risparmio di Venezia 27.5 million its own shares, equal to 1.96% of its share capital, with a value of 516 million Euro;

- the acquisition by SANPAOLO IMI and Cassa di Risparmio di Firenze of 15% and 5% respectively of Cassa dei Risparmi di Forlì, bought from its Fondazione. This deal, which was completed in June, involved an outlay of 122 million Euro by SANPAOLO IMI and 41 million by Carifirenze. A Public Offer for a further stake of 8% in Cassa di Risparmio di Forlì was then launched in the middle of July, as envisaged in last November's agreements; the Offer, at a price of 41.413 Euro per ordinary share and 42.246 Euro per preferred share, was accepted 100%, leading to an outlay of 47 million Euro by SANPAOLO IMI, giving it a 21% stake, and 15 million Euro by Cassa di Risparmio di Firenze, raising its stake to 7%.

Disposal during the period amounted to 119 million Euro, generating pre-tax gains of 109 million Euro. They included:

- the sale in June of a 10.7% interest in Beni Stabili, out of the Bank's total shareholding of 14.2%, thus reducing it to 3.5%; this transaction generated a capital gain of 50 million Euro;
- the reduction from 6.2% to 4.4% of the interest held in Montedison by NHS, the merchant bank of the SANPAOLO IMI Group, generating capital gains of 58 million Euro. At the beginning of July, the residual interest in Montedison was sold by NHS to Itالenergia; this transaction, which took place at a price of 3.22 Euro per share, will give rise to a pre-tax capital gain of 170 million Euro, to be booked in the second half of the year.

## Operating structure

### The distribution network

In the first half of 2001, the Group continued its efforts to strengthen the distribution structure, taking action along the following principles:

- development of innovative channels;
- selective growth in the branch network, accompanied by branch specialization in the prevalent customer segment;
- consolidation of the network of financial planners.

As regards innovative channels, the beginning of March was of particular importance as the Commercial Banking's Italian Branch Network launched to customers information and statement services through the Internet and mobile phone.

Group companies operating in the Personal Financial Services sector also developed their business through electronic banking, concentrating the work of the financial planner networks on activities with higher value-added. At the same time, Banca Sanpaolo Invest carried out a recruiting plan aimed at other sector players, raising the number of financial consultants to 1,532, 44 more than at the end of 2000; Banca Fideuram's network at the end of June consisted of 3,781 planners, in line with the end of 2000.

The strengthening of the distribution structure was also directed towards the development of the Group's Italian Branch Networks in terms of both quantity and quality; in terms of quantity, the Parent Bank's network increased by 31 branches, bringing the total at the end

### Non-consolidated equity investments

	30/6/2001		30/6/2000 pro forma		Change 30/6/01- 30/6/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
<b>Investments</b>	<b>4,240</b>	<b>100.0</b>	<b>2,917</b>	<b>100.0</b>	<b>+45.4</b>	<b>3,573</b>	<b>100.0</b>
- carried at equity	933	22.0	733	25.1	+27.3	811	22.7
- carried at cost	3,307	78.0	2,184	74.9	+51.4	2,762	77.3
- in listed companies	2,287	53.9	1,821	62.5	+25.6	2,234	62.5
- in other companies	1,020	24.1	363	12.4	+181.0	528	14.8

of June to 1,363; the Group's distribution network is also made up of 731 Banco di Napoli branches and 76 Fideuram offices, for a total of 2,170 outlets. Of these, 45.8% operate in the north west of Italy, 36.9% in the south and islands, 11.6% in the center and the other 5.7% in the north east.

The objective of reinforcing the quality of the network was pursued by means of:

- the development within the Commercial Banking's Italian Branch Network of a new organizational model geared to specialization in the prevalent customer segment of each branch;

- the launch of a project to set up a bank with an independent network to specialize in private banking. This bank will be based on the 16 existing private banking branches belonging to Commercial Banking.

Retail customers were also served through the Parent Bank's network of ATMs and POS terminals, which at the end of June included 1,873 automatic Bancomat tellers and 21,952 POS terminals; Banco di Napoli's automated structures at the same date consisted of 896 Bancomat and 9,899 POS terminals. As for business customers, at the end of the first half, the Parent Bank had 31,727 remote banking links, while Banco di Napoli had 1,961.

### Distribution network

	30/6/2001	30/6/2000 pro forma	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000
<b>Banking branches and area offices</b>	<b>2,249</b>	<b>2,187</b>	<b>+2.8</b>	<b>2,213</b>
- Italy	2,170	2,112	+2.7	2,137
<i>of which: Parent Bank</i>	1,363	1,309	+4.1	1,332
- Abroad	79	75	+5.3	76
<i>of which: Banque Sanpaolo</i>	62	60	+3.3	61
<b>Representative offices</b>	<b>16</b>	<b>14</b>	<b>+14.3</b>	<b>15</b>
<b>Financial planners</b>	<b>5,529</b>	<b>5,216</b>	<b>+6.0</b>	<b>5,495</b>
<i>of which: Banca Fideuram</i>	3,781	3,629	+4.2	3,782
<i>of which: Banca Sanpaolo Invest</i>	1,532	1,360	+12.6	1,488

### Distribution network in Italy as of 30/6/2001

	Parent Bank		Banco di Napoli		Banca Fideuram		TOTAL	
		%		%		%		%
North-West (Piedmont, Val d'Aosta, Lombardy and Liguria)	960	70.4	4	0.5	30	39.5	994	45.8
North-Est (Veneto, Trentino Alto Adige, Friuli Venezia Giulia and Emilia Romagna)	103	7.6	1	0.1	19	25.0	123	5.7
Centre (Tuscany, Marches, Umbria, Lazio, Abruzzo and Molise)	127	9.3	107	14.7	18	23.7	252	11.6
South and Islands (Campania, Puglia, Basilicata, Calabria, Sicily and Sardinia)	173	12.7	619	84.7	9	11.8	801	36.9
<b>Banking branches and area offices in Italy</b>	<b>1,363</b>	<b>100.0</b>	<b>731</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>2,170</b>	<b>100.0</b>



## Personnel

Group personnel at the end of June 2001 consisted of 35,628 employees, with a net reduction of 181 compared with the end of June 2000, based on the same scope of consolidation, and 101 fewer than at the start of the year.

The reduction in the workforce is mainly the result of the voluntary incentive retirement scheme launched by Banco di Napoli, in accordance with the rationalization

plan; the number of people employed by the Banco and its subsidiaries has fallen by 875 since the end of June 2000, of whom 529 from the start of the year. The number of people employed by other Group companies went up following the development plans which are currently being implemented; specifically, the number of people employed by the Parent Bank went up by 234 compared with the end of June 2000, excluding the employees of the business transferred to Banca OPI; the increase from the end of December 2000 was 166.

## Personnel

	30/6/2001		30/6/2000 pro forma		Change 30/6/01- 30/6/00 pro forma (%)	31/12/2000	
		%		%			%
<b>Period-end headcount</b>	<b>35,628</b>	<b>100.0</b>	<b>35,809</b>	<b>100.0</b>	<b>-0.5</b>	<b>35,729</b>	<b>100.0</b>
- executives (1)	681	1.9	569	1.6	n.s.	542	1.5
- managers (1)	11,314	31.8	11,400	31.8	n.s.	11,480	32.1
- other employees	23,633	66.3	23,840	66.6	-0.9	23,707	66.4
<b>Average headcount</b>	<b>35,717</b>		<b>35,580</b>		<b>+0.4</b>	<b>35,540 (2)</b>	

(1) The distinction between executives and managers at 30/6/2001 follows the changes in the staff organization introduced by the National Collective Labour Contract for the banking sector. The comparison with the previous periods is therefore inconsistent.

(2) Pro forma figure.

## Capital and reserves

### Net shareholders' equity

Group shareholders' equity at 30 June 2001 was 7,668 million Euro net of own shares held by the Parent Bank. Movements during the first half were as follows:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
<b>Net shareholders' equity at 1 January 2001</b>	<b>7,353</b>
<b>Decreases</b>	<b>-791</b>
- Dividends	-787
- Use of reserve for general banking risks	-4
<b>Increases</b>	<b>1,106</b>
- Capital	1
- Share premium reserve	4
- Exchange and other adjustments	5
- Decrease in own shares held by the Parent Bank	408
- Net income for the period	688
<b>Net shareholders' equity at 30 June 2001</b>	<b>7,668</b>

The increase in capital of 1 million Euro and of 4 million Euro in the share premium reserve followed the subscription of 422,916 shares at a price of 12.396 Euro each by Group senior managers, as part of the stock option plan described in the 2000 Annual Report.

### Own shares

At 30 June 2001 the Group held 17,798,660 SANPAOLO IMI shares, equal to 1.27% of capital with a book value of 306 million Euro.

Movements in SANPAOLO IMI shares carried out by the Group during the period were as follows:

- at the end of 2000, the Parent Bank held 39,345,982 shares (for a total nominal value of 110 million Euro), carried at a cost of 697 million Euro. During the period, it bought 4,869,750 shares (14 million Euro nominal value) at a total cost of 78 million Euro, and sold 27,503,729 shares (77 million Euro nominal value) for total proceeds of 516 million Euro; the shares were sold to Fondazione Cassa di Risparmio di Venezia as part of the acquisition of a 10.9% stake in the Cardine Group. At the end of June 2001 the Parent Bank held 16,712,003 shares (47 million Euro nominal value), carried at a cost of 289 million Euro (17.29 Euro per share);
- at the end of 2000 the subsidiary Banca IMI held 2,437,400 shares as part of its institutional dealing activity (7 million Euro nominal value) carried at a market value of 42 million Euro. During the period, it bought 8,570,064 shares (24 million Euro nominal value) at a total cost of 137 million Euro, and sold 9,920,807 shares (28 million Euro nominal value) for total proceeds of 156 million Euro. At 30 June 2001 Banca IMI held 1,086,657 shares (3 million Euro nominal value) carried at a market value of 17 million Euro.

At the end of August 2001, the Group held 18,079,150 SANPAOLO IMI shares, or 1.29% of capital, with a book value of 308 million Euro.

### Regulatory capital and capital adequacy

At 30 June 2001 the ratio of regulatory capital to total risk-weighted assets, essentially for credit and market risks, shows a total solvency ratio of 9.2%; in particular, the market risks attributable to the Parent Bank and to other Group companies, 8.5 billion Euro at the end of June 2001, are almost entirely covered by Tier 3 subordinated liabilities of 615 million Euro in total.

The ratio between Group Tier 1 capital and total risk-weighted assets at the end of June 2001 came to 7.2%.

### Regulatory capital and capital adequacy (1)

	30/6/2001	31/12/2000
<b>Regulatory capital (€/mil)</b>		
Tier 1 capital	7,492	6,868
Tier 2 capital	3,212	3,257
less: prescribed deductions	-1,761	-1,259
Regulatory capital	8,943	8,866
Subordinated Tier 3 capital	615	601
Total capital	9,558	9,467
<b>Weighted assets (€/mil)</b>		
Credit risk	94,788	95,050
Market risk	8,450	8,087
Other requirements	600	513
Total assets	103,838	103,650
<b>Capital adequacy ratios (%)</b>		
Tier 1 ratio	7.2	6.6
Total capital ratio	9.2	9.1

(1) The ratios reflect the Bank of Italy's regulatory clarifications made in its technical note of 3 August 2001.

# Risk management and control

## The basic principles

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

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

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

The Parent Bank also carries on general functions of risk management and control and takes risk-acceptance decisions in the case of particularly large risks. In doing this, it has the support of the Risk Management unit and a Risk Control unit.

The Business Areas that generate credit and/or financial risks are all assigned maximum powers of approval and each has its own control structure.

## Financial risk management and control

### The measurement techniques used

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

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

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

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

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

### Financial risk from lending business

Market risk generated by the lending activities of the Group in the first half of 2001 was similar to the average level observed last year, suitably restated to take Banco di Napoli's inclusion into account. The change in market value of the banking book, measured using sensitivity analysis, showed an average negative value during the period of 139 million Euro.

The Value at Risk (VaR) of the banking book remained at an average value of 102 million Euro; at the end of June VaR was 64 million Euro.

### Equity investments in non-Group listed companies

At the end of June, the market value of equity investments in quoted companies not consolidated line by line or at net equity, including own shares held by the Parent Bank, amounted to 2,848 million Euro, of which 679 million was held by NHS, the merchant bank 51% controlled by SANPAOLO IMI. The market value of equity investments fell to 2,594 million Euro following the sale of the interest in Montedison to Itالenergia at the beginning of July.

The market value of equity investments at the end of June showed potential net capital gains on book value of 201 million Euro, after deducting minority interests in NHS. The capital gains refer mainly to the investments in Banco Santander Central Hispano, The Royal Bank of Scotland and Montedison. Taking into account the sale of Montedison shares to Itالenergia, the potential capital gain at the end of June was reduced to 111 million Euro.

At the end of June, the VaR for minority investments in quoted companies was 269 million Euro, net of minority interests in NHS. Excluding Montedison, VaR at the end of June fell to 256 million Euro.

**Trading activities**

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

The VaR of the trading activities, which are performed by Banca IMI and its subsidiaries, oscillated between a low of 3.1 million Euro and a high of 18.5 million Euro during the first half, with an average of 9.4 million Euro.

In addition to VaR, the Worst Case Scenario technique is also used to monitor the impact of potential losses that might arise in extreme circumstances. The evolution in the maximum potential daily loss shows stability in potential risks during the first part of the year, oscillating around the yearly average of 44.8 million Euro.

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

**Credit risk management and control**

**The measurement techniques used**

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

For loans to customers, various grading models have been developed. These differ according to the counterparty's size and industry sector. These models make it possible to summarize the counterparty's credit quality in a single rating measurement, which reflects the risk of insolvency over the next 12 months. By means of statistical calibrations, these ratings have been rendered fully compatible with the rankings of the official rating agencies, forming one overall scale of reference. Backtesting analyses carried out to date, comparing insolvency forecasts with actual defaults, have confirmed that the models used are reliable.

As regards the Commercial Banking's loan book, i.e. households, small businesses and SMEs, credit quality management uses a system of classifying customers into categories, based on an evaluation by loan supervisors, who are specifically responsible for certain matters (frequency of credit line reviews and recovery measures). Control over credit quality uses a scoring system, based like



**Maximum potential daily loss in trading (€/mil)**

the grading system on financial and behavioural indicators, though it is geared not so much to estimating the risk of insolvency, but to giving an early warning of any anomalous situations.

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

Lastly, as regards country risk, ratings are assigned on the basis of a model that takes into consideration the views of rating agencies and other specialized institutions, market information and internal ratings.

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

SANPAOLO IMI also pays a great deal of attention to the new proposals concerning credit risk made by the Basle Committee for the reform of the Accord on Capital, which among other things envisages using internal ratings for calculating capital requirements; the measurement tech-

niques used by the Group appear to be in line with the methods being proposed.

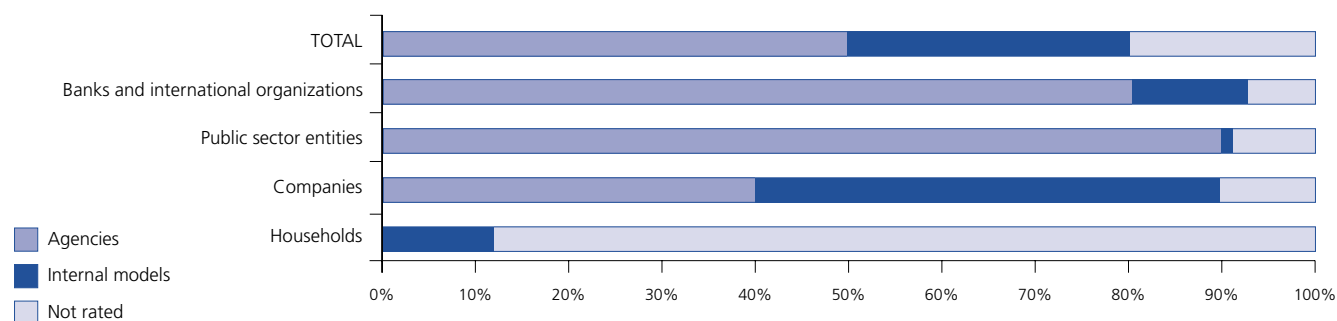
### Credit risk

What is being measured here is all of the on- and off-balance sheet credit exposures. This type of analysis, which was initially performed on the Parent Bank's loan book, was subsequently extended to the main subsidiaries: at present, in addition to the Parent Bank, the portfolio includes Banca OPI, Sanpaolo IMI Bank Ireland and Banco di Napoli.

Analytical ratings are available for 80% of the counterparties contained in the loan portfolio, in terms of exposure. Around 30% of the ratings are internal, while the others are by specialized agencies. The non-rated portfolio is essentially made up of households, especially home mortgage loans.

Customer loans that have been assigned an analytical rating, which are the main reference population for the credit risk management model, are showing a high level of asset quality: investment grade loans (from AAA to BBB) represent around 80% of the total, and this figure was more or less stable throughout the first half of the year. Moreover, the proportion of secured loans increases progressively as the creditworthiness of the customer declines, covering more than half of the amount disbursed in the case of customers classified as B and CCC.

Also in terms of customer loans, measurement of the capital at risk, including country risk, came to 3,239 million Euro at the end of the period, around 3.37% of the drawn down portion of credit lines. This figure is down 28



Drawn down loan portfolio by rating source (%)

basis points on December 2000, bearing witness to an improvement in asset quality.

At the end of the first half, about 70% of total capital was allocated to Retail businesses (Commercial Banking and Banco di Napoli), while the rest was split between Corporate and Banca OPI, which have a lower risk profile.

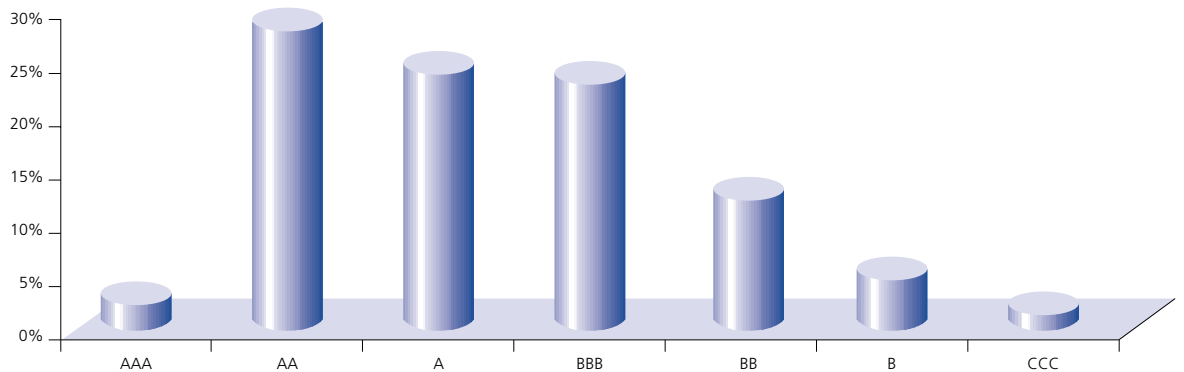
**The management and control of other risks**

SANPAOLO IMI also considers two other types of risk in its models: operational risk and business risk.

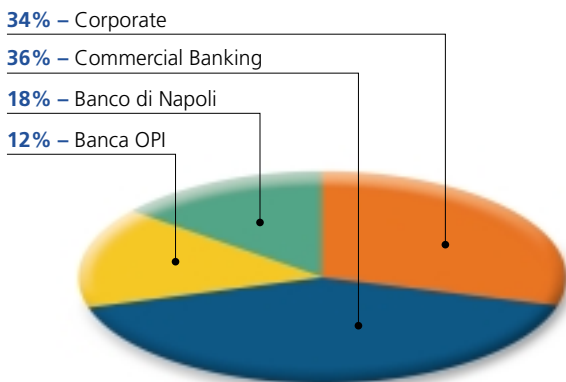
Operational risk is defined as the risk of incurring losses as a result of four macro categories of events: fraud, legal risks (including non-performance of contractual obligations),

weaknesses in internal control or information systems, and natural calamities. A database of significant events that took place in the last ten years has been used for each category, from which it is possible to identify the impact in terms of losses from public sources of information. The empirical distributions of losses calculated in this way are estimated by means of distribution theories according to the extreme value theory. The capital at risk is identified as the minimum measurement, net of any insurance cover, that is needed to cope with the maximum potential loss with a confidence level of 99.95%. This technique also provides for the application of a correction factor to take account of the effectiveness of internal controls in the various operating areas.

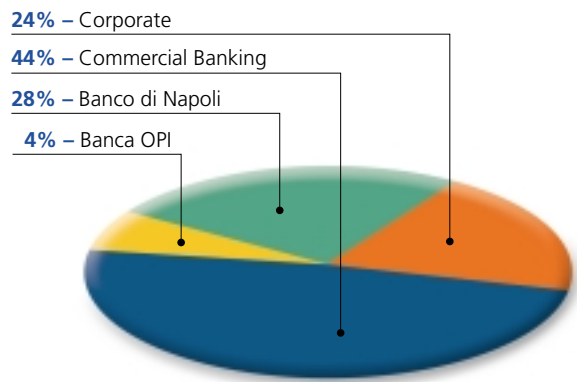
It should be mentioned that this method was developed in order to allocate to the Business Areas and to the Group as a whole a quantity of capital consistent with the likelihood



Drawn down loan portfolio by level of rating (%)



Loans and guarantees by Business Area



Capital against credit risk by Business Area

of these types of events. Operating risks are controlled by defining internal rules and procedures and having the Internal Audit department checks compliance.

Further refinements are currently being made on this subject, which principally concern extending external data bases, building internal data bases, developing more advanced statistical calculation engines, using exposure indicators and the economic effect that follows the effectiveness and intensity of internal controls. These developments are in line with the best practices being put out by the international taskforces working on these subjects, where SANPAOLO IMI is an active participant; they are also consistent with the indication made by the Basle Committee in its proposed revision of the Accord on

Capital, which envisages the introduction of a specific capital charge for operational risks.

Business risk, also called strategic risk at an international level, is the risk of incurring losses as a result of changes in the macro- or micro-economic scenario which could jeopardize the ability to generate income, typically by reducing the volume of operations or compressing margins.

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



## Supplementary information

### Performance of share prices

At the end of June 2001, the price of SANPAOLO IMI shares was 15.28 Euro; this was 11.5% down on the start

of the year, compared with the MIB bancario which was down 14%. At the same date, SANPAOLO IMI traded on a price/book value of 2.8 and a price/earnings based on consensus earnings in 2002 of 13.8.

On 31 August 2001, the price was 13.836 Euro, 19.9% down on the start of the year.

### Market comparison

	31/8/2001	29/6/2001	30/6/2000	Change (%) 29/6/01-30/6/00
SANPAOLO IMI share price (€) (1)	13.836	15.280	18.482	-17.3
Banking index (historical MIB bancario)	2,731	2,969	3,328	-10.8

### SANPAOLO IMI share price (1)

Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001 (until 31/8/2001)	18.893	13.200	15.614

### SANPAOLO IMI market indices

	29/6/2001	30/6/2000
Price / Book value	2.8	3.2
Price / Earnings on consensus earnings (2)	13.8	20.3

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

(2) Calculated on consensus earnings 2002 for 29/6/2001 and on consensus earnings 2001 for 30/6/2000.



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

## Shareholders

Based on available information, the shareholder structure of SANPAOLO IMI as of 30 June 2001 was as follows:

<i>Shareholders of SANPAOLO IMI</i>	%
Compagnia di San Paolo	16.13
Banco Santander Central Hispano	6.48
Monte dei Paschi di Siena	6.31
IFI / IFIL	4.98
Fondazione Cariplo	2.77
Ente Cassa di Risparmio di Firenze	2.57
Società Reale Mutua di Assicurazioni	2.06
Fondazione Cassa di Risparmio di Venezia	1.96
Other shareholders (1)	56.74
<b>Total</b>	<b>100.00</b>

(1) Includes own shares held by the Group.

## Ratings

There was no change in SANPAOLO IMI's debt ratings during the first half of 2001.

For Group companies, Moody's and Standard & Poor's rated Banca OPI's debt, assigning the same ratings as SANPAOLO IMI.

### SANPAOLO IMI debt ratings

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

### Other SANPAOLO IMI ratings

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

### Rating of subsidiary company debt

Group company	Rating agency	Short-term rating	Medium/long-term rating (senior)
Banco di Napoli	Fitch	F1	A+
	Rating and Investment Information (Japan)	-	A+
	Moody's Investors Service	P-1	A1
	Standard & Poor's	A-1	A
Banca OPI	Moody's Investors Service	P-1	Aa3
	Standard & Poor's	A-1	A+
Banque Sanpaolo	Fitch	F1	A+
	Moody's Investors Service	P-1	A2
Banca Fideuram	Standard & Poor's	A-1	A+
Sanpaolo IMI Bank International	Moody's Investors Service	P-1	Aa3
	Standard & Poor's	A-1	A+
Sanpaolo US Financial	Moody's Investors Service	P-1	-
	Standard & Poor's	A-1	-

**Transactions with Group companies and related parties**

Transactions between the Parent Bank, subsidiary companies and associated companies take place in accordance with current legislation and are arranged on a mutually equitable basis. Details of transactions with Group companies are given in an attachment to the Parent Bank's half year report.

Transactions with related parties as defined in the relevant Consob Communications dated 20 February 1997, 27 February 1998 and 6 April 2001, including those with personnel and officers of the SANPAOLO IMI Group and companies they control, similarly comply with the legislation and are conducted at market prices.

## Group Business Areas

### Organization by Business Area

During the first half of 2001, the Group operated through a structure organized by Business Areas in the following sectors:

- **Retail Banking:** business with households and small- and medium-sized companies is carried on by the Group through Commercial Banking and Banco di Napoli; Retail Banking also includes the operations of Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì in which SANPAOLO IMI has shareholdings of 19.1% and 21% respectively;
- **Wealth Management:** this Area was established in April 2001 and provides asset management products and services both to the internal distribution networks of the Group (Commercial Banking, Banco di Napoli and Banca Sanpaolo Invest) and to external networks and institutional investors;
- **Personal Financial Services:** Banca Fideuram and Sanpaolo Invest use their networks of financial planners to distribute financial services to households with a medium-to-high investment potential. This sector also includes the on line trading service developed by IMIWeb Bank;
- **Wholesale Banking:** this includes Corporate, Public Works and Infrastructure, Investment Banking and Merchant Banking.

The Group also has Central Functions, which performs holding, treasury, loan recovery, property and investment management activities.

As mentioned earlier, the Group changed its organizational structure after the end of the first half. From September 2001, this has entailed a number of changes to the way the Business Areas are arranged. More specifically, in Retail Banking the new organizational structure includes the following autonomous Business Areas: the Sanpaolo Network, consisting of the Parent Bank's Italian branches and the related direct banking channels; Banco di Napoli; the Group's other distribution networks in Italy and abroad (including Banque Sanpaolo). There are also plans to set up an autonomous Business Area in the field of private banking.

### Criteria to calculate the profitability of the Business Areas

The statement of income by Business Area has been prepared as follows:

- for those Areas whose business is carried on by both the Parent Bank and subsidiaries, consolidation of the Parent Bank's line items attributable to the relevant Area with the equivalent line items of the subsidiaries concerned has been effected. The Parent Bank's line items are allocated to the Business Areas on the following principles:
  - net interest income is calculated using appropriate internal transfer rates;
  - in addition to actual commissions, notional commissions are also quantified for the services rendered by one Area to another;
  - direct costs of each Area are determined and parameters are used to apportion the operating costs of the central structures (except for holding company functions);
- for those Areas whose business is carried on entirely by subsidiaries, the income statements of the latter are reported; their contribution to consolidated net income is also shown, net of minority interests and after posting the consolidation adjustments attributable to the Area; amortization of goodwill arising from the investments made directly by the Parent Bank in the Areas has been allocated to the Central Functions.

The capital for each Area has also been quantified according to the following criteria:

- for those Areas whose business is carried on by both the Parent Bank and subsidiaries, the average economic capital of the Parent Bank is consolidated with that of the subsidiaries. The capital is measured using the VaR approach, distinguishing among the various types of risk: credit risk, market risk and operational risk;
- for those Areas whose business is carried on exclusively by subsidiaries, reference is made to average book net shareholders' equity (excluding net income for the period).

Particularly prudent criteria have been adopted in allocating the Parent Bank's capital to the various Business Areas. In particular:

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

Lastly, the profitability of each Area has also been calculated, as follows:

- for those Areas whose business is carried on by both the Parent Company and subsidiaries, profitability is expressed in terms of RORAC (Return On Risk Adjusted Capital), the ratio of the Area's contribution to Group net income to the related economic capital quantified on a VaR basis;

- for those Areas whose business is carried on exclusively by subsidiaries, profitability is expressed in terms of RoE (Return on Equity), the ratio of the Area's contribution to Group net income to the related average book net equity (excluding net income for the period) in accordance with the principles adopted by the Group.

The figures for the first half of 2000 and for the year 2000 are pro forma estimates; they have been prepared on the assumption that on 1 January 2000:

- control of Banco di Napoli and Wargny was acquired;
- the customer profiles of the Commercial Banking and Corporate Areas were rearranged;
- the Wealth Management Area was set up;

- the Public Works and Infrastructures business was transferred to Banca OPI.

The first half 2001 figures for Wealth Management, which was set up in April 2001, are also pro forma. The statement of income has been prepared on the basis of the results of the individual companies making up the Area, after suitable adjustments.

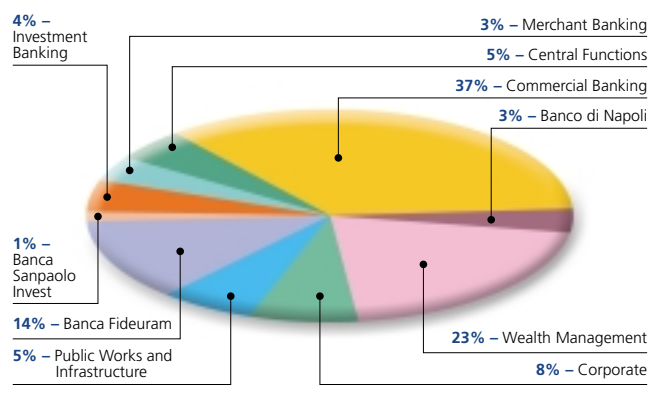
## Results of the Business Areas

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

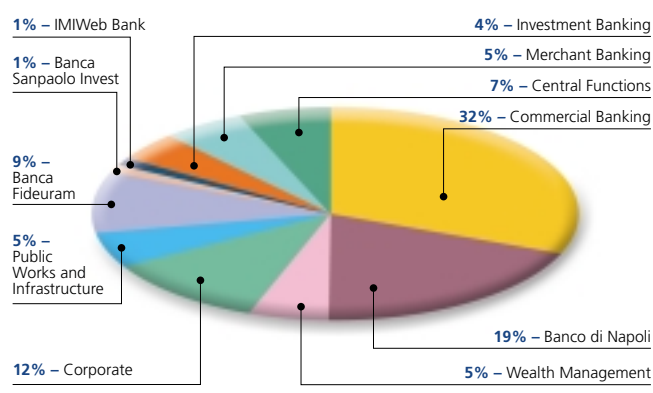
Business Area	Contribution to net income of the Group				Average capital			Annualized profitability		
	First half 2001	First half 2000	Change first half 2001 / First half 2000	2000 pro forma	First half 2001	First half 2000	2000 pro forma	First half 2001	First half 2000	2000 pro forma
	(€mil)	(€mil)	(%)	(€mil)	(€mil)	(€mil)	(€mil)	(%)	(%)	(%)
<b>RETAIL BANKING</b>										
Commercial Banking	253	297	-14.8	625	2,284	2,440	2,417	22.2	24.3	25.9
Banco di Napoli	20	54	-63.0	84	1,359	1,302	1,286	2.9	8.3	6.5
<b>WEALTH MANAGEMENT (2)</b>	156	57	+173.7	106	360	289	267	86.7	39.4	39.7
<b>PERSONAL FINANCIAL SERVICES</b>										
Banca Fideuram	94	82	+14.6	175	670	566	544	28.1	29.2	32.2
Banca Sanpaolo Invest	7	11	-36.4	16	99	89	89	14.1	24.7	18.0
IMIWeb Bank	-13	-13	-	-28	84	30	41	n.s.	n.s.	n.s.
<b>WHOLESALE BANKING</b>										
Corporate	53	46	+15.2	92	836	788	804	12.7	11.7	11.5
Public Works and Infrastructure	37	31	+19.4	98	349	279	279	21.2	22.2	35.0
Investment Banking	26	42	-38.1	60	314	383	356	16.6	22.2	16.9
Merchant Banking	21	22	-4.5	33	400	384	382	10.5	11.7	8.6
<b>CENTRAL FUNCTIONS</b>	34	100	-66.0	-30	493	380	182	n.s.	n.s.	n.s.
<b>GROUP TOTAL</b>	<b>688</b>	<b>729</b>	<b>-5.6</b>	<b>1,231</b>	<b>7,248</b>	<b>6,930</b>	<b>6,647</b>	<b>19.0</b>	<b>21.0</b>	<b>18.5</b>

(1) The figures for first half of 2000 and for the year 2000 are pro forma; they have been prepared in order to permit a consistent comparison with the year 2001, according to the methods explained above.

(2) The figures for the first half of 2001 are pro forma as the Area was set up in April 2001. Note that the net result for the first half of 2001 has benefited from lower current income taxes and from booking deferred tax assets for the recovery of carry-forward tax losses.



First half 2001 net income by Business Area



First half 2001 allocated capital by Business Area

## Retail Banking

### Commercial Banking

In the first half of 2001 Commercial Banking operated on the domestic market through the Italian Branch Network which consists of the Parent Bank's 1,363 branches, as well as through direct channels, namely Internet, phone and mobile banking; the customer base is composed of households, small entrepreneurs and companies with a turnover of less than 500 billion Lire. Abroad, the Area operates through the French subsidiary Banque Sanpaolo,

with 62 branches, and the Hungarian Inter-Europa Bank, in which the Group has a 32.5% interest. Commercial Banking is also responsible for the specialist companies in consumer credit (Finconsumo, controlled jointly with Banco Santander Central Hispano) and leasing (Sanpaolo Leasint).

In the first half of 2001, the initiatives launched in 2000 on the domestic market were continued. These concerned above all:

- multi-channel development: the range of services offered through direct channels was extended with the

	Commercial Banking				of which: Italian Branch Network			
	First half 2001	First half 2000 pro forma	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma	First half 2001	First half 2000 pro forma	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>								
Net interest and other banking income	1,530	1,651	-7.3	3,294	1,365	1,490	-8.4	2,973
Operating costs	-956	-929	+2.9	-1,904	-848	-832	+1.9	-1,717
Operating income	574	722	-20.5	1,390	517	658	-21.4	1,256
Provisions and net adjustments to loans and financial fixed assets	-100	-154	-35.1	-222	-90	-144	-37.5	-197
Income before extraordinary items	474	568	-16.5	1,168	427	514	-16.9	1,059
Net extraordinary income	1	-2	n.s.	12	-2	-3	-33.3	1
Income before taxes	475	566	-16.1	1,180	425	511	-16.8	1,060
Income taxes for the period	-222	-269	-17.5	-555	-199	-244	-18.4	-505
Net income	253	297	-14.8	625	226	267	-15.4	555
<b>ALLOCATED CAPITAL (€/mil)</b>	2,284	2,440	-6.4	2,417	1,815	2,033	-10.7	2,004
<b>RATIOS (%)</b>								
Annualized RORAC	22.2	24.3		25.9	24.9	26.3		27.7
Cost / Income ratio	62.5	56.3		57.8	62.1	55.8		57.8
	30/6/2001	30/6/2000 pro forma	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000 pro forma	30/6/2001	30/6/2000 pro forma	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>								
Customer financial assets	161,809	161,970	-0.1	160,185	148,429	148,769	-0.2	146,955
- Direct deposits	34,580	34,526	+0.2	33,747	29,636	29,868	-0.8	28,945
- Asset management	70,314	70,135	+0.3	71,125	64,556	64,667	-0.2	65,424
of which: Group products	68,585	68,261	+0.5	69,396	64,556	64,667	-0.2	65,424
- Mutual funds and fund-based portfolio management	56,971	58,350	-2.4	58,610	53,578	55,274	-3.1	55,237
- Portfolio management	4,966	4,774	+4.0	4,848	4,330	4,256	+1.7	4,249
- Life technical reserves	6,648	5,137	+29.4	5,938	6,648	5,137	+29.4	5,938
of which: Other products	1,729	1,874	-7.7	1,729	-	-	-	-
- Asset administration	56,915	57,309	-0.7	55,313	54,237	54,234	+0.0	52,586
Net asset management flows	1,295	3,310		7,674	1,081	2,573		6,204
Net loans to customers excluding NPLs	37,626	37,740	-0.3	38,304	33,416	33,788	-1.1	34,431
<b>OPERATING STRUCTURE</b>								
Employees	18,047	17,635	+2.3	17,750	16,263	16,038	+1.4	16,046
Branches	1,425	1,369	+4.1	1,393	1,363	1,309	+4.1	1,332

launch in March of information and statement services through the Internet and mobile phones. These results represented an important step forwards in the realization of a distribution model that allows customers to operate in an integrated fashion through traditional and direct channels; marketing initiatives during the first half, designed to encourage specific customer segments to make use of these new tools, resulted in more than 64,000 multi-channel subscribers at the end of June (more than 95,000 at the end of August). Design work continued on the use of Internet as a platform for developing commercial relations with companies;

- selective extension of the Italian Branch Network, which increased by 31 branches during the period;
- the development of a new organizational model geared to specialize each branch in the prevalent customer segment: companies, households and small businesses;
- the improvement of the service offered to private customers, especially in consultancy by widening the range of products and services; more targeted customer segmentation, with priority being given to those with a higher value added, helped by a suitable recomposition of the personal consultants' customer portfolio; wider deployment of workstations to consultants;
- the reinforcement of the management systems and technology tools supporting operations targeted at businesses with a view to ensuring the highest standards in credit risk management, as well as to improve commercial relations with business customers;
- focusing the business on companies with turnover of less than 500 billion Lire, instead of the previous ceiling of 1,000 billion Lire; as of 1 January 2001, companies with turnover of more than 500 billion Lire were transferred to the Corporate Area;
- the strengthening of the network's incentive schemes, based on the profitability and commercial results achieved, and introducing a personal element for consultants.

In France, Banque Sanpaolo is concentrating primarily on high net worth private customers, taking advantage of its specialist position in asset management and consultancy services. Plans to strengthen the distribution system by developing a differentiated, multi-channel approach continued.

In volume terms, the Area's asset management business achieved in the first half a net inflow of 1.3 billion Euro, which partly offset the 2.1 billion Euro devaluation of total stock caused by declining share prices. As a result, total asset management stock came to 70.3 billion Euro, up 0.3% on the end of June 2000, though 1.1% down on the start of the year. In particular:

- the Italian Branch Network brought in net asset management flows of 1.1 billion Euro, including 831 million Euro of life insurance policies; assets under management at the end of June came to 64.6 billion Euro, down 0.2% on the 12 months and 1.3% since the start of the year. Domestic market share in mutual funds and fund-based portfolio management was 10.4% at the end of June;
- Banque Sanpaolo reported net asset management flows of 214 million Euro; period-end amounts are up 5.3% year on year and 1% on the end of 2000.

As regards other customer financial assets, Commercial Banking increased its volume of direct deposits during the first half of 2001 by 833 billion Euro, taking the total to 34.6 billion Euro, up 0.2% on June 2000 and 2.5% on the start of the year; thanks to a growth during the first half of 1.6 billion Euro, assets under administration rose to 56.9 billion, reducing the decline since June 2000 to 0.7%.

The Area's net loans, excluding NPLs, amounted to 37.6 billion Euro, in line with June 2000, though down 1.8% on the start of the year. Household mortgage loans rose to 5.8 billion Euro, 23.7% up on 30 June 2000; new disbursements in the six months were 864 million Euro, 5.6% higher than in the same period of 2000.

The Area closed the first half with net income of 253 million Euro, 14.8% down on the pro forma result for the first half of 2000, prepared on a consistent basis. The reduction was due to lower commissions compared with the particularly high level of subscriptions and orders taken by the Italian Branch Network in the early months of 2000. Continuing improvement in asset quality is reflected in lower adjustments to loans and lower economic capital absorbed. Expressed in terms of annualized RORAC, profitability was more than 22%.

## Banco di Napoli

Banco di Napoli, part of the SANPAOLO IMI Group from the second half of 2000, operates in retail banking in its traditional territorial area in Southern Italy through 731 branches.

The first half of 2001 saw the finalization and approval of the Banco di Napoli Relaunch Plan. The Plan, which was described earlier in this Report, sets the Banco a target RoE of 15% in 2004, compared with the figure of 6.5%

achieved in 2000, and a target cost to income ratio of 57% against 78% in 2000.

In recent months, the Banco has taken the following steps in line with the objectives of the Relaunch Plan: restructuring of the domestic distribution network, setting up 11 territorial areas; revision of the equity investment portfolio, signing a contract to sell Fumagalli & Soldan, a subsidiary, and concentrating fund management activities in the Wealth Management structures of the SANPAOLO IMI Group; withdrawal from the activities carried on by the for-

### Banco di Napoli

	First half 2001	First half 2000	Change first half 2001 / First half 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	574	580	-1.0	1,167
Operating costs	-468	-449	+4.2	-908
Operating income	106	131	-19.1	259
Provisions and net adjustments to loans and financial fixed assets	-75	-59	+27.1	-375
Income before extraordinary items	31	72	-56.9	-116
Net extraordinary income	25	-69	n.s.	-398
Income before taxes	56	3	n.s.	-514
Income taxes for the period	-32	28	n.s.	241
Use of reserves for general banking risks	-	44	n.s.	367
Net income	24	75	-68.0	94
Contribution to net income of the Group (1)	20	54	-63.0	84
<b>ALLOCATED CAPITAL (€/mil)</b>	1,359	1,302	+4.4	1,286
<b>RATIOS (%)</b>				
Annualized RoE	2.9	8.3		6.5
Cost / Income ratio	81.5	77.4		77.8
	30/6/2001	30/6/2000	Change 30/6/01-30/6/00 (%)	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	37,454	39,959	-6.3	38,819
- Direct deposits	22,285	24,916	-10.6	24,606
- Asset management	7,590	7,148	+6.2	6,678
of which: Group products	7,043	6,514	+8.1	6,111
- Mutual funds and fund-based portfolio management	5,235	5,179	+1.1	4,719
- Portfolio management	1,424	1,335	+6.7	1,272
- Life technical reserves	384	-	n.s.	120
of which: Other products	547	634	-13.7	567
- Asset administration	7,579	7,895	-4.0	7,535
Net asset management flows	1,063	-564		-1,161
Net loans to customers excluding NPLs and SGA loans	14,757	15,719	-6.1	15,688
<b>OPERATING STRUCTURE</b>				
Employees	10,112	10,987	-8.0	10,641
Financial planners	199	227	-12.3	225
Domestic branches	731	731	-	731

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



eign network, transferring the Hong Kong branch to the Parent Bank's Corporate Area and selling the London branch to a third party; a voluntary retirement plan with incentives, which has already led to agreements for the departure of some 500 employees.

The operational performance of Banco di Napoli in the first half of 2001 was marked by a significant recomposition of customer financial assets towards asset management: net asset management flows of 1.1 billion Euro brought the total stock to 7.6 billion Euro, 13.7% up on the start of the year and 6.2% on the 12 months. Direct deposits, on the other hand, fell by 2.3 billion Euro from the start of the year, falling to 22.3 billion, while assets under administration remained stable at the same level as the end of 2000, at 7.6 billion Euro.

As regards loans, in compliance with the operating guidelines set out in the Relaunch Plan, the Banco concentrated its activities on its target customers, namely households and small entrepreneurs; net loans, excluding NPLs and SGA loans, fell to 14.8 billion Euro, approximately 6% less than at December and June 2000.

In income terms, Banco di Napoli achieved net income in first half 2001 of 24 million Euro, down 68% on the same period of 2000; the fall was largely due to higher amortization and provisions, only partially compensated for by the increase in extraordinary income. In terms of its operating results, the Banco's net interest income grew by 2.8%, while net interest and other banking income fell by 1% because of lower commissions and reduced profits from financial transactions. Annualized RoE came to 2.9%.

## Wealth Management

The setting up of an autonomous Wealth Management Business Area was completed during the period. This is intended to provide asset management products and services to the Group's own distribution networks (Commercial Banking, Banco di Napoli and Banca Sanpaolo Invest), as well as to third party networks and institutional investors. April saw the final transfer to Wealth Management Sanpaolo IMI of the Parent Bank's interests in subsidiaries handling mutual funds and portfolio management (Sanpaolo IMI Asset Management, Sanpaolo IMI Institutional Asset Management, Sanpaolo Gestion Internationale and Sanpaolo Fiduciaria), in private banking (Sanpaolo Bank Lussemburgo, Sanpaolo Bank Austria and SP Private Banking) and in life insurance (Sanpaolo Vita and Sanpaolo Life).

As part of the plan to integrate Banco di Napoli within the SANPAOLO IMI Group, its fund management operations were also transferred to Wealth Management.

The following initiatives were carried out during the first half:

- in asset management, the beginning of January saw the start-up of Sanpaolo IMI Institutional Asset Management as a specialist in managing funds on behalf of institutional customers; Sanpaolo IMI Alternative Investments was also established to manage hedge funds;
- in mutual funds, a new non-harmonized equity fund was set up and the Sanpaolo Liquidità fund was segmented, introducing two classes of units for retail customers and corporate and private customers; Sanpaolo International Fund established six new equity sectors; a new fund-based portfolio management was also set up specifically for high net worth customers;
- in insurance, new single-premium policies were launched, making it possible to withdraw the previous year's revaluation on an annual basis, as were unit linked multimanager policies and guaranteed result policies;

### Wealth Management

	First half 2001 pro forma	First half 2000 pro forma	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	147	126	+16.7	261
Operating costs	-31	-28	+10.7	-62
Operating income	116	98	+18.4	199
Adjustments to goodwill and merger and consolidation differences	-4	-	n.s.	-
Provisions and net adjustments to loans and financial fixed assets	-10	-6	+66.7	-43
Income before extraordinary items	102	92	+10.9	156
Income before taxes	102	92	+10.9	156
Income taxes for the period	45	-23	n.s.	-26
Change in reserves for general banking risks and income attributable to minority interests	-1	3	n.s.	3
Net income	146	72	+102.8	133
Contribution to net income of the Group (1)	156	57	+173.7	106
<b>ALLOCATED CAPITAL (€/mil)</b>	360	289	+24.6	267
<b>RATIOS (%)</b>				
Annualized RoE	86.7	39.4		39.7
Cost / Income ratio	21.1	22.2		23.8
	30/6/2001	30/6/2000 pro forma	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>				
Asset management	73,343	73,583	-0.3	74,331
<b>OPERATING STRUCTURE</b>				
Employees	422	309	+36.6	343

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

- in private banking, SP Private Banking, the new Swiss bank based in Geneva with a branch also in Lugano, became operational at the end of February.

There were also the following initiatives in collaboration with external sales networks:

- the launch of a new fund by CR Firenze Gestion Internationale, held 20% by the SANPAOLO IMI Group and 80% by Cassa di Risparmio di Firenze, with management mandated to Wealth Management's Luxembourg companies;
- the launch, in June, of marketing by Cassa dei Risparmi di Forlì of a complete range of fund-based portfolio management, which will invest in the Luxembourg fund Sanpaolo International Fund.

The Area's asset management at the end of the first half came to 73.3 billion Euro, in line with the figure at the

end of June 2000. Compared with the start of the year, the fall in volumes was limited to 1 billion Euro: the devaluation of total funds under management that took place in the first half, of 2.2 billion Euro, was in fact partially offset by the 1.2 billion of net flows from the distribution networks.

Wealth Management showed a significant improvement in earnings on the first half of 2000: net income amounted to 146 million Euro, compared with 72 million Euro in the same period last year. The increase in profitability was possible mainly by a greater contribution from the insurance companies, Sanpaolo Vita and Sanpaolo Life, included in net interest and other banking income among profits from companies carried at equity. The net result also benefited from lower current income taxes and the booking of prepaid taxes against the recovery of carry-forward tax losses.

## Personal Financial Services

### Banca Fideuram

Banca Fideuram, with a network of 3,781 financial planners and 76 branches, operates through its own specialist companies that provide asset management services.

In the first half of 2001 Banca Fideuram continued various initiatives to expand its business in Italy and abroad. In particular:

- it began to implement the business plan for Wargny, the French broker, which envisages its transformation into a *banque privée*, the rationalization of its corporate structure and the launch of asset management activities based on the model already tested in Italy;
- private banking services were initiated in Switzerland through Fideuram Bank (Suisse);
- the supply of new insurance products was boosted with the purpose of optimizing the opportunities offered by the new tax regime and of reducing the gap in life insurance and pension funds between Italy and other western countries.

### Banca Fideuram

	First half 2001	First half 2000 pro forma (1)	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma (1)
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	306	278	+10.1	579
Operating costs	-143	-133	+7.5	-273
Operating income	163	145	+12.4	306
Adjustments to goodwill and merger and consolidation differences	-12	-19	-36.8	-42
Provisions and net adjustments to loans and financial fixed assets	-12	-6	+100.0	-10
Income before extraordinary items	139	120	+15.8	254
Net extraordinary income	-	-	-	2
Income before taxes	139	120	+15.8	256
Income taxes for the period	-20	-17	+17.6	-32
Income attributable to minority interests	-	-1	n.s.	-2
Net income	119	102	+16.7	222
Contribution to net income of the Group (2)	94	82	+14.6	175
<b>ALLOCATED CAPITAL (€/mil)</b>	670	566	+18.4	544
<b>RATIOS (%)</b>				
Annualized RoE	28.1	29.2		32.2
Cost / Income ratio	46.7	47.8		47.2
	30/6/2001	30/6/2000 pro forma (1)	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	51,738	50,450	+2.6	51,073
- Direct deposits	3,656	2,342	+56.1	2,725
- Asset management	39,222	40,839	-4.0	40,613
- Mutual funds and fund-based portfolio management	33,167	35,402	-6.3	34,923
- Life technical reserves	6,055	5,437	+11.4	5,690
- Asset administration	8,860	7,269	+21.9	7,735
Net asset management flows	64	4,713		6,150
<b>OPERATING STRUCTURE</b>				
Employees	1,634	1,559	+4.8	1,587
Financial planners	3,781	3,629	+4.2	3,782
Branches	76	72	+5.6	74

(1) The pro forma data are prepared on the basis of the acquisition of the Wargny group from 1/1/2000.

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

At the end of June 2001, financial assets administered by Banca Fideuram on behalf of its customers amounted to 51.7 billion Euro, 2.6% up year on year and 1.3% up on the end of 2000. Asset management amounted in total to 39.2 billion Euro, approximately 75% of the total; in particular, the funds administered in private banking increased constantly, rising to 14.1 billion Euro, compared with 9.6 billion at the end of 2000; net asset management flows during the period came to 64 million Euro, thanks to 412 million Euro in life insurance policies, which more than offset the outflow of 348 million Euro from mutual funds and fund-based portfolio management. During the same period, direct deposits increased by 931 million Euro, largely attributable to investments in repurchase agreements while waiting for a return to market stability, and a return

to asset management. Asset administration volumes increased by 1.1 billion Euro, to 8.9 billion.

The results achieved by Banca Fideuram in the first half of 2001 showed a significant improvement on the same period in 2000; net interest and other banking income went up by 10.1%, to 306 million Euro. Higher revenues more than offset the extra expenses involved in upgrading operations, allowing the company to achieve net income of 119 million Euro, 16.7% up on the first half of 2000. Annualized RoE came to 28.1%. The contribution made to Group net income, for the 74% held by SANPAOLO IMI and after the consolidation adjustments, came to 94 million Euro, against 82 million in the first half of 2000.

### Banca Sanpaolo Invest

Banca Sanpaolo Invest continued to strengthen its business model, which envisages the distribution of products developed by the Group and other major market participants, through the network of financial planners supported by direct sales channels.

The first half of 2001 was marked by:

- the completion, in June, of the process of transferring customers from SANPAOLO IMI branches, now that Banca Sanpaolo Invest is autonomous from an opera-

tional standpoint; this involved some 90,000 customers with total assets of 5.7 billion Euro;

- the expansion of the product range: a new Irish umbrella fund run by the subsidiary Sanpaolo Invest Ireland, new fund-based portfolio management from Sanpaolo IMI Asset Management and unit linked policies from Skandia were launched; distribution of mutual funds run by important foreign asset managers (including Credit Agricole Indosuez, J.P. Morgan, Credit Suisse and Pictet) was developed, following commercial agreements stipulated in 2000; an agreement was signed to distribute mortgages from Abbey National Bank;

### Banca Sanpaolo Invest

	First half 2001	First half 2000	Change first half 2001 / First half 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	37	37	-	69
Operating costs	-28	-24	+16.7	-49
Operating income	9	13	-30.8	20
Income before extraordinary items	8	13	-38.5	20
Net extraordinary income	-1	6	n.s.	6
Income before taxes	7	19	-63.2	26
Income taxes for the period	-4	-8	-50.0	-10
Change in reserves for general banking risks	4	-3	n.s.	-
Net income	7	8	-12.5	16
Contribution to net income of the Group (1)	7	11	-36.4	16
<b>ALLOCATED CAPITAL (€/mil)</b>	99	89	+11.2	89
<b>RATIOS (%)</b>				
Annualized RoE	14.1	24.7		18.0
Cost / Income ratio	75.7	64.9		71.0
	30/6/2001	30/6/2000	Change 30/6/01-30/6/00 (%)	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	9,884	10,155	-2.7	10,178
- Direct deposits	185	6	n.s.	52
- Asset management	8,727	9,079	-3.9	9,180
of which: Group products	6,745	7,576	-11.0	7,469
- Mutual funds and fund-based portfolio management	6,049	6,927	-12.7	6,733
- Portfolio management	205	218	-6.0	270
- Life technical reserves	491	431	+13.9	466
of which: Other products	1,982	1,503	+31.9	1,711
- Asset administration	972	1,070	-9.2	946
Net asset management flows	112	848		1,711
<b>OPERATING STRUCTURE</b>				
Employees	208	142	+46.5	176
Financial planners	1,532	1,360	+12.6	1,488

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

- the reinforcement of the distribution network: the number of financial planners rose at the end of June to 1,532, 44 more than at the end of 2000; recruitment was targeted at financial planners from banks and other distribution networks;
- the strengthening of direct channels in telephone and Internet banking: reinforcement of the call center, increasing the staff by 21 from the start of the year, raised the number of transactions in securities made by telephone during the period to 19,900 for a total trading volume of 350 million Euro; during the same period, customers made 6,300 securities trades via Internet, for a total volume of more than 30 million Euro.

Banca Sanpaolo Invest saw net asset management flows of 112 million Euro during the first half. Total assets under management were penalized, however, by the drop in share prices, falling to 8.7 billion Euro from 9.1 at 30 June 2000 and 9.2 billion at the end of the year. The proportion of third party products grew, rising to more than 20% of the total.

The Banca achieved revenues in line with the first half of last year. The considerable costs incurred to boost operations penalized the bottom line: net income fell to 7 million Euro, compared with 8 million Euro in the first half of 2000. Annualized RoE was 14.1%.

### IMIWeb Bank

Having obtained a banking license at the beginning of 2001, IMIWeb Bank spent the first half expanding its product range and launching the distribution of retail mortgages and consumer credit. At the same time, the company consolidated its position as a major on line broker in the Italian market; in particular, it launched a number of innovative products, such as stock lending and short selling, and it began operating in derivatives, establishing an Internet platform to allow customers to trade in Fib and MiniFib on the IDEM. The introduction of derivatives completed the range of financial instruments that the company is making available to customers, which includes deal-

ing on the main financial markets around the world, with coverage of 77% of world equity markets, Italian mutual funds and foreign investment companies (Sicav) and bonds. Special attention was given to consultancy services in support trading activities; in particular, IMIWeb Bank signed an agreement with Eurosime Research to provide market and company analyses. Abroad, the company began direct operations in Luxembourg and in the United Kingdom through IMIWeb UK.

IMIWeb made higher revenues in the first half of 2001 compared with the first half of 2000. However, these higher revenues were not sufficient to cover the high costs incurred to strengthen the company's competitive position.

### IMIWeb Bank

	First half 2001	First half 2000	Change first half 2001 / First half 2000 (%)	2000
<b>STATEMENT OF INCOME</b> (€/mil)				
Net interest and other banking income	4	2	+100.0	6
Operating costs	-16	-15	+6.7	-35
Loss before extraordinary items	-13	-13	-	-29
Net extraordinary income	-	-	-	1
Net loss	-13	-13	-	-28



## Wholesale Banking

### Corporate

Corporate provides lending and other banking services to large- and medium-sized companies and groups. The Area is split between two Parent Bank structures: one handles relationships with Italian clients, while the other follows foreign companies. The Corporate network consists of six area offices in Italy and 10 branches and 14 representative offices abroad, as well as the subsidiary Sanpaolo IMI Bank Ireland.

As planned, the Italian customer base was expanded at the start of the year by including groups with consolidated turnover of between 500 and 1,000 billion Lire. In an extremely competitive market and at a time when the economy is showing signs of uncertainty, this Area's operations have been directed towards maintaining adequate levels of profitability with constant monitoring of risk/return profiles. To this end:

- participation in syndicated loans in which the Bank could take a leading role was encouraged, generating significant commission income;
- attention was focused on offering services to customers with a view to expand the range and improve their quality with positive returns in economic terms.

From an organizational point of view :

- procedures to complete the purchase of Banco di Napoli's Hong Kong branch are currently being completed; it is expected to be fully integrated into the Asia Area by the end of the year, and it will thus be involved in that Area's plans to rationalize and centralize the information system;
- procedures for the opening of new representative offices in Prague and Budapest will shortly be concluded.

Net loans at the end of June 2001 were 24 billion Euro, an increase of 7% over 12 months and a fall of 3.2% from the start of the year. Guarantees at the end of June rose to

### Corporate

	First half 2001	First half 2000 pro forma	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	156	143	+9.1	298
Operating costs	-51	-45	+13.3	-105
Operating income	105	98	+7.1	193
Provisions and net adjustments to loans and financial fixed assets	-18	-18	-	-35
Income before extraordinary items	87	80	+8.7	158
Net extraordinary income	2	-	n.s.	-
Income before taxes	89	80	+11.3	158
Income taxes for the period	-36	-34	+5.9	-66
Net income	53	46	+15.2	92
<b>ALLOCATED CAPITAL (€/mil)</b>	836	788	+6.1	804
<b>RATIOS (%)</b>				
Annualized RORAC	12.7	11.7		11.5
Cost / Income ratio	32.7	31.5		35.2
	30/6/2001	30/6/2000 pro forma	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>				
Net loans to customers excluding NPLs	24,004	22,438	+7.0	24,803
Guarantees	8,660	6,569	+31.8	7,933
Total loans and guarantees	32,664	29,007	+12.6	32,736
<b>OPERATING STRUCTURE</b>				
Employees	488	475	+2.7	481
Area offices in Italy	6	6	-	6
Foreign branches and representative offices	24	22	+9.1	23

8.7 billion Euro, with a flow since the start of the year of 727 million Euro; this represents an increase of 9.2% on December 2000 and 31.8% on June 2000.

The Area's net income for the first six months of 2001 was

53 million Euro, up 15.2% on the pro forma result for the first half of 2000 on a consistent operational basis. This was thanks to growth in both net interest income and commissions. Annualized RORAC was 12.7% against 11.7% in the same period of 2000.

## Public Works and Infrastructure

Financial services provided by the Group to the public sector, particularly financing capital investments and infrastructure, is carried on since July 2000 by Banca OPI, the specialist company through which the Group aims to consolidate its leading role in Italy in this sector. By activating synergies with the networks and other elements of the Group, Banca OPI is able to offer customers finance and other services, among which advisory and project finance services are particularly important.

The initiatives undertaken by Banca OPI in the first half of 2001 were aimed at strengthening the company's specialist business, with particular regard to:

- infrastructure investments, with a special emphasis on project financing;
- developing operations in OECD countries, largely by collaborating with major European banks;
- financial support for the Public Administration and Italian public services agencies;

- support for local entities, including advisory work, to enhance the value of their utility companies.

Disbursements of 1,154 million Euro were made during the first half; the main operations completed during the period concerned postal and railway services, financing to support diversification in the production and distribution of electricity, as well as mortgage loans in the field of healthcare and environmental protection, and to regional administrations. The proportion of loans granted abroad is particularly significant, at 20% of the total, being loans to public entities and highway and airport operators, also in the form of project financing. The operations concluded during the period brought total net loans to 12.5 billion Euro, up 4.3% on the end of December 2000 and 7% on an annual basis.

The increase in operations allowed Banca OPI to increase its revenues: net interest and other banking income grew by 6.8% in the first half compared with the same period last year. Operating income also increased, while the fall in income before extraordinary items was due to provisions

## Public Works and Infrastructure

	First half 2001	First half 2000 pro forma	Change first half 2001 / First half 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	63	59	+6.8	131
Operating costs	-8	-7	+14.3	-15
Operating income	55	52	+5.8	115
Provisions and net adjustments to loans and financial fixed assets	-13	-1	n.s.	-8
Income before extraordinary items	42	51	-17.6	107
Net extraordinary income	1	1	-	2
Income before taxes	43	52	-17.3	109
Income taxes for the period	-11	-21	-47.6	-12
Net income	32	31	+3.2	98
Contribution to net income of the Group (1)	37	31	+19.4	98
<b>ALLOCATED CAPITAL (€/mil)</b>	349	279	+25.1	279
<b>RATIOS (%)</b>				
Annualized RoE	21.2	22.2		35.0
Cost / Income ratio	12.7	11.9		11.9
	30/6/2001	30/6/2000 pro forma	Change 30/6/01-30/6/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>				
Net loans to customers	12,490	11,669	+7.0	11,973
Disbursements in the period	1,154	1,976	-41.6	3,128
<b>OPERATING STRUCTURE</b>				
Employees	111	88	+26.1	99

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

for possible loan losses made exclusively for tax reasons. Net income at Banca OPI came to 32 million Euro, up 3.2% on the first half of 2000. The contribution to Group net

income, after the reversal of the provisions made for tax reasons, was 37 million Euro, up by 19.4% on the first half of last year. Annualized RoE came to 21.2%.

## Investment Banking

Investment Banking handles all securities brokerage activities both for own account and for customers, raising risk capital and debt for corporate clients, as well as consultancy in matters of corporate finance. Investment banking activities are carried on by the Banca IMI Group, with the exclusion of IMIWeb Bank and its subsidiary IMIWeb UK, which operate in on line trading and are included in Personal Financial Services.

In the first half of 2001 the Banca IMI Group:

- in corporate finance and capital market, took part in the public share placement of Orange; was Global Coordinator for the private placements by Tiscali and the fifth tranche of ENI and the share placements by I Viaggi del Ventaglio and Air Dolomiti; was mandated

intermediary in SANPAOLO IMI's residual Public Offer for Banco di Napoli; acted as promoter in the Banca Popolare di Milano's increase in capital; handled the Treasury's sale of its interests in SANPAOLO IMI and Beni Stabili. In primary debt markets, the Bank organized the placing of bonds for corporate and banking issuers such as RDM International, SCCI, Mosaico Finance, Banca Agrileasing, Findomestic Banca and Cassa dei Risparmi di Forlì;

- in trading, consolidated its operations in fixed income, confirming its position as a primary dealer in the major European and American bond markets, and in equity; in particular, during the period Banca IMI reached a market share of 5.9% in the screen-based equity market, thanks to total trades on behalf of customers of 34 billion Euro, and a market share of 9.6% on the IDEM, with some 275,000 FIB30 contracts;

## Investment Banking

	First half 2001	First half 2000	Change first half 2001 / First half 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	115	136	-15.4	250
Operating costs	-75	-74	+1.4	-161
Operating income	40	62	-35.5	89
Provisions and net adjustments to loans and financial fixed assets	-	-3	n.s.	1
Income before extraordinary items	40	59	-32.2	90
Net extraordinary income	-3	1	n.s.	8
Income before taxes	37	60	-38.3	98
Income taxes for the period	-11	-18	-38.9	-31
Net income	26	42	-38.1	67
Contribution to net income of the Group (1)	26	42	-38.1	60
<b>ALLOCATED CAPITAL (€/mil)</b>	314	383	-18.0	356
<b>RATIOS (%)</b>				
Annualized RoE	16.6	22.2		16.9
Cost / Income ratio	65.2	54.4		64.4
	30/6/2001	30/6/2000	Change 30/6/01-30/6/00 (%)	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Banca IMI SpA trading volumes				
- trading	356,673	241,691	+47.6	474,918
- sales	64,180	51,969	+23.5	100,060
- repurchase agreements	634,143	428,301	+48.1	817,939
- placements	6,162	11,741	-47.5	19,537
<b>OPERATING STRUCTURE</b>				
Employees	666	648	+2.8	683
Branches	2	2	-	2

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

- reinforced operations abroad: the Luxembourg subsidiary IMI Bank upgraded its custody services, while the US subsidiary Banca IMI Securities Corp. consolidated its institutional customer services in the distribution of securities issued by US government agencies and of European equities.

Investment Banking's profitability was penalized by the negative external environment in the first six months of the year and fell compared with the first half of 2000. Net income for the period was 26 million Euro, compared with 42 million in the same period of 2000. Annualized RoE came to 16.6%.

## Merchant Banking

NHS, the Group's merchant bank, carried out some important investments during the period, including:

- participation in the Treasury's private placement of 5% of ENI; the private placement closed at the end of February with the company being allocated 21 million shares, 0.26% of the capital, for an outlay of 143 million Euro;
- a stake in Merloni Termosanitari, holding company of the group of that name, which operates in the field of heating and airconditioning equipment; this deal, which is currently being finalized, will lead to the purchase of a 6% interest in the company for an outlay of 22 million Euro;
- a 10% interest in Cartiere Fedrigoni & C. for an outlay of 14 million Euro;
- participation in the share offering by Davide Campari, which operates in the production, marketing and distribution of drinks; the offer closed at the beginning of July with NHS making an investment of 13.5 million Euro for 1.5% of the company.

Other events that took place during the first half included starting procedures to set up an asset management company, to be called NHS Asset Management SGR, to handle the promotion and management of new Italian closed-end funds. NHS also set up a Luxembourg company called NHS Luxembourg, to act as a subholding company in the management of equity investments of a financial nature, including stakes in private equity funds.

A number of important investments were also disposed of during the first half, including:

- reducing the company's holding in Montedison from 6.2% to 4.4%, making pre-tax capital gains of 58 million Euro. At the beginning of July, the entire stake still held in Montedison was sold to Italenergia at a price of 3.22 Euro per share, which generated a further pre-tax capital gain of 170 million Euro which will contribute to NHS's results in the third quarter of 2001. NHS then acquired 7.81% of Italenergia; this will allow the SANPAOLO IMI Group to participate in Italenergia's business plan to create a major private operator in the Italian energy market;

## Merchant Banking

	First half 2001	First half 2000	Change first half 2001 / First half 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	25	34	-26.5	51
Operating costs	-5	-3	+66.7	-9
Operating income	20	31	-35.5	42
Provisions and net adjustments to loans and financial fixed assets	-16	-9	+77.8	-10
Income before extraordinary items	4	22	-81.8	32
Net extraordinary income	59	46	+28.3	93
Income before taxes	63	68	-7.4	125
Income taxes for the period	-21	-26	-19.2	-49
Net income	42	42	-	76
Contribution to net income of the Group (1)	21	22	-4.5	33
<b>ALLOCATED CAPITAL (€/mil)</b>	400	384	+4.2	382
<b>RATIOS (%)</b>				
Annualized RoE	10.5	11.7		8.6
Cost / Income ratio	20.0	8.8		17.6
	30/6/2001	30/6/2000	First half 2001 net flow	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Merchant banking direct investments	480	131	+1	479
Other shareholdings	589	273	+129	460
	30/6/2001	30/6/2000	Change 30/6/01-30/6/00 (%)	31/12/2000
<b>OPERATING STRUCTURE</b>				
Employees	53	52	+1.9	52

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

- the disposal of merchant banking investments, with pre-tax capital gains of 10 million Euro; this included partial sale of the 6.71% stake held in Santé Luxembourg and total disposal of an 8.75% interest in Lafert.

Net income recorded by NHS in the first half of 2001 was 42 million Euro, in line with the same period last year; the

contribution to Group net results, for the 51% held, was 21 million Euro, allowing the company to post an annualized RoE of 10.5%. This was thanks to a combination of revenues from merchant banking and capital gains from the disposal of shareholdings; these revenues offset the lower profits made on financial transactions and higher provisions booked during the period.



# Developments in the second half of the year

## Economic background

In July and August, the key indicators of trends in the US economy, such as industrial output and corporate profits, continued to show conditions of deterioration. In August the Federal Reserve intervened again, cutting policy rates by 25 basis points.

According to authoritative international bodies, recovery in the US will be slow; the risks of a recession are still considerable. This is because how and when the recovery might take place is affected by the financial deficits in the private and foreign sectors, whose return to more balanced conditions could require more drastic adjustments in the spending decisions by private operators. The latest projections by the IMF put the rate of growth expected from the US economy at around 1.5%.

Recent figures for the trend in the economic cycle in Japan confirm the huge difficulties that the Japanese economy is having in overcoming its stagnation. The government's supply-side policy, based on structural reforms and public spending cuts, is only likely to have a positive impact in the medium term, while the Japanese central bank's attempts to fight the deflationary tendencies in the economy by expanding the money supply still appear to be having little effect.

Signs of deceleration in the Euro-zone have been growing more and more intense. There is still a high risk that the current slowdown could turn out to be deeper and longer lasting than expected. On the other hand, lower inflationary pressures in the area have allowed the ECB to loosen its monetary policy. At the end of August, the ECB lowered its policy rates by another quarter point. The market is looking for further expansionary interventions before the end of the year.

The IMF's latest estimates based on the prospects for the whole of 2001 put GDP growth in the Euro-zone and in Italy at around 2%.

With the economic picture still weak in July and August, the main international markets have generally suffered further losses. All of the main indices in the United States and Europe lost ground: Dow Jones (-5.3%), S&P500 (-7.4%),

Nasdaq100 (-19.7%) and DJ Euro Stoxx50 (-11.8%). In Italy, during the same period, the MIB30 fell by 6.6%.

The persistent difficulties in the equity markets have had repercussions on asset management volumes; the system's stock of mutual funds has in fact declined at the end of August to 517.7 billion Euro, 3.5% down on the end of June 2001 and 6.1% on the start of the year. The reduction caused by the drop in stock market prices was to a certain extent offset by a positive net inflow in July and August, amounting to 2.7 billion Euro, which brought the total net flow since the start of the year to 1.2 billion Euro.

The difficulties encountered by stock markets and, at the same time, by the asset management industry, could last some time, given the uncertainties that still surround when and how the US and international economies are likely to recover. There could be signs of a turnaround towards the end of the year, once the indicators show a cyclical upswing in the main economies, as is expected by the leading international research centers.

## Group performance and prospects

There have been no significant variances in operational trends after 30 June, compared with the overall results of the first half. It is also worth mentioning that the asset management business posted a positive net inflow in July of 722 million Euro, helped by the placement of life insurance policies worth 292 million and net flows in mutual funds and fund-based portfolio management of 163 million. In this latter segment, Group companies achieved an additional net inflow in August of 599 million Euro.

The Group's asset management stock was still conditioned by the decline in equity markets; more specifically, the aggregate of mutual funds and fund-based portfolio management at the end of August came to 98.3 billion Euro, down 3.3% compared with the end of June 2001 and 5.9% down of the start of the year. The Group's market share improved slightly compared with the end of June, rising to 19%.

From an economic point of view, the results for July and the initial indications for August still show negative variances in the main margins compared with the same period last year, following the unfavorable trend in financial and stock markets, partially offset by slower growth in costs.

In light of these developments, notwithstanding the further improvement in asset quality, the effectiveness of the Group's sales and marketing policies, and the rationalization and cost reduction plan, the likelihood of the Group's being able to achieve annual results in terms of

income before extraordinary items in line with 2000, a year when market conditions were particularly favorable, currently looks conditioned by the trend on financial markets in the coming months and by a general return to growth in economic activity.

**AUDITORS REPORT ON THE LIMITED REVIEW OF SANPAOLO IMI SPA  
INTERIM FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED  
30 JUNE 2001**

To the Shareholders of  
Sanpaolo IMI SpA

- 1 We have performed a limited review of the interim financial reporting of Sanpaolo IMI SpA for the six months period ended 30 June 2001, consisting of consolidated balance sheet, income statement and related explanatory notes. We have also ensured that the management discussion and analysis is consistent with other information in the interim financial reporting.
  
- 2 Our work was carried out in accordance with the procedures for a limited review recommended by the National Commission for Companies and the Stock Exchange (Consob) with Resolution n° 10867 of 31 July 1997. The limited review of the interim financial reporting of certain subsidiaries, the total assets and net interest and other banking income of which represent approximately 21 per cent of consolidated total assets and 34 per cent of consolidated net interest and other banking income, have been performed by other auditors who provided us with their related reports. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein with those applied at year end as well as the application of analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express a professional audit opinion on the interim financial reporting .
  
- 3 Regarding the comparative data of the consolidated financial statements at 31 December 2000 and of the prior year's interim financial reporting, reference should be made to reports issued by other auditors, respectively, on 2 April 2001 and on 22 September 2000.

- 4 Based on our review, no significant changes or adjustments came to our attention that should be made to the interim financial reporting identified in paragraph 1 of this report, in order to make them consistent with the criteria for the preparation of interim financial reporting established by Consob Regulation as approved by Resolution n° 11971 of 14 May 1999 and subsequent amendments.

Turin, 24 September 2001

PricewaterhouseCoopers SpA

Sergio Duca  
(Partner)

**This report has been translated from the original, which was issued in accordance with Italian legislation. The interim financial reporting referred to in the above report has not been translated.**

# Consolidated half year financial statements

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CONSOLIDATED BALANCE SHEET

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CONSOLIDATED STATEMENT OF INCOME

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EXPLANATORY NOTES

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## CONSOLIDATED BALANCE SHEET

(€/million)

ASSETS	30/6/2001	31/12/2000	30/6/2000
10. Cash and deposits with central banks and post offices	478	708	449
20. Treasury bills and similar bills eligible for refinancing with central banks	10,796	8,968	3,898
30. Due from banks:	18,717	19,119	21,732
a) repayable on demand	3,063	2,932	4,848
b) other deposits	15,654	16,187	16,884
40. Loans to customers <i>of which:</i> - <i>loans using public funds</i>	98,380 102	98,706 83	75,983 42
50. Bonds and other debt securities	12,420	13,987	12,712
a) public entities	5,122	6,007	6,336
b) banks <i>of which:</i> - <i>own bonds</i>	3,647 1,101	3,445 1,056	3,612 854
c) financial institutions <i>of which:</i> - <i>own bonds</i>	1,159 -	671 -	604 62
d) other issuers	2,492	3,864	2,160
60. Shares, quotas and other equities	3,159	2,003	3,936
70. Equity investments	3,654	3,034	3,126
a) carried at equity	347	272	291
b) other	3,307	2,762	2,835
80. Investments in Group companies	586	539	438
a) carried at equity	586	539	438
90. Goodwill arising on consolidation	901	915	6
100. Goodwill arising on application of the equity method	163	74	87
110. Intangible fixed assets <i>of which:</i> - <i>start-up costs</i> - <i>goodwill</i>	377 5 10	359 2 10	258 1 9
120. Tangible fixed assets	1,768	1,793	1,108
140. Own shares (par value € 50 million)	306	739	104
150. Other assets	20,292	19,193	13,677
160. Accrued income and prepaid expenses	2,334	2,661	3,239
a) accrued income	2,115	2,466	3,017
b) prepaid expenses <i>of which:</i> - <i>discounts on bond issues</i>	219 18	195 27	222 9
<b>Total assets</b>	<b>174,331</b>	<b>172,798</b>	<b>140,753</b>

		(€/million)		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		30/6/2001	31/12/2000	30/6/2000
10.	Due to banks	31,032	29,596	30,777
	a) repayable on demand	6,817	4,869	6,108
	b) time deposits or with notice period	24,215	24,727	24,669
20.	Due to customers	65,052	64,718	45,692
	a) repayable on demand	45,973	43,701	34,439
	b) time deposits or with notice period	19,079	21,017	11,253
30.	Securities issued	39,963	39,338	32,483
	a) bonds	27,286	26,589	22,371
	b) certificates of deposit	7,803	8,888	7,274
	c) other	4,874	3,861	2,838
40.	Public funds administered	109	88	44
50.	Other liabilities	17,847	17,420	15,237
60.	Accrued expense and deferred income	2,215	3,114	3,501
	a) accrued expense	1,877	2,755	3,186
	b) deferred income	338	359	315
70.	Provision for termination indemnities	758	743	447
80.	Provisions for risks and charges	3,449	3,823	1,534
	a) pensions and similar commitments	1,110	1,128	44
	b) taxation	864	1,230	976
	c) other	1,475	1,465	514
90.	Reserve for possible loan losses	34	35	31
100.	Reserve for general banking risks	350	355	354
110.	Subordinated liabilities	5,178	5,158	2,207
120.	Negative goodwill arising on consolidation	-	-	846
130.	Negative goodwill arising on application of the equity method	135	63	83
140.	Minority interests	737	715	588
150.	Capital	3,932	3,931	3,930
160.	Additional paid-in capital	22	18	12
170.	Reserves	2,821	2,382	2,241
	a) legal reserve	793	793	792
	b) reserve for own shares	306	739	104
	d) other reserves	1,722	850	1,345
180.	Revaluation reserves	9	9	-
200.	Net income	688	1,292	746
<b>Total liabilities and shareholders' equity</b>		<b>174,331</b>	<b>172,798</b>	<b>140,753</b>

		(€/million)		
<b>GUARANTEES AND COMMITMENTS</b>		30/6/2001	31/12/2000	30/6/2000
10.	Guarantees given:	15,250	15,670	11,285
	<i>of which:</i>			
	- acceptances	153	159	137
	- other guarantees	15,097	15,511	11,148
20.	Commitments	31,059	26,518	20,620

## CONSOLIDATED STATEMENT OF INCOME

(€/million)

	First half 2001	2000	First half 2000
10. Interest income & similar revenues	4,246	7,622	3,234
<i>of which:</i>			
– loans to customers	3,134	5,501	2,316
– debt securities	550	1,006	394
20. Interest expense & similar charges	-2,905	-5,123	-2,167
<i>of which:</i>			
– deposits from customers	-862	-1,401	-534
– debt securities	-1,159	-2,117	-958
30. Dividends and other revenues	370	231	141
a) from shares, quotas and other equities	267	169	101
b) from equity investments	103	62	40
40. Commission income	1,689	3,452	1,647
50. Commission expense	-371	-817	-401
60. Profits (losses) on financial transactions	-52	165	23
70. Other operating income	156	250	109
80. Administrative costs	-1,784	-3,076	-1,279
a) personnel	-1,116	-1,929	-778
<i>of which:</i>			
– wages and salaries	-788	-1,380	-558
– social security charges	-242	-425	-183
– termination indemnities	-53	-97	-37
– pensions and similar commitments	-33	-27	-
b) other	-668	-1,147	-501
90. Adjustments to intangible and tangible fixed assets	-242	-389	-136
100. Provisions for risks and charges	-101	-323	-132
110. Other operating expenses	-21	-31	-19
120. Adjustments to loans and provisions for guarantees and commitments	-272	-647	-319
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	140	417	245
140. Provisions to the reserve for possible loan losses	-4	-8	-3
150. Adjustments to financial fixed assets	-15	-36	-6
160. Writebacks of adjustments to financial fixed assets	1	15	1
170. Income (losses) from investments carried at equity	47	87	38
<b>180. Income from operating activities</b>	<b>882</b>	<b>1,789</b>	<b>976</b>
190. Extraordinary income	275	451	319
200. Extraordinary expenses	-100	-55	-15
<b>210. Extraordinary net income</b>	<b>175</b>	<b>396</b>	<b>304</b>
230. Change in reserve for general banking risks	4	2	3
240. Income taxes	-315	-785	-488
250. Minority interests	-58	-94	-49
255. Elimination of second half year 2000 income of the Banco di Napoli group (*)	-	-16	-
<b>260. Net income</b>	<b>688</b>	<b>1,292</b>	<b>746</b>

(\*) This refers specifically to the method used to consolidate the Banco di Napoli group in 2000. It represents the portion of income of the Banco di Napoli group for the second half of 2000, which is not to be attributed to the consolidated statement of income of SANPAOLO IMI as it is already included in the purchase price of the various stakes.



# Explanatory notes

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

## Form and content of the consolidated half year financial statements

The report on Group performance during the first half of 2001 has been prepared in accordance with Decree 87 of 27 January 1992, and the CONSOB instructions approved in Resolution 12475 of 6 April 2000. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

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

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

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

With regard to the changes in the scope of consolidation in the second half of 2000 following the acquisitions of the Banco di Napoli and Wargny groups, analysis and comments contained in the report on operations make reference to last year's pro forma results, which have been prepared assuming line-by-line consolidation of the two groups as of 1 January 2000. This pro forma results are attached to this report (see next paragraph "2000 pro forma reclassified financial statements"). In addition, for a better understanding of the changes in the statement of income aggregates, the tables in the explanatory notes show the contribution of the Banco di Napoli group as of 30 June 2001 and 31 December 2000, and, if significant, of the Wargny group.

The consolidated half year financial statements have been prepared in millions of Euro.

In terms of disclosure and in line with the annual financial statements at 31 December 2000, 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 representation of the Group results, net interest income of the subholding Banca IMI is shown under "profits/(losses) on financial transactions", given that, from an operating point of view, it is an integral part of that company's dealing activities. The prior 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 last year. For comparison purposes, the prior period figures have been restated using consistent criteria.

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

- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Statement reconciling the Bank's half year financial statements with the consolidated half year financial statements;

- List of equity investments that exceed 10% of the capital of unquoted and limited companies (as per Consob resolution no.11715 of 24 November 1998);
- Statement of reclassified consolidated pro forma statement of income for the first half of 2000;
- Statement of reclassified consolidated pro forma balance sheet at 30/6/2000
- Statement of reclassified consolidated pro forma statement of income for the full year 2000.

## 2000 pro forma reclassified financial statements

Given the impact on the balance sheet and statement of income of the full consolidation of the Banco di Napoli group, carried out for the first time in the accounts as of 31 December 2000, and in order to ensure comparability of the results on a consistent basis, the reclassified financial statements for 2000 are also presented in a pro forma version that includes Banco di Napoli from 1 January 2000. The pro forma version is not subject to audit and is only used as a comparable basis for analysis and comments in the Report on operations.

Furthermore, although the contribution of the Wargny group is not material for the SANPAOLO IMI Group, for the sake of full disclosure, it is reflected in the pro forma schedules again assuming that the take-over dates from 1 January 2000.

A reclassified consolidated pro forma statement of income and a reclassified consolidated pro forma balance sheet at 30/6/2001 are attached to the consolidated half year financial statements, as is a reclassified consolidated pro forma statement of income for the year ended 31 December 2000.

These pro forma versions were prepared on the basis of accounts published during 2000 by the SANPAOLO IMI Group (column "a" of the attached schedules), Banco di Napoli (column "b"), and the Wargny group (column "c"). The Banco di Napoli and Wargny group accounts have been restated using the same accounting principles as SANPAOLO IMI. The above results have been suitably integrated and adjusted to take the following into consideration:

- the effect of consolidating the companies belonging to the Banco di Napoli group and of the initial adjustments to the Banco's shareholders' equity (column "d" of the attached schedules). It was necessary to consolidate the companies belonging to the Naples-based group as the information published by Banco di Napoli in 2000 referred to individual company accounts. In addition, the initial adjustments to the Banco's shareholders' equity refer to changes taken into consideration in the SANPAOLO IMI consolidated financial statements as at 31 December 2000, when calculating the differences arising on first-time consolidation. More specifically, the adjustments refer to the adoption of SANPAOLO IMI Group accounting principles and to the reorganization expenses envisaged in the business plan to integrate Banco di Napoli into the SANPAOLO IMI Group, which are therefore eliminated from Banco di Napoli's income statement for 2000. These adjustments also include the reclassifications needed to bring the figures into line with the Parent Bank's accounting principles;
- the effect of pro forma adjustments (column "e" of the attached schedules) concerning the acquisition and consolidation of the Banco di Napoli and Wargny groups simulated as taking effect from 1 January 2000. Specifically: a) the balance sheet has been adjusted to reflect the two groups' consolidation entries, as well as the subordinated liabilities of SANPAOLO IMI S.p.A. relating to the acquisition of Banco di Napoli; b) the statement of income reflects for the full year the financial charges connected with investments and with the amortization of goodwill arising on consolidation.

## Scope of consolidation

The scope of line-by-line consolidation reflects membership of the SANPAOLO IMI Banking Group as recorded in the appropriate register in compliance with art. 64 of Decree 385 dated 1 September 1993, with the exception of certain minor subsidiaries whose balance sheets and results of operations are not significant to the consolidated financial statements, or which have been put into liquidation or listed for disposal. In addition to SANPAOLO IMI S.p.A. (the Parent Bank), the

Banking Group comprises those directly- and indirectly-controlled subsidiaries which carry out banking, finance or other activities which complement those of the Parent Bank.

The 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 these notes - Part B Section 5 - Other assets.

As regards changes in the scope of line-by-line consolidation:

- there have not been any significant changes since 31 December 2000. However, it should be noted that Sanpaolo Immobiliare S.p.A. was excluded from line-by-line consolidation as at 30 June 2001, as it was being disposed of. Indeed, the company was sold on 2 July 2001;
- compared with 30 June 2000, the Banco di Napoli and Wargny groups have been included. They were both fully consolidated for the first time at 31 December 2000.

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 the banking, financial or instrumental activities or those that are excluded from the scope of consolidation for the above-mentioned reasons, are valued using the equity method, together with holdings in companies subject to significant influence where the Group controls at least 20% of the voting rights in ordinary meeting (i.e. associated companies).

Companies consolidated on a line-by-line basis and investments carried at equity are listed in Part E, Section 1 - Investments in subsidiaries and companies subject to significant influence, of these notes.

## Consolidation principles

The main consolidation principles adopted are as follows.

The book value of equity investments in consolidated companies, held by the Bank or other Group companies, is eliminated against the corresponding portion of the Group's share of the company's net equity - adjusted where necessary to bring the company into line with Group accounting principles - including their assets and liabilities on a line-by-line basis in accordance with the "full consolidation method". The elimination of book value against shareholders' equity is carried out with reference to the values current at the time the investment was consolidated for the first time, or at the time the controlling interest was acquired. Where 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 31 December 1993 for investments held in portfolio as of 31 December 1994, being the date the Bank first prepared consolidated financial statements;
- for investments purchased subsequent to 31 December 1994, with reference to their balance sheets at the date of acquisition or, where these are not available, with reference to the balance sheets included in the official financial statements prepared closest to that date;

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

Investments in companies carried at equity are recorded in the financial statements at the amount equal to the corresponding portion of their shareholders' equity. Any balance not assignable to the assets or liabilities of the companies' concerned at the time this method is first implemented, is booked to "positive/negative goodwill arising on application of the equity method". In the years after the first year of consolidation the adjustment of the value of these investments is booked to "Negative goodwill arising on application of the equity method" and to "Income (losses) from investments carried at equity" respectively for the changes referring to reserves and those referring to the net income of the company in which the investment is held.

"Positive goodwill" arising on the application of line-by-line consolidation, proportional consolidation or the equity method is deducted from the total "negative goodwill" that existed already or which arose during the same year and up to their total amount. Investments acquired to be re-sold as part of the merchant banking activity are not taken into account for this offsetting. Positive goodwill not offset against negative goodwill is normally amortized over a period of five years or over different periods depending on how the investment is used.

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, given the provisions of art. 34, Decree 87/92, costs and revenues arising from intra-Group trading in securities and currency are not eliminated if such transactions were carried out on market terms.

The financial statements of consolidated companies denominated in currencies not included in the Euro-zone are translated into Euro at period-end rates of exchange. Differences arising on the translation of their shareholders' equity using these closing rates of exchange are allocated to consolidated reserves, unless they are offset by specific hedging transactions.

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

### **Financial statements used for the consolidation**

The financial statements used for the consolidation are those prepared as of 30 June 2001, and approved by the boards of the subsidiaries concerned. They have been adjusted, where necessary, for consistency with Group accounting policies. The financial statements used for consolidation purposes of companies operating in the financial leasing sector were prepared using the financial lease method, which is essentially consistent with Group accounting policies.

### **Audit of the consolidated half year report**

The half year report of the SANPAOLO IMI Group has been subjected to a limited audit by PricewaterhouseCoopers S.p.A., in accordance with Consob Recommendations 97001574 of 20 February 1997 and 10867 of 31 July 1997, and the shareholders' resolution of 28 April 2000, which appointed them as auditors for the three-year period 2001/2003.

### **Comparison with the quarterly accounts as of 30 June 2001**

The consolidated half year report, prepared using final accounting information for the Parent Bank and its subsidiaries, includes a number of changes with respect to the quarterly report as of 30 June 2001, which was presented at the end of July in order to provide advance information concerning the Group's results for the first six months of the year.

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

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

## Part A - Accounting policies

### SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

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

#### Loans, guarantees and commitments

##### Loans

Loans, comprising principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking account of the solvency of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the countries in which borrowers are resident. The assessment performed also takes into consideration any guarantees received, market prices and negative market trends involving 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; they are normally adjusted on a general basis by applying writedown percentages no lower than those specified by the banking association, except for positions valued separately as they are backed by specific guarantees. They do not include specific positions which are assessed on a case-by-case basis, using objective criteria, with reference to the previous categories 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. The model used by the Parent Bank is based on the following steps:



1. at the period-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 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 30 June 2001, the Bank has used a reference rate of 6.6%, compared with 6.9% applied at the end of 2000. Since this reflects the best approximation of the average yield on the problem loan portfolio – considering the contractual rates currently applied by the Bank over the medium-long term (fixed and floating rate) and on short term ones (floating rate). A similar approach has been adopted by subsidiary companies; foreign companies have applied reference rates appropriate to the markets concerned.

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

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 cash 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.

### Lending of securities

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

### Finance leases

Lease transactions are recorded using financial accounting methodology, which states lease contracts and transactions in such a way as to disclose their economic substance. This approach, which 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 instalments due but not yet collected.

### Guarantees and commitments

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

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

### Investment securities

Investment securities due to be held long term by the Bank as stable investments are valued at "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). Cost is determined as follows:

- securities quoted in organized markets: the official price quoted on the last trading day of the period;
- securities not quoted in organized markets: at the lower of cost or market value, determined with reference to quoted securities with similar characteristics. The original value of 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, also takes into consideration the contractual forward sale price.

### Equity investments

Equity investments not consolidated line-by-line or carried at equity are stated at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual increments. Cost is written down in the event to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and, where available, market prices. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Dividends from investments that are not consolidated line-by-line or 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 purchased by the Bank are valued at cost, determined according to the "average daily cost" method. The main purpose for the Bank buying its own shares is to use them in strategic deals that require the availability of own shares (e.g. share exchanges as part of the acquisition of equity investments, cooperation agreements and other special finance deals). Shares of the Parent Bank purchased by subsidiaries for dealing purposes are valued at their market value corresponding to the "official quotation of the period closing day".

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

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

### Tangible fixed assets

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

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

Ordinary maintenance and repairs are expensed in the period they are incurred.

### Intangible fixed assets

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

- formation and capital increase expenses and other deferred charges are amortized, generally on a straight-line basis, over five years;
- costs incurred for the purchase of software or for its development using external resources are amortized, generally on a straight-line basis, over three years, taking account of the residual period such software is expected to benefit;
- the differences arising on the merger of Banca Provinciale Lombarda and Banco Lariano in 1993, net of the portion allocated to more closely reflect the value of the related assets, are amortized on a straight-line basis. Amortization

is provided over a period of 10 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, probable or certain liabilities whose timing and extent cannot be determined at period-end or at the time the financial statements are prepared.

## Pensions and similar commitments

The provisions under this heading relate mostly 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 estimated prudently on the basis of tax legislation for the period.

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

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

No provision is made for reserves subject to taxation only in the event of distribution by the Parent. This is because such reserves are allocated to accounts that are 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 150 "Other assets" as the contra-entry to income taxes. 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 includes provisions in respect of guarantees given and, more generally, the contingencies associated with the Group's guarantees and commitments.

Other provisions for risks and charges cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, with the Group's commitment to support the Interbank Deposit Guarantee Fund, possible charges in connection with the renegotiation of subsidized home mortgage loans and with other potential liabilities.

The provision for other personnel charges comprises:

- provisions made by the Parent Bank on the basis of an independent actuarial report to 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 general business risks and, as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

## Accruals and deferrals

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

## Derivative contracts

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

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

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

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

### Hedging contracts

Hedging contracts 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 groups of assets or liabilities, the hedging objective is achieved by means of the use of asset and liability management techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

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

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

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

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

Statement of income: where derivative contracts are intended to hedge the interest arising from interest-earning / bearing assets and liabilities, the related economic effect will form part of net interest income on an accruals

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

### Non-hedging contracts

These are valued as follows:

Contracts on securities, interest rates, stockmarket indices and other assets: contracts quoted in 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 period. Other contracts are valued with reference to other elements determined on an objective and consistent basis.

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

The related procedures for presentation in the financial statements may briefly be summarized thus as explained below:

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

Statement of income: the economic effects of non-hedging derivative contracts are classified as "Profits (losses) on financial transactions".

### Internal deals

The Parent Bank has adopted an 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 financial 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.

The Group made no adjustments for fiscal purposes during the first six months of 2001.

### 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.

Provisions to the reserve for possible loan losses made in accordance with tax laws by the subsidiary Banca OPI S.p.A. for € 9 million have been eliminated from the consolidated statement of income for the first half of the year.

## Part B - Consolidated balance sheet

### SECTION 1 - LOANS

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Due from banks (caption 30)	18,717	19,119	-2.1
Loans to customers (caption 40) (*)	98,380	98,706	-0.3
<b>Total</b>	<b>117,097</b>	<b>117,825</b>	<b>-0.6</b>

(\*) The amount includes € 2,434 million of loans to Società per la Gestione di Attività S.p.A. (SGA) (€ 2,738 million at 31 December 2000). (see Information contained in Section 5 – Other assets).

#### Due from banks (caption 30)

Amounts due from banks include:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Deposits with central banks	1,922	439	n.s.
b) Bills eligible for refinancing with central banks	-	-	-
c) Finance leases	-	-	-
d) Repurchase agreements	6,112	4,720	+29.5
e) Securities loaned	10	25	-60.0

Deposits with central banks as of 30 June 2001 represent the compulsory reserve with the Bank of Italy and other foreign central banks, € 1,728 million (€ 276 million as of 31 December 2000).

#### Loans to customers (caption 40)

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Bills eligible for refinancing with central banks	221	285	-22.5
b) Finance leases	2,065	1,877	+10.0
c) Repurchase agreements	3,743	2,890	+29.5
d) Securities loaned	460	132	n.s.

"Secured loans to customers" are detailed as follows:

*Secured loans to customers (\*)*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Mortgages	22,220	22,019	+0.9
b) Pledged assets:			
1. cash deposits	270	294	-8.2
2. securities (**)	5,644	4,192	+34.6
3. other instruments	204	175	+16.6
c) Guarantees given by:			
1. Governments (***)	4,358	4,837	-9.9
2. other public entities	386	383	+0.8
3. banks	1,747	1,770	-1.3
4. other operators	13,185	13,923	-5.3
<b>Total</b>	<b>48,014</b>	<b>47,593</b>	<b>+0.9</b>

(\*) *Figures as of 31 December 2000 have been restated to reflect the exclusion of loans granted directly to Governments or other public entities, which at 30 June 2001 amounted to € 13,128 million.*

(\*\*) *Includes repurchase and similar agreements guaranteed by underlying securities totalling € 4,203 million compared with € 3,022 million as of 31/12/2000).*

(\*\*\*) *Including € 2,434 million of loans of Banco di Napoli to SGA (€ 2,738 million as at 31 December 2000).*

Loans to customers guaranteed by banks and other operators include € 261 million of positions (€ 166 million as at 31/12/2000) 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 62.1% of total loans to customers (58.7% as of 31 December 2000).

### 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 doubtful loans takes into account not only the likelihood of recovery, but also their total or partial lack of income generation and late repayment. Total adjustments as of 30 June 2001 for discounting purposes total € 265 million (€ 309 million as at 31 December 2000).

## Analysis of loans to customers

	30/6/01 (€/million)			31/12/00 (€/million)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	4,213	2,407	1,806	5,157	3,054	2,103
A.1 Non-performing loans	2,749	1,919	830	3,542	2,527	1,015
A.2 Problem loans	1,218	429	789	1,341	458	883
A.3 Loans currently being restructured	-	-	-	17	5	12
A.4 Restructured loans	110	32	78	122	35	87
A.5 Unsecured loans exposed to country risk	136	27	109	135	29	106
B. Performing loans	97,191	617	96,574	97,190	587	96,603
<b>Total loans to customers</b>	<b>101,404</b>	<b>3,024</b>	<b>98,380</b>	<b>102,347</b>	<b>3,641</b>	<b>98,706</b>

Non-performing loans include unsecured loans to residents of nations exposed to country risk for a gross exposure of € 3 million, almost wholly written down.

## Coverage of doubtful loans (\*)

	30/6/01	31/12/00
Non-performing loans (gross of writeoffs)	75.9%	79.8%
Non-performing loans (net of writeoffs)	69.8%	71.3%
Problem loans (gross of writeoffs)	36.1%	37.3%
Problem loans (net of writeoffs)	35.2%	34.2%

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

The change in the level of provisions for non-performing loans is mainly justified by the exclusion from the scope of consolidation of Sanpaolo Immobiliare S.p.A. (sold on 2 July 2001), as well as the sale of loans without recourse by the Parent Bank during the six months.

## Analysis of loans to banks

	30/6/01 (€/million)			31/12/00 (€/million)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	91	29	62	72	18	54
A.1 Non-performing loans	12	11	1	14	13	1
A.2 Problem loans	-	-	-	-	-	-
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	79	18	61	58	5	53
B. Performing loans	18,663	8	18,655	19,072	7	19,065
<b>Total loans to banks</b>	<b>18,754</b>	<b>37</b>	<b>18,717</b>	<b>19,144</b>	<b>25</b>	<b>19,119</b>

Non-performing loans include unsecured loans to residents of nations exposed to country risk, held in portfolio by the Parent Bank, for a gross exposure of € 9 million, almost wholly written down.

## Movements during the year in gross doubtful loans to customers

Movements in gross doubtful loans to customers during the first half of 2001 were as follows:

Description/Categories	(€/million)				
	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of 1/1/01	3,542	1,341	17	122	135
<i>A.1 including: for default interest</i>	808	41	3	-	-
B. Increases	319	337	1	10	6
B.1 inflows from performing loans	36	242	-	-	-
B.2 default interest	72	8	-	-	-
B.3 transfer from other categories of doubtful loan	167	20	-	-	-
B.4 other increases	44	67	1	10	6
C. Decreases	1,112	460	18	22	5
C.1 outflows to performing loans	8	58	1	-	-
C.2 write-offs	595	30	1	2	-
C.3 collections	151	198	16	16	4
C.4 disposals	114	-	-	-	-
C.5 Transfers to other categories of doubtful loan	16	167	-	4	-
C.6 other decreases	228	7	-	-	1
D. Gross value as of 30/6/01	2,749	1,218	-	110	136
<i>D.1 including: for default interest</i>	519	47	-	-	-

The decrease in non-performing loans can be attributed mainly to the exclusion from the scope of consolidation of Sanpaolo Immobiliare S.p.A. (sold on 2 July 2001), as well as to completion during the first half of the year by the Parent Bank of a transaction for the assignment without recourse of loans involving 18,500 short-term loan positions. These loans, recorded for a gross value of € 640 million and a net value of € 111 million, have been sold for € 113 million.

## Movements during the year in gross doubtful amounts due from banks

Movements in gross doubtful amounts due from banks during the first half of 2001 were as follows:

Description/Categories	(€/million)				
	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of 1/1/01	14	-	-	-	58
<i>A.1 of which: for default interest</i>	-	-	-	-	-
B. Increases	1	-	-	-	21
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 Transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	1	-	-	-	21
C. Decreases	3	-	-	-	-
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	3	-	-	-	-
C.3 collections	-	-	-	-	-
C.4 disposals	-	-	-	-	-
C.5 transfers to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross value as of 30/6/01	12	-	-	-	79
<i>D.1 including: for default interest</i>	1	-	-	-	-

## Movements in adjustments made to loans granted to customers

Description/Categories	(€/million)					
	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/01	2,527	458	5	35	29	587
<i>A.1 including: for default interest</i>	808	41	3	-	-	16
B. Increases	259	108	-	4	1	74
B.1 adjustments	180	83	-	3	-	71
<i>B.1.1 including: for default interest</i>	71	7	-	-	-	3
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	73	16	-	-	-	-
B.4 other increases	6	9	-	1	1	3
C. Decreases	867	137	5	7	3	44
C.1 writebacks from valuations	31	10	-	2	3	12
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	34	21	4	1	-	4
<i>C.2.1 of which: for default interest</i>	12	4	2	-	-	3
C.3 write-offs	595	30	1	2	-	21
C.4 transfers to other categories of doubtful loans	12	72	-	2	-	3
C.5 other decreases	195	4	-	-	-	4
D. Total adjustments as of 30/6/01	1,919	429	-	32	27	617
<i>D.1 including: for default interest</i>	519	47	-	-	-	11

As at 30 June 2001, total adjustments include € 265 million relating to the adoption of a policy of actualizing doubtful loans (€ 309 million as at 31 December 2000). More specifically, writedowns for discounting purposes total € 194 million on non-performing loans, € 63 million on problem loans and € 8 million on restructured loans and loans being restructured.

Value adjustments to performing loans to customers and banks include € 15 million (€ 26 million as at 31 December 2000) of specific writedowns by the Parent Bank to watchlist positions for a gross exposure of € 215 million (€ 205 million as at 31 December 2000). The inherent risk associated with other performing loans is covered by a general writedown of € 599 million.



## Movements in adjustments made to loans granted to banks

Description/Categories	(€/million)					
	Non-performing loans	Problem loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/01	13	-	-	-	5	7
<i>A.1 including: for default interest</i>	-	-	-	-	-	-
B. Increases	1	-	-	-	13	1
B.1 adjustments	-	-	-	-	13	-
<i>B.1.1 including: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-	-
B.4 other increases	1	-	-	-	-	1
C. Decreases	3	-	-	-	-	-
C.1 writebacks from valuations	-	-	-	-	-	-
<i>C.1.1 including: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	-	-
<i>C.2.1 including: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	3	-	-	-	-	-
C.4 transfers to other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	-	-	-	-	-	-
D. Total adjustments as of 30/6/01	11	-	-	-	18	8
<i>D.1 including: for default interest</i>	1	-	-	-	-	-

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

Country	(€/million)		
	Total (book value)	Gross exposure	
		of which: unsecured	
		book value	weighted value
Brazil	157	81	64
Argentina	117	56	55
Qatar	51	19	19
Venezuela	20	15	15
Tunisia	11	8	1
Egypt	18	7	7
Philippines	30	6	6
Algeria	42	6	4
Morocco	106	5	5
Cameroon	3	3	3
South Africa	8	2	2
Russia	455	1	1
Lebanon	56	1	-
Iran	55	-	-
Cayman Islands	36	-	-
Bermuda	34	-	-
Pakistan	29	-	-
Angola	27	-	-
Others	55	5	5
<b>Total gross exposure</b>	<b>1,310</b>	<b>215</b>	<b>187</b>
Total adjustments	45	45	
<b>Net exposure as of 30/6/01</b>	<b>1,265</b>	<b>170</b>	

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 write-down 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 € 1,095 million, are mainly insured by SACE or equivalent entities and by sureties from banking operators in the OECD area. In addition, they comprise loans of € 296 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 analyzed as follows:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	10,796	8,968	+20.4
Bonds and other debt securities (caption 50)	12,420	13,987	-11.2
Shares, quotas and other equities (caption 60)	3,159	2,003	+57.7
<b>Total</b>	<b>26,375</b>	<b>24,958</b>	<b>+5.7</b>

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

### Investment securities

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

	30/6/01 (€/million)		31/12/00 (€/million)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	2,066	2,087	2,907	2,962
– unquoted	-	-	-	-
1.2 other securities				
– quoted	1,631	1,628	2,675	2,681
– unquoted	913	917	1,087	1,087
2. Equities				
– quoted	1	1	2	2
– unquoted	4	4	-	-
<b>Total</b>	<b>4,615</b>	<b>4,637</b>	<b>6,671</b>	<b>6,732</b>

A comparison between the market value and book value of "Government securities" reveals a net unrealized unrecorded gain of € 21 million pertaining to the Parent Bank and to Banco di Napoli, substantially offset by derivative contracts.

"Others securities", quoted and unquoted, mainly include securities held by Banco di Napoli for € 1,759 million, by foreign subsidiaries for € 564 million and by the Parent Bank for € 209 million. More specifically, the securities portfolio of Banco di Napoli includes securities, deriving from securitization, issued by specialized North American agencies (around € 1,142 million), while the investments made by the Parent Bank and its other subsidiaries are concentrated in EU Government and other primary European operators.

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

During the six-month period, transfers were made from the investment portfolio to the dealing portfolio by Banco di Napoli for € 761 million in connection with redefinition of its lines of business.

## Dealing securities

Dealing securities comprise:

	30/6/01 (€/million)		31/12/00 (€/million)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	9,958	9,958	9,275	9,275
– unquoted	37	37	228	228
1.2 other securities				
– quoted	5,519	5,519	3,811	3,811
– unquoted	3,093	3,102	2,972	2,977
2. Equities				
– quoted	3,147	3,147	1,991	1,991
– unquoted	6	6	10	10
<b>Total (*)</b>	<b>21,760</b>	<b>21,769</b>	<b>18,287</b>	<b>18,292</b>

(\*) In the reclassified consolidated balance sheet, the dealing securities portfolio also includes € 17 million of Parent Bank shares, purchased by certain subsidiaries as part of their trading activities.

## Other information relating to securities

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

## SECTION 3 - EQUITY INVESTMENTS

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Equity investments (caption 70)	3,654	3,034	+20.4
Investments in Group companies (caption 80)	586	539	+8.7
<b>Total</b>	<b>4,240</b>	<b>3,573</b>	<b>+18.7</b>
– significant investments carried at equity (Part E - Section 1)	933	811	+15.0
– other equity investments carried at cost (Part E - Section 2)	3,307	2,762	+19.7

### Composition of the investment portfolio

*Analysis of caption 80 "Investments in Group companies"*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) in banks			
1. quoted	-	-	-
2. unquoted	1	1	-
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	17	11	+54.5
c) other			
1. quoted	-	-	-
2. unquoted	568	527	+7.8
<b>Total</b>	<b>586</b>	<b>539</b>	<b>+8.7</b>

*Analysis of caption 70 "Equity investments"*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) in banks			
1. quoted	1,863	1,870	-0.4
2. unquoted	781	236	n.s.
b) in financial institutions			
1. quoted	10	10	-
2. unquoted	65	58	+12.1
c) other			
1. quoted	586	527	+11.2
2. unquoted	349	333	+4.8
<b>Total</b>	<b>3,654</b>	<b>3,034</b>	<b>+20.4</b>

Equity investments, € 4,240 million, increased by a net € 667 million compared with 31 December 2000. The main transactions are illustrated below:

#### Increases

- Acquisition by the Parent Bank of a 10.92% interest in Cardine Banca S.p.A. (subsequently reduced to 10.81% as a result of not subscribing to increases in capital) for € 516 million.
- Acquisition by the Parent Bank of a 15% shareholding in Cassa dei Risparmi di Forlì for an outlay of € 122 million (€ 30 million net of goodwill arising on consolidation).
- Investments made by NHS – Nuova Holding Sanpaolo IMI S.p.A. in Eni S.p.A. for € 143 million and in Cartiere Fedrigoni & C. S.p.A. for € 14 million.
- Investments made by LDV Holding S.A. in Aeffe S.p.A. for € 13 million and Comim S.p.A. for € 5 million.
- Increase in Banca IMI S.p.A.'s shareholding in Monte Titoli S.p.A. for an outlay of € 15 million.
- Increase of € 40 million due to valuation of the insurance subsidiaries at equity.

#### Decreases

- Disposal by NHS – Nuova Holding Sanpaolo IMI S.p.A. of a portion of its interest in Montedison S.p.A. for € 91 million (realized gain of € 58 million).
- Sale by Invesp S.p.A. of a portion of its shareholding in Beni Stabili S.p.A. for € 111 million (realized gain of € 50 million).
- Disposal by LDV Holding S.A. of its holding in ADR International Airport South Africa for € 9 million (realized gain of € 1 million).
- Sale by Sanpaolo IMI International of a portion of its interest in Banco Santander Central Hispano for € 8 million (realized gain of € 1 million).

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

The following table sets out the amounts due to and from the SANPAOLO IMI Banking Group towards subsidiaries, including those not consolidated line-by-line and other companies under joint control, proportionally consolidated:

*Amounts due to and from Group companies*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
<b>a) Assets</b>			
1. due from banks	-	26	-100.0
<i>of which:</i>			
– subordinated	-	-	-
2. due from financial institutions (*)	455	470	-3.2
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	64	108	-40.7
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
<b>Total assets</b>	<b>519</b>	<b>604</b>	<b>-14.1</b>
<b>b) Liabilities</b>			
1. due to banks	9	14	-35.7
2. due to financial institutions	8	34	-76.5
3. due to other customers	122	142	-14.1
4. securities issued	8	16	-50.0
5. subordinated liabilities	2	-	n.s.
<b>Total liabilities</b>	<b>149</b>	<b>206</b>	<b>-27.7</b>
<b>c) Guarantees and commitments</b>			
1. guarantees given	1	46	-97.8
2. commitments	-	6	-100.0
<b>Total guarantees and commitments</b>	<b>1</b>	<b>52</b>	<b>-98.1</b>

(\*) This does not include € 2,434 million (€ 2,738 million as at 31/12/2000) of receivables due to Banco di Napoli by SGA, given the special nature of the relationship (see Part B – Section 5 "Other assets" of these notes).

Amounts due to and from affiliated companies (companies in which Group companies hold 20% or more, or 10% or more if quoted) are:

*Amounts due to and from affiliated companies*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
<b>a) Assets</b>			
1. due from banks	65	143	-54.5
<i>of which:</i>			
– subordinated	20	20	-
2. due from financial institutions	26	235	-88.9
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	10	31	-67.7
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
<b>Total assets</b>	<b>101</b>	<b>409</b>	<b>-75.3</b>
<b>b) Liabilities</b>			
1. due to banks	36	2	n.s.
2. due to financial institutions	-	-	-
3. due to other customers	29	21	+38.1
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
<b>Total liabilities</b>	<b>65</b>	<b>23</b>	<b>+182.6</b>
<b>c) Guarantees and commitments</b>			
1. guarantees given	180	200	-10.0
2. commitments	23	36	-36.1
<b>Total guarantees and commitments</b>	<b>203</b>	<b>236</b>	<b>-14.0</b>



## SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Tangible fixed assets (caption 120)	1,768	1,793	-1.4
Intangible fixed assets (caption 110)	377	359	+5.0
<b>Total</b>	<b>2,145</b>	<b>2,152</b>	<b>-0.3</b>

### Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Property			
– operating	1,470	1,448	+1.5
– non-operating	38	72	-47.2
– undergoing renovation	-	21	-100.0
Furniture and installations			
– electronic equipment	140	140	-
– general and specific installations	78	69	+13.0
– office furniture and equipment	41	42	-2.4
– vehicles	1	1	-
<b>Total</b>	<b>1,768</b>	<b>1,793</b>	<b>-1.4</b>

The writeoff of caption "Property undergoing renovation" is due to the conclusion of the conversion process of these buildings, which have been classified under "Operating property" since they are used by the Group.

**Intangible fixed assets (caption 110)**

Intangible fixed assets comprise:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Merger differences (goodwill of merged companies)	40	54	-25.9
Goodwill	10	10	-
Other deferred charges	327	295	+10.8
<b>Total</b>	<b>377</b>	<b>359</b>	<b>+5.0</b>

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

Other deferred charges include:

- € 163 million in software costs which will benefit future years;
- € 90 million of software not yet in use relating to modification and procedure changes for the development of application programs ordered from third parties;
- € 49 million for improvements of rented properties;
- € 5 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 € 78 million as of 30 June 2001. Of this amount, € 11 million were booked to the consolidated statement of income of the first six months of 2001 and € 12 million is still to be amortized.

## SECTION 5 - OTHER ASSETS

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Goodwill arising on consolidation (caption 90)	901	915	-1.5
Goodwill arising on application of the equity method (caption 100)	163	74	+120.3
Other assets (caption 150)	20,292	19,193	+5.7
Accrued income and prepaid expenses (caption 160)	2,334	2,661	-12.3
<b>Total</b>	<b>23,690</b>	<b>22,843</b>	<b>+3.7</b>

### Goodwill arising on consolidation (caption 90)

*Analysis of caption 90 " Goodwill arising on consolidation "*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Banco di Napoli group	802	812	-1.2
Wargny group	77	77	-
Banca Fideuram	19	23	-17.4
Sanpaolo IMI Asset Management S.g.r.	2	2	-
Finconsumo Banca	1	1	-
<b>Total</b>	<b>901</b>	<b>915</b>	<b>-1.5</b>

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

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Cassa di Risparmio di Firenze	70	74	-5.4
Cassa dei Risparmi di Forlì	93	-	n.s.
<b>Total</b>	<b>163</b>	<b>74</b>	<b>+120.3</b>

Goodwill arising on consolidation of the Banco di Napoli group reflects the portion relating to the investment made during the first half of 2001, through a residual public offer and market operations (€ 31 million), net of the amortization charge for the period. In addition, goodwill on consolidation also includes the residual portion to be amortized in connection with the majority shareholding acquired during 2000 (for the part not offset against previous negative goodwill arising on consolidation and on application of the equity method).

Goodwill arising on consolidation with respect to the Wargny group reflects the portion of goodwill relating to the additional interest in Wargny Societ  de Bourse acquired from Wargny Associ s in the first half of 2001. In addition, goodwill on consolidation also includes the residual portion to be amortized in connection with the majority shareholding acquired during 2000.

The positive difference in the shareholders' equity of Cassa di Risparmio di Firenze reflects the residual part to be amortized of the original excess of the price paid for the interest compared to its shareholders' equity relevant for the Group, for the portion not compensated for by preexisting negative goodwill arising on consolidation and on application of the equity method.

Differences arising on consolidation and on application of the equity method of the Banco di Napoli group, the Wargny group, Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì are amortized over 10 years, given the strategic nature of these investments.

## Other assets (caption 150)

### Analysis of caption 150 "Other assets"

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Valuation of derivatives on interest rates and stockmarket indices	3,815	4,588	-16.8
Effect of currency hedges, forex swap and cross-currency swap transactions	3,660	1,301	+181.3
Unprocessed transactions (a)	3,047	3,494	-12.8
Amounts in transit between branches and subsidiaries (a)	1,644	1,350	+21.8
Deferred tax assets	1,279	1,270	+0.7
Tax collection accounts	1,121	1,512	-25.9
Banco di Napoli loans to be restored ex Law 588/96	1,100	1,376	-20.1
Due from tax authorities:	943	1,128	-16.4
– prepaid current year direct taxes	267	231	+15.6
– tax credits relating to prior years	125	283	-55.8
– taxes paid in advance on termination indemnities - Law 662/96	75	77	-2.6
– tax withholdings overpaid during the year on bank interest income	56	2	n.s.
– taxes withheld during the year	6	13	-53.8
– other credits	414	522	-20.7
Other items derivative contracts	766	594	+29.0
Premiums paid on purchased options	716	507	+41.2
Checks and other instruments held	100	126	-20.6
Net effect of translating funds from international agencies using current rates, with the exchange risk borne by third parties	73	66	+10.6
Banco di Napoli non interest-bearing deposits with the Bank of Italy	58	58	-
Transactions by foreign branches	33	54	-38.9
Items relating to securities transactions	14	17	-17.6
Other	1,923	1,752	+9.8
<b>Total</b>	<b>20,292</b>	<b>19,193</b>	<b>+5.7</b>

a) Generally settled a few days after the balance sheet date.

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

This item, amounting to € 1,100 million (€ 1,376 million as of 31 December 2000), represents the residual principal and interest of the interventions made by 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 reorganization plan prepared with Bank of Italy approval in accordance with Law 588/96 containing urgent provisions for the restoration, reorganization and privatization 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 27 September 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 authorized 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 27 January 1992.

As of 30 June 2001, one advance has been granted by the Bank of Italy for € 15,983 million (expiring on 27 December 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 to the Central Bank as of 31 December 1998 of € 57 million. This amount, plus € 1 million of accrued interest, was lodged as a non-interest bearing deposit with the Central Bank. In the consolidated balance sheet, this deposit is shown under "other assets" offset by "other liabilities".

During 2000, the ordinary shareholders' meeting of Isveimer resolved, after the favorable opinion of the Bank of Italy, to transfer all of Isveimer's doubtful loans to SGA at a provisional transfer price equal to their net value as shown in Isveimer's financial statements as of 31 December 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 agreement between Isveimer and SGA was signed to take effect from 1 July 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 1 January 1997; at the same time, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essentially to finance the cost of the agreement, as well as to pay for the company's running costs (€ 6,426 million). At the end of 2000, Banco di Napoli reached a settlement with SGA resolv-

ing 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 of 30 June 2001, Banco di Napoli loans to SGA, amount to € 2,448 million (including accrued interest and exposures other than those connected to the financing accounts) with a decrease during the half year of € 325 million. This reduction follows the recovery of some of the loans transferred to SGA (€ 171 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 (€ 228 million), while interest accruing on the total exposure during the first half of 2001 came to € 74 million.

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 the first half of 2001, with comparative figures for 2000:

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

	30/6/01 (€/million)	31/12/00 (€/million)
Advances received from the Bank of Italy ex Law 588/96	15,983	15,983
Securities lodged in guarantee for advances ex Law 588/96 (nominal value)	14,458	14,490
- securities purchased with advances received from the Bank of Italy	13,841	13,841
- securities of Banco di Napoli	617	649

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

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

	30/6/01 (€/million)	31/12/00 (€/million)
a. Opening balance	1,376	1,264
b. Changes		
1. Coverage of SGA's losses (**)	228	714
2. Interest income on the securities purchased with the funds advanced by the Bank of Italy	-614	-749
3. Interest expense on advances from the Bank of Italy	75	97
4. Interest accrued on the "Loans to be restored" account	35	50
<b>Total</b>	<b>1,100</b>	<b>1,376</b>

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

(\*\*) The first half year figure refers to a part of the loss for 2000, covered in October 2000 (€ 333 million) and in April 2001 (€ 228 million).

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

	30/6/01 (€/million)	31/12/00 (€/million)
Interest expense on advances from the Bank of Italy	-3	-2
Coupons falling due on securities purchased with advances received from the Bank	254	254
<b>Total</b>	<b>251</b>	<b>252</b>

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

**SECTION 6 - PAYABLES**

Total Group deposits and other sources of funds are detailed below:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Due to banks (caption 10)	31,032	29,596	+4.9
Due to customers (caption 20)	65,052	64,718	+0.5
Securities issued (caption 30)	39,963	39,338	+1.6
Public funds administered (caption 40)	109	88	+23.9
<b>Total</b>	<b>136,156</b>	<b>133,740</b>	<b>+1.8</b>

**Due to banks (caption 10)**

Deposits taken from banks are analyzed as follows:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Due to central banks			
– repurchase agreements and securities borrowed	2,118	2,607	-18.8
– other deposits from the Italian Exchange Office	152	54	+181.5
– other deposits from central banks	623	1,081	-42.4
– advances	138	25	n.s.
Due to banks			
– deposits	14,747	16,541	-10.8
– repurchase agreements and securities borrowed	6,967	2,559	+172.3
– medium and long-term loans from international bodies	3,874	4,542	-14.7
– current accounts	847	767	+10.4
– other	1,566	1,420	+10.3
<b>Total</b>	<b>31,032</b>	<b>29,596</b>	<b>+4.9</b>

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:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Due to customers			
– current accounts	39,168	38,531	+1.7
– repurchase agreements and securities borrowed	8,237	7,944	+3.7
– deposits	14,320	14,865	-3.7
– short-term payables relating to special management services carried out for the government	617	751	-17.8
– other (*)	2,710	2,627	+3.2
Securities issued			
– bonds	27,286	26,589	+2.6
– certificates of deposit	7,803	8,888	-12.2
– bankers' drafts	572	738	-22.5
– other securities	4,302	3,123	+37.8
<b>Total</b>	<b>105,015</b>	<b>104,056</b>	<b>+0.9</b>

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

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

### Public funds administered (caption 40)

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Funds provided by the State	54	54	-
Funds provided by regional public agencies	55	20	+175.0
Other funds	-	14	-100.0
<b>Total</b>	<b>109</b>	<b>88</b>	<b>+23.9</b>
<i>of which: funds with risk borne by the government under Law 19 of 6/2/87</i>	<i>1</i>	<i>13</i>	<i>-92.3</i>

### Other information relating to payables

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



## SECTION 7 - PROVISIONS

Provisions that do not adjust asset accounts, reported in consolidated liability captions 70, 80 and 90 are detailed below:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Provisions for termination indemnities (caption 70)	758	743	+2.0
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80.a)	1,110	1,128	-1.6
– taxation (caption 80.b)	864	1,230	-29.8
– other (caption 80.c)			
– provisions for guarantees and commitments	52	52	-
– provisions for other risks and charges	1,123	1,154	-2.7
– provisions for other personnel charges	300	259	+15.8
Reserve for possible loan losses (caption 90)	34	35	-2.9
<b>Total</b>	<b>4,241</b>	<b>4,601</b>	<b>-7.8</b>

### Provisions for risks and charges

#### Pensions and similar commitments (caption 80.a)

As of 30 June 2001, the reserve is made up of € 42 million of provisions for supplementary pensions for the employees of the former IMI S.p.A. (€ 43 million as of 31 December 2000) and of € 1,068 million for expenses to be incurred by Banco di Napoli (€ 1,085 million as of 31 December 2000).

The balance as of 31 December 2000 (€ 1,085 million) 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 and Law 335/95, and union agreements of July 1996 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 the first half of 2001, the Banco provided for an amount equal to an annual yield of 5% on the average balance for the period. On 30 July 2001, the balance on this reserve was transferred to the "Fondazione" called "Fondo per la previdenza complementare dei dipendenti del Banco di Napoli".

#### Taxation (caption 80.b)

The taxation reserve is to cover current income taxes and actual and potential fiscal disputes (€ 647 million), including local taxes payable by foreign branches, as well as deferred taxes (€ 217 million).

As regards fiscal disputes, we would remind you that 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 27 July 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 con-

firmed, 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 the first half of 2001 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.

### ***Information as per Consob Communication 1011405 of 15 February 2001.***

#### **Tax benefits under Decree Law 153 of 17/5/99 (Ciampi Law)**

As for the 2000 financial statements, the Parent Bank allocated to the "Ciampi" reserve income of € 381 million, equal to the portion of income per year 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 used the tax relief deriving from the "Ciampi Law" for € 381 million, thus 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; because even if we are convinced that the Ciampi Law complies with EC principles, the Bank has set aside an equivalent amount of € 93 million, under the prudence principle, to cover any additional tax liability that may arise if the law turns out to be inapplicable.

Similarly, the benefits expected for the first half of 2001 in application of the Ciampi Law, € 45 million, have all been allocated to the taxation reserve.

Deferred taxes have been calculated using the average tax rate without considering the tax relief mentioned above.

#### **Other (caption 80.c)**

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 € 1,123 million include:

- the Parent Bank for:
  - € 143 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;
  - € 191 million 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 commitment to support the Interbank Deposit Guarantee Fund and with other potential liabilities.

- Banco di Napoli for:
  - € 377 million for restructuring costs and staff severance incentives (€ 357 million), as well as organizational improvements (€ 20 million);
  - € 181 million of provisions against estimated losses on legal disputes and, more specifically, on claims from bankruptcy liquidators;
  - € 50 million, for potential charges deriving from the possible renegotiation of mortgage loans as a specific provision, as well as to strengthen other provisions against possible losses, in particular charges which could arise following the dispute for the renegotiation of interest rates and conditions on mortgages according to the recent instructions issued on these matters;
  - € 36 million of expenses against the insurance positions of employees no longer in force since 1 January 1991;
  - € 33 million against other charges;
- other subsidiaries for € 112 million, mainly due to risks, also of a commercial or operational nature, connected with the distribution of financial products.

The provisions for other personnel charges, € 300 million, as at 30 June 2001 include:

- € 108 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;
- € 14 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;
- € 9 million of other provisions by the Parent Bank, in favour of personnel (€ 6 million), leaving incentives (€ 2 million) and possible contributions for personnel taken on as the result of a merger (€ 1 million);
- € 157 million of provisions made by Banco di Napoli S.p.A., attributable for € 75 million to labour disputes, € 28 million to supplementary pensions and employees involved in tax collection, € 26 million to disputes concerning supplementary pensions, for € 23 million to bonuses for employees and € 5 million for leave still to be taken;
- € 12 million of provisions of other subsidiaries, essentially attributable to Banque Sanpaolo S.A. (€ 11 million).

More specifically, it is worth remembering that the above provision of € 26 million made by Banco di Napoli for disputes regarding supplementary pensions concerns the lawsuit that arose from the amendment, following the introduction of D.Lgs. 503/1992, to the system of distributing corporate supplementary pensions based directly on the pension of an equivalent person in the same position still in service. In the meantime, contradictory sentences passed by various judges, on both merit and legitimacy, leading up to the judgement of the Joint Supreme Court in July 2001, which modified the reference scenario, recognizing that pensioners did have a right, albeit a partial right with fewer claimants. Given this situation, Banco di Napoli still intends to continue its clear opposition to claims, opposing them in any court that is competent, with a view to reversing the principles established by the Supreme Court, while as far as definition of the amount is concerned, quantities are currently being identified and analysed, taking into account the substantial and procedural complexity of the matter. Having said this, taking into account the advice of the lawyers who are following these disputes, Banco di Napoli has made a prudent allocation to the reserve for risks and charges; the amount of this extraordinary charge is the best possible estimate that can be made based on available elements.

### ***Information as per Consob Communication 1011405 of 15 February 2001***

#### *Effects of the renegotiation of mortgage loans during the first half of 2001*

**Low-interest building mortgage loans:** given that the ministerial implementation decree has not yet been issued and that there is still a great deal of uncertainty regarding the future evolution of the regulations in this area, a provision of

€ 32 million to the reserve for risks and charges has been made in the half year financial statements as of 30 June 2001. This provision is in line with the total charge already estimated for the whole of 2001, as mentioned in the report as of 31 December 2000.

**Agricultural mortgage loans:** the financial statements as of 30 June 2001 reflect a provision of € 12 million; once again, given the lack of any real change in the regulations, this is in line with the estimate made previously for the whole of 2001.

**Fixed-rate unsubsidized mortgage loans (usury):** during the first half of 2001, steps were taken to adjust the rate on all loans affected by this law automatically to 9.96%. As regards mortgage loans of up to 150 million lire to buy a non-luxury first home, the renegotiated rate was reduced even further to 8% on the basis of autocertification produced by the borrowers. The expenses for the first half of 2001 were booked as a reduction to net interest income for € 6 million and to the reserve for risks and charges for € 6 million; the latter refer principally to mortgage loans that were potentially renegotiable at a reduced rate of 8%, so autocertifications were not received from the borrowers.

**Anatocism:** Judgement 425 of the Constitutional Court of 17 October 2000 established that the transitional rule laid down by art. 25 of the 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 22/04/2000, 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. There have not been any significant changes in the legal situation compared with last year, so in general terms the overall value of the lawsuits that have arisen to date continues to be immaterial.

#### Reserve for possible loan losses (caption 90)

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

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

This section comments on the following balance sheet captions:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Shareholders' equity			
– capital (caption 150)	3,932	3,931	-
– additional paid-in capital (caption 160)	22	18	+22.2
– reserves (caption 170)			
– legal reserve	793	793	-
– reserve for own shares	306	739	-58.6
– other reserves	1,722	850	+102.6
– revaluation reserves (caption 180)	9	9	-
– reserve for general banking risks (caption 100)	350	355	-1.4
– negative goodwill arising on consolidation (caption 120)	-	-	-
– negative goodwill arising on application of the equity method (caption 130)	135	63	+114.3
– net income (caption 200)	688	1,292	-46.7
Group interest in shareholders' equity	7,957	8,050	-1.2
Own shares (asset caption 140)	306	739	-58.6
<i>of which: own shares held by the Parent Bank (*)</i>	289	697	-58.5
Minority interests (caption 140)	737	715	+3.1
Subordinated liabilities (caption 110)	5,178	5,158	+0.4

(\*) 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 and the changes during the half year in the Group's interest in the shareholders' equity of consolidated companies.

As for the 1999/2001 stock option plan, during the first half of the year 422,916 options to subscribe to new shares were exercised. This brought about a capital increase of € 1 million, booking additional paid-in capital of € 4 million. As of 30 June 2001 the share capital amounts to € 3,932,435,119.2 made up by 1,404,441,114 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 period-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 2000, pursuant to Law 432 of 21 November 2000 by the subsidiary Banca Fideuram, net of € 3 million attributed to minority interests and shown under "minority interests".

#### *Reserve for general banking risks (caption 100)*

The reserve for general banking risks reflects the reserve shown in the financial statements of the Parent Bank, € 336 million, and the reserves set up by certain subsidiary companies, € 14 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"*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Negative goodwill arising on first-time line-by-line consolidation	952	952	-
Goodwill arising on consolidation:	-952	-952	-
- Banco di Napoli group	-854	-854	-
- Cassa di Risparmio di Firenze (*)	-98	-98	-
<b>Total</b>	-	-	-

(\*) 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"*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Negative goodwill arising on first-time consolidation using the equity method	75	75	-
Goodwill arising on: Cassa di Risparmio di Firenze	-75	-75	-
Changes in shareholders' equity after the first-time consolidation (*)	135	63	+114.3
<b>Total</b>	<b>135</b>	<b>63</b>	<b>+114.3</b>

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

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 30 June 2001, SANPAOLO IMI S.p.A. had 16,712,003 own shares in portfolio (total par value of € 47 million carried at a cost of € 289 million). The valuation of this portfolio at 30 June 2001 shows a potential capital loss of € 37 million.

At the end of the first half, the subsidiary Banca IMI held 1,086,657 Sanpaolo IMI S.p.A. shares for dealing purposes and therefore carried at a market value of € 17 million.

### Minority interests (liability caption 140)

As of 30 June 2001, the portion of minority interests totalling € 737 million essentially relates to the quota attributable to minority shareholders of the Banca Fideuram, NHS - Nuova Holding Sanpaolo IMI and Banco di Napoli.

A statement of changes in the Group shareholders' equity is attached to these notes, together with a reconciliation of the Parent Bank's 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	30/6/01 (€/million)	31/12/00 (€/million)	Change %
<b>A. Shareholders' equity for supervisory purposes</b>			
A.1 Tier 1 capital	7,492	6,868	+9.1
A.2 Tier 2 capital	3,212	3,257	-1.4
A.3 Items to be deducted	-1,761	-1,259	+39.9
A.4 Shareholders' equity for supervisory purposes	8,943	8,866	+0.9
<b>B. Minimum regulatory requirements</b>			
B.1 Lending risk	7,583	7,604	-0.3
B.2 Market risk	676	647	+4.5
<i>of which:</i>			
- risks on dealing portfolio	640	607	+5.4
- exchange risks	36	40	-10.0
- concentration risks	-	-	-
B.2.1 Tier 3 subordinated loans	615	601	+2.3
B.3 Other minimum requirements	48	41	+17.1
B.4 Total minimum requirements	8,307	8,292	+0.2
<b>C. Risk assets and capital-adequacy ratios</b>			
C.1 Risk-weighted assets (*)	103,838	103,650	+0.2
C.2 Tier 1 capital/risk weighted assets (**)	7.2%	6.6%	
C.3 Regulatory capital/risk weighted assets (**)	9.2%	9.1%	

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

(\*\*) In accordance with the Bank of Italy's letter no. 10155 of 3 August 2001, Tier 3 subordinated loans are not considered an adjustment to risk assets for the purpose of calculating capital ratios, but rather a component of total equity.

**Subordinated liabilities (caption 110)**

Loan	Amount in the financial statements as of 30/6/01 (€/million)	Amount in original currency (in millions)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 31/12/00 (€/million)
Preferred Securities in Euro	1,000	1,000	8.126% (a)	10/11/00	(b)	1,000
<i>Total innovative capital instruments (Tier 1)</i>	<i>1,000</i>					<i>1,000</i>
Notes in Luxembourg francs (c)	25	1,000	7.63%	09/07/93	09/07/01	25
Notes in US dollars (c)	195	165	floating	12/07/93	30/07/03	178
Notes in US dollars (c)	105	89	floating	24/09/93	24/09/03	86
Notes in US dollars (c)	111	94	floating	30/11/93	30/11/05	101
Notes in Canadian dollars (c)	117	151	floating	10/11/93	10/11/03	108
Notes in Italian lire (c)	356	700,000	floating	30/06/94	30/06/04	356
Notes in Italian lire	23	46,245	floating	15/06/93	15/06/03	29
Notes in Italian lire	30	59,570	floating	15/10/93	15/10/03	36
Notes in Euro	150	150	5.75%	15/09/99	15/09/09	150
Notes in Euro (c)	27	52,000	floating	30/12/96	20/01/02	27
Subordinated loan in US dollars	118	100	floating	15/09/93	15/09/03	108
Subordinated loan in US dollars	-	10	floating	25/03/91	25/03/01	11
Subordinated loan in Italian lire	26	50,000	5.10%	01/06/98	01/06/03	39
Subordinated loan in Italian lire	62	120,000	5.30%	01/01/98	01/01/03	93
Subordinated loan in Italian lire	57	112,000	floating	01/02/98	01/02/03	87
Subordinated loan in Euro	500	500	6.38%	06/04/00	06/04/10	500
Subordinated loan in Euro	350	350	floating	06/04/00	06/04/10	350
Subordinated loan in Euro	1,000	1,000	floating	27/09/00	27/09/10	1,000
Subordinated loan in Euro	200	200	floating	01/10/99	01/10/09	200
Subordinated loan in Euro	103	150	floating	12/10/99	12/10/09	65
Subordinated loan in Euro	8	8	floating	22/12/00	22/12/10	8
<i>Total subordinated liabilities (Tier 2)</i>	<i>3,563</i>					<i>3,557</i>
Subordinated loan in Euro	465	466	5.63%	03/10/00	03/04/03	456
Subordinated loan in Euro	150	150	floating	06/11/00	06/05/03	145
<i>Total Tier 3 subordinated liabilities</i>	<i>615</i>					<i>601</i>
<b>Total</b>	<b>5,178</b>					<b>5,158</b>

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

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

(c) These are issues made on a fiduciary basis against deposits of the Parent Bank's Nassau branch.

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

## SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Other liabilities (caption 50)	17,847	17,420	+2.5
Accrued expenses and deferred income (caption 60)	2,215	3,114	-28.9
<b>Total</b>	<b>20,062</b>	<b>20,534</b>	<b>-2.3</b>

### Other liabilities (caption 50)

*Analysis of caption 50 "Other liabilities"*

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Valuation of derivatives on interest rates and stockmarket indices	3,356	3,967	-15.4
Amounts available for third parties	3,092	3,024	+2.2
Counterparty of valuations of foreign currency derivatives contracts	2,754	714	n.s.
Unprocessed transactions	2,066	2,890	-28.5
Other items derivative contracts	1,425	1,275	+11.8
Tax payments accounts	1,111	1,231	-9.7
Amounts in transit with branches	1,096	986	+11.2
Premiums collected on options sold	425	322	+32.0
Due to the tax authorities	331	340	-2.6
Non-liquid balances from portfolio transactions	232	13	n.s.
Amounts due to employees	207	241	-14.1
Amounts payable due to settlement value date	120	367	-67.3
Deposits guaranteeing agricultural and construction loans	29	37	-21.6
Transactions by foreign branches	27	47	-42.6
Items relating to securities transactions	9	17	-47.1
Other	1,567	1,949	-19.6
<b>Total</b>	<b>17,847</b>	<b>17,420</b>	<b>+2.5</b>

## SECTION 10 - GUARANTEES AND COMMITMENTS

### Guarantees given (caption 10)

Analysis of caption 10 "Guarantees given"

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Commercial guarantees	12,947	12,173	+6.4
b) Financial guarantees	2,168	3,174	-31.7
c) Assets lodged in guarantee	135	323	-58.2
<b>Total</b>	<b>15,250</b>	<b>15,670</b>	<b>-2.7</b>

### Commitments (caption 20)

Analysis of caption 20 "Commitments"

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Commitments to grant finance (certain to be called on)	12,031	8,260	+45.7
b) Commitments to grant finance (not certain to be called on)	19,028	18,258	+4.2
<b>Total</b>	<b>31,059</b>	<b>26,518</b>	<b>+17.1</b>

Firm commitments are detailed below:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Purchase of securities not yet settled	5,148	3,918	+31.4
Other commitments certain to be called on	2,468	2,424	+1.8
Undrawn lines of credit granted	15,065	13,537	+11.3
Put options issued	1,817	2,226	-18.4
Mortgage loans to be disbursed	2,041	2,609	-21.8
Deposits and loans to be made	3,849	1,141	n.s.
Membership of Interbank Deposit Guarantee Fund	105	105	-
Other commitments not certain to be called on	566	558	+1.4
<b>Total</b>	<b>31,059</b>	<b>26,518</b>	<b>+17.1</b>

### Unused lines of credit

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Central banks	86	38	+126.3
b) Other banks	120	71	+69.0
<b>Total</b>	<b>206</b>	<b>109</b>	<b>+89.0</b>

## Forward transactions

Repurchase agreements, excluding those on behalf of third parties, show the following amounts:

	(€/million)			
	Hedging transactions	Dealing transactions (*)	Other transactions	Total
1. Purchase/sale of				
1.1 securities				
– purchases	-	5,021	-	5,021
– sales	-	4,450	-	4,450
1.2 currency				
– currency against currency	2,302	1,558	-	3,860
– purchases against Euro	10,565	10,196	-	20,761
– sales against Euro	8,866	10,723	-	19,589
2. Deposits and loans				
– to be disbursed	-	-	5,890	5,890
– to be received	-	-	1,952	1,952
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	3,555	-	3,555
– sales	3,767	6,850	-	10,617
b) currency				
– currency against currency	467	233	-	700
– purchases against Euro	3,378	1,535	-	4,913
– sales against Euro	744	1,733	-	2,477
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	-	-	-
– purchases against Euro	57	5	-	62
– sales against Euro	-	-	-	-
b) other instruments (**)				
– purchases	29,528	126,698	150	156,376
– sales	16,811	128,870	3,809	149,490
<b>Total</b>	<b>76,485</b>	<b>301,427</b>	<b>11,801</b>	<b>389,713</b>

(\*) Including derivative contracts hedging the dealing portfolio for € 2,183 million.

(\*\*) Includes basis swaps both in purchases and in sales for € 15,342 million.

At period end, hedging contracts, entered into as part of credit intermediation activities, show an unrecognized net loss for the Parent Bank of € 471 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 € 3,959 million, at nominal value. Forward transactions outstanding as of 30 June 2001, presented in the table above, essentially reflect the activities of the Bank and those subsidiaries operating in the stockbroking and credit intermediation sector.

### 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>(€/million)</i>				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
<b>OTC trading contracts</b>					
- Forward (a)	6,668	13,928	-	-	20,596
- Swap (b)	196,797	1,287	-	-	198,084
- Options purchased	12,648	862	1,166	-	14,676
- Options sold	13,750	812	921	-	15,483
- Other	-	545	2,821	-	3,366
<b>Exchange traded contracts</b>					
- Futures purchased	1,654	-	5	-	1,659
- Futures sold	10,615	-	212	-	10,827
- Options purchased	1,103	-	1,269	-	2,372
- Options sold	2,779	-	622	-	3,401
- Other	-	-	-	-	-
<b>Total trading contracts</b>	<b>246,014</b>	<b>17,434</b>	<b>7,016</b>	<b>-</b>	<b>270,464</b>
<b>Total non-trading contracts</b>	<b>41,563</b>	<b>25,781</b>	<b>10,103</b>	<b>-</b>	<b>77,447</b>
<b>Total contracts (c)</b>	<b>287,577</b>	<b>43,215</b>	<b>17,119</b>	<b>-</b>	<b>347,911</b>
- including OTC contracts	271,356	43,215	15,011	-	329,582

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

(b) Mainly comprising IRS and CIRS contracts, and basis swap transactions.

(c) Includes basis swaps amounting to € 15,342 million and does not include forward transactions on currency with original duration of less than two days which total € 9,147 million.

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

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>				<i>(€/million)</i>
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	135,137	90,466	45,753	271,356
Exchange rate related	38,143	5,005	67	43,215
Stockmarket index related	8,748	6,263	-	15,011
Other contracts	-	-	-	-

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

<i>Notional amounts, market values and similar add on</i>					<i>(€/million)</i>
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
<b>Notional amounts</b>	<b>271,356</b>	<b>43,215</b>	<b>15,011</b>	<b>-</b>	<b>329,582</b>
A. Market value of OTC trading contracts					
A.1 positive market value	3,333	425	145	-	3,903
A.2 negative market value	3,164	363	103	-	n.s.
B. Add on	835	180	253	-	1,268
C. Market value of OTC non-trading contracts					
C.1 positive market value	596	1,031	442	-	2,069
C.2 negative market value	946	374	372	-	n.s.
D. Add on	142	420	242	-	804
<b>Credit risk equivalent (A.1+B+C.1+D)</b>	<b>4,906</b>	<b>2,056</b>	<b>1,082</b>	<b>-</b>	<b>8,044</b>

Market values of hedging and dealing transactions arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the credit risk of off-balance sheet items for solvency ratio purposes. The market values identified in the table above derive from applying such criteria. In particular, such market values include the 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>				<i>(€/million)</i>
	Positive market value	Add on	Credit risk equivalent (a) (current value)	
Governments and central banks	11	-	11	
Banks	5,685	1,958	7,643	
Other operators	276	114	390	
<b>Total</b>	<b>5,972</b>	<b>2,072</b>	<b>8,044</b>	

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

### Derivative contracts on loans

Transactions in derivatives on loans carried out by the Group as of 30 June 2001 are analyzed below:

Categories of operations	Negotiation	Other transactions	<i>(€/million)</i> Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	25	261	286
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	50	774	824
2.2 Without exchange of capital			
– credit default swap	-	-	-
<b>Total</b>	<b>75</b>	<b>1,035</b>	<b>1,110</b>

### Other information relating to guarantees

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

## SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

### Significant exposures

The table below shows the positions defined as "significant exposures" by the Bank of Italy in compliance with EC guidelines. For this purpose, the positions are considered significant if the overall exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the 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.

	30/6/01
a) Amount (€/million)	9,235
b) Number	5

### Distribution of loans to customers, by category of borrower

Loans to customers are distributed as follows:

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Governments	6,361	10,028	-36.6
b) Other public entities	6,767	4,901	+38.1
c) Non-financial businesses	51,217	50,228	+2.0
d) Financial institutions	15,026	14,871	+1.0
e) Family businesses	3,406	3,388	+0.5
f) Other operators	15,603	15,290	+2.0
<b>Total</b>	<b>98,380</b>	<b>98,706</b>	<b>-0.3</b>

### Distribution of loans to resident non-financial and family businesses

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Other services for sale	6,678	7,318	-8.7
b) Commerce, salvage and repairs	6,113	6,267	-2.5
c) Energy products	4,318	3,459	+24.8
d) Construction and public works	3,779	3,810	-0.8
e) Transport	2,595	2,589	+0.2
f) Other sectors	20,502	19,995	+2.5
<b>Total</b>	<b>43,985</b>	<b>43,438</b>	<b>+1.3</b>



### Distribution of guarantees given, by category of counterparty

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Governments	14	6	+133.3
b) Other public entities	131	132	-0.8
c) Banks	703	800	-12.1
d) Non-financial businesses	12,158	12,820	-5.2
e) Financial institutions	1,760	1,455	+21.0
f) Family businesses	126	115	+9.6
g) Other operators	358	342	+4.7
<b>Total</b>	<b>15,250</b>	<b>15,670</b>	<b>-2.7</b>

### Geographical distribution of assets and liabilities

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

	30/6/01 (€/million)				31/12/00 (€/million)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
<b>1. Assets</b>								
1.1 due from banks	8,696	8,470	1,551	18,717	9,861	6,826	2,432	19,119
1.2 loans to customers	79,768	11,769	6,843	98,380	81,607	10,210	6,889	98,706
1.3 securities	17,710	4,749	3,916	26,375	16,794	3,772	4,392	24,958
<b>Total</b>	<b>106,174</b>	<b>24,988</b>	<b>12,310</b>	<b>143,472</b>	<b>108,262</b>	<b>20,808</b>	<b>13,713</b>	<b>142,783</b>
<b>2. Liabilities</b>								
2.1 due to banks	8,093	14,934	8,005	31,032	7,406	10,451	11,739	29,596
2.2 due to customers	50,096	10,772	4,184	65,052	49,967	9,312	5,439	64,718
2.3 securities issued	25,759	9,801	4,403	39,963	27,808	7,392	4,138	39,338
2.4 other accounts	3,225	126	1,936	5,287	3,222	1,023	1,000	5,245
<b>Total</b>	<b>87,173</b>	<b>35,633</b>	<b>18,528</b>	<b>141,334</b>	<b>88,403</b>	<b>28,178</b>	<b>22,316</b>	<b>138,897</b>
<b>3. Guarantees and commitments</b>	<b>18,905</b>	<b>12,309</b>	<b>15,095</b>	<b>46,309</b>	<b>19,345</b>	<b>8,802</b>	<b>14,041</b>	<b>42,188</b>

## Maturities of assets and liabilities

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

									(€/million)	
	On demand	Up to 3 months	Specified duration		Beyond 5 years		Unspecified duration	Total		
			Between 3 and 12 months	Between 1 and 5 years	Fixed rate	Indexed rate				
<b>1. Assets</b>										
1.1 Treasury bonds eligible for refinancing	378	1,032	1,067	3,906	1,961	744	1,708	-	10,796	
1.2 due from banks	4,303	10,258	1,745	176	274	100	13	1,848	18,717	
1.3 loans to customers	17,552	17,490	11,811	14,133	14,745	8,977	11,336	2,336	98,380	
1.4 bonds and other debt securities	34	1,335	2,328	2,223	3,369	1,308	1,823	-	12,420	
1.5 off-balance sheet transactions	42,534	111,091	79,244	44,701	3,835	28,043	698	-	310,146	
<b>Total assets</b>	<b>64,801</b>	<b>141,206</b>	<b>96,195</b>	<b>65,139</b>	<b>24,184</b>	<b>39,172</b>	<b>15,578</b>	<b>4,184</b>	<b>450,459</b>	
<b>2. Liabilities</b>										
2.1 due to banks	7,079	15,105	3,752	1,241	1,462	375	2,018	-	31,032	
2.2 due to customers	46,862	12,348	2,443	2,502	124	753	20	-	65,052	
2.3 securities issued:										
– bonds	312	284	3,355	9,461	7,026	3,645	3,203	-	27,286	
– certificates of deposit	141	3,654	2,500	1,279	204	16	9	-	7,803	
– other securities	578	4,162	134	-	-	-	-	-	4,874	
2.4 subordinated liabilities	-	25	121	508	1,213	1,658	1,653	-	5,178	
2.5 off-balance sheet transactions	40,943	116,975	75,168	42,319	4,026	30,274	586	-	310,291	
<b>Total liabilities</b>	<b>95,915</b>	<b>152,553</b>	<b>87,473</b>	<b>57,310</b>	<b>14,055</b>	<b>36,721</b>	<b>7,489</b>	<b>-</b>	<b>451,516</b>	

### Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the Euro-zone as of 30 June 2001 are broken down as follows.

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Assets			
1. due from banks	4,014	5,547	-27.6
2. loans to customers	11,437	11,543	-0.9
3. securities	3,690	5,247	-29.7
4. equity investments	146	147	-0.7
5. other accounts	33	33	-
<b>Total assets</b>	<b>19,320</b>	<b>22,517</b>	<b>-14.2</b>
b) Liabilities			
1. due to banks	9,649	11,333	-14.9
2. due to customers	9,740	10,034	-2.9
3. securities issued	7,729	5,771	+33.9
4. other accounts	646	616	+4.9
<b>Total liabilities</b>	<b>27,764</b>	<b>27,754</b>	<b>-</b>

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

## Securitization operation

### Group securitization transactions

As at 30 June 2001 the SANPAOLO IMI Group carried out the following securitization operations:

- *Sanpaolo Leasint S.p.A.* - In 1997 the subsidiary made a non-recourse assignment of performing loans under leasing contracts as per Law no. 52/91 for a total book value of € 503.5 million. This transaction was carried out in order to free up part of the loan portfolio, generating sources of additional liquidity and benefiting at the same time from the possibility to reduce lending risk. Junior securities are included in the investment securities portfolio at their original cost of € 50.4 million. the assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, factoring company, vehicle company and trustee) with a detailed explanation of the state of the loans and of collections during the period. The servicer company is involved in the separate administration, management and collection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. As of 30 June 2001 loans to be collected amounted to € 132.9 million.
- *Finconsumo Banca Spa*<sup>1</sup>- During the course of 2000 and 2001 non-recourse assignments of performing consumer loans due from households resident in Italy were made in accordance with Law no. 130/99, for € 361.5 million and € 258.2 million respectively. These transactions were carried out in order to free up part of the loans portfolio, generating sources of additional liquidity and optimizing use of capital also from a regulatory point of view. The investment securities portfolio includes junior securities that arose from the securitization exercises carried out in 2000 and 2001, of € 2.0 million and € 1.3 million respectively. The assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, factoring company, vehicle company and trustee) with a detailed explanation of the state of the loans and of collections during the period. The servicer company is involved in the separate administration, management and collection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. At 30 June 2001 there were still loans to be collected from the two outstanding assignments of € 323.6 million and € 251.0 million respectively.

<sup>1</sup> The company is subject to joint control (Sanpaolo IMI 50%). The information relating to the securitization exercises carried out by the company is provided for the whole amount, even if the impact on the consolidated financial statements of the Sanpaolo IMI Group is in proportion to its holding (50%).

## Securities representing third party securitizations

The Group holds investment and dealing securities that came from third party securitizations, as shown in the following table:

Type of underlying activities	Loan quality:	book value			(€/million)
		Senior securities	Mezzanine securities	Junior securities	Total
<b>Investment securities portfolio</b>					
Building mortgage loans	Performing	374	-	-	374
Credit cards	Performing	185	24	-	209
Leasing	Performing	50	-	-	50
Securities	Performing	24	-	-	24
SACE loans to foreign public sector debtors	-	22	-	-	22
Health care receivable (1)	Performing	-	-	6	6
Other loans	Performing	418	63	-	481
		1,073	87	6	1,166
<b>Dealing securities portfolio</b>					
Building mortgage loans	Performing	10	-	-	10
	Non-performing loans	1	-	-	1
Commercial / industrial / agricultural mortgage loans	Performing	7	-	-	7
	Non-performing loans	2	3	-	5
Leasing instalments	Performing	6	-	-	6
Other loans	Performing	1	-	-	1
	Non-performing loans	2	-	-	2
Social security contributions	Problem loans	24	-	-	24
		53	3	-	56
		1,126	90	6	1,222

(1) The amount of € 6 million refers to junior securities issued against some € 147 million of securitized assets.

The investment securities portfolio is shown net of adjustments for a total of € 7.6 million, of which € 7.1 carried out during the period. The dealing portfolio has substantially maintained its book value during the half year.

## SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

### Portfolio management

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
Asset management (1)	36,556	33,113	+10.4

(\*) In accordance with specific Bank of Italy instructions, this information refers solely to personalized portfolio management on behalf of customers, excluding those offered by third parties and distributed by the Group. The figure does not include either the Group's mutual funds, € 72,896 million (€ 79,376 million at 31 December 2000), or the technical reserves of the insurance subsidiaries consolidated at equity, € 13,875 million (€ 12,418 million at 31 December 2000).

### Custody and administration of securities

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

	30/6/01 (€/million)	31/12/00 (€/million)	Change %
a) Third-party securities held on deposit	223,134	211,964	+5.3
b) Third-party securities deposited with third parties	144,090	134,350	+7.2
c) Portfolio securities deposited with third parties (a)	22,490	22,259	+1.0

(a) Excluding securities deposited with third parties to secure repurchase agreements.

### Other transactions

#### Reserve for Research Grants

From January 2000 the Ministry for Universities and Scientific and Technological Research (now the Ministry of Education, Universities and Research) has taken over direct management of the Applied Research Fund, now renamed the "Reserve for Research Grants", authorizing 10 banks, including Sanpaolo IMI, to carry out the technical and economic appraisal of R&D projects and of research workers training programmes, as well as to check their implementation.

In the first half of 2001, 120 applications arrived for total investments of € 376 million, representing around 45% of global applications for industrial research grants (the remaining percentage is shared among the other 9 authorized banks). In the same period, the Bank carried out 162 preliminary investigations, stipulated 187 contracts and made disbursements of € 229 million out of public funds.

Management activities carried out on behalf of the Ministry were recompensed with commission totalling € 6 million.

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

By the Convention dated 21 December 1995 between the Italian Treasury and the Bank, as approved and activated by Decree of the Director-General of the Treasury dated 5 January 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 30 June 2001, 3,980 requests had received for a total of € 1,723 million, broken down as follows:

- € 1,443 million relating to the consolidation of short-term debt (of which € 1,436 million already being paid and € 7 million waiting for the final documentation);
- € 280 million for participating loans;

### *Third-party portion of syndicated loans*

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totalled € 896 million at period end (€ 901 million as at 31 December 2000).

### *Asset management services rendered by third parties*

The amount of asset management services offered to customers through Group companies as of 30 June 2001 came to € 4,270 million broken down as follows: € 545 million of mutual funds, € 1,263 million of portfolio management schemes and € 2,462 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:

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Interest income and similar revenues (caption 10)	4,246	7,622	3,234
<i>including the contribution of the Banco di Napoli group</i>	877	943	-
Interest expense and similar charges (caption 20)	2,905	5,123	2,167
<i>including the contribution of the Banco di Napoli group</i>	479	539	-

#### Interest income and similar revenues (caption 10)

*Analysis of caption 10 "Interest income and similar revenues"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
a) On amounts due from banks	502	991	449
<i>of which:</i>			
<i>– deposits with central banks</i>	33	50	18
b) On loans to customers	3,134	5,501	2,316
<i>of which:</i>			
<i>– loans using public funds</i>	-	-	-
c) On debt securities	549	1,006	394
d) Other interest income	61	87	7
e) Net differential on hedging transactions (*)	-	37	68
<b>Total</b>	<b>4,246</b>	<b>7,622</b>	<b>3,234</b>

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

*Detail of caption 10 "Interest income and similar revenues"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
a) On assets denominated in foreign currency	319	552	366

"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"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
a) On amounts due to banks	791	1,522	656
b) On amounts due to customers	862	1,401	525
c) On securities issued	1,159	2,117	943
<i>of which:</i>			
– certificates of deposit	188	436	230
d) On public funds administered	-	-	-
e) On subordinated liabilities	48	83	43
f) Net differential on hedging transactions (*)	45	-	-
<b>Total</b>	<b>2,905</b>	<b>5,123</b>	<b>2,167</b>

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

*Detail of caption 20 "Interest expense and similar charges"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
a) On liabilities denominated in foreign currency	454	762	456

"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:

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Commission income (caption 40)	1,689	3,452	1,647
<i>including the contribution of the Banco di Napoli group</i>	169	182	-
Commission expense (caption 50)	371	817	401
<i>including the contribution of the Banco di Napoli group</i>	10	9	-

### Commission income (caption 40)

*Analysis of caption 40 "Commission income"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
a) Guarantees given	29	49	22
b) Collection and payment services	113	219	84
c) Management, dealing and advisory services			
1. dealing in securities	77	148	78
2. dealing in currency	19	36	16
3. portfolio management	93	182	82
4. custody and administration of securities	23	43	21
5. placement of securities	57	113	31
6. advisory services	17	40	27
7. "door-to-door" sales of securities and financial products and services	43	120	55
8. acceptance of instructions	45	186	114
9. management of mutual funds	797	1,695	837
d) Tax collection services	42	52	11
e) Other services	334	569	269
<b>Total</b>	<b>1,689</b>	<b>3,452</b>	<b>1,647</b>

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Loans granted	81	147	75
Deposits and current account overdrafts	98	178	72
Banking functions in relation to mutual funds deposited	73	127	65
Current accounts	40	66	31
Loan-arrangement activities	5	8	3
Other services	37	43	23
<b>Total</b>	<b>334</b>	<b>569</b>	<b>269</b>

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
a) Collection and payment services	30	60	26
b) Management and dealing services			
1. dealing in securities	19	44	27
2. dealing in currency	1	1	-
3. portfolio management	1	2	-
4. custody and administration of securities	14	29	14
5. placement of securities	6	8	1
6. "door-to-door" sales of securities and financial products and services	231	582	288
7. management of mutual funds	51	36	16
c) Other services	18	55	29
<b>Total</b>	<b>371</b>	<b>817</b>	<b>401</b>

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Loan-arrangement activities	-	2	1
Loans obtained	1	7	6
Guarantees received	3	5	2
Intermediation on financing transactions	6	8	5
Other services	8	33	15
<b>Total</b>	<b>18</b>	<b>55</b>	<b>29</b>

### SECTION 3 - PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Profits (losses) on financial transactions (caption 60)	-52	165	23
<i>including the contribution of the Banco di Napoli group</i>	12	9	-

#### Profits (losses) on financial transactions (caption 60)

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Security transactions:			
a) revaluations/writedowns, net	-48	50	-45
b) realized gains / losses	-173	100	101
Currency transactions	26	57	21
Other transactions	143	-42	-54
<b>Total</b>	<b>-52</b>	<b>165</b>	<b>23</b>

This mainly reflects one component of the brokerage activity normally carried on by the Group, the results of which are also reflected in the captions relating to interest and dividends. The global performance is outlined in the comment on the *investment banking* business in the report on operations.

## SECTION 4 - ADMINISTRATIVE COSTS

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Personnel costs (caption 80.a)	1,116	1,929	778
<i>including the contribution of the Banco di Napoli group</i>	303	309	-
<i>including the contribution of the Wargny group</i>	9	-	-
Other administrative costs (caption 80.b)	668	1,147	501
<i>including the contribution of the Banco di Napoli group</i>	135	115	-
<i>including the contribution of the Wargny group</i>	9	-	-
<b>Total</b>	<b>1,784</b>	<b>3,076</b>	<b>1,279</b>

### Personnel costs (caption 80.a)

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Wages and salaries	788	1,380	558
Social security charges	242	425	183
Termination indemnities	53	97	37
Pensions and similar commitments	33	27	-
<b>Total</b>	<b>1,116</b>	<b>1,929</b>	<b>778</b>

The average number of employees, split by category, is shown in "Part D – Other information" of these notes.

**Other administrative costs (caption 80.b)**

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
<b>IT cost</b>	<b>151</b>	<b>228</b>	<b>105</b>
Software maintenance and upgrades	53	71	43
Maintenance of operating assets	27	50	20
External data processing	28	48	15
Data transmission charges	24	41	14
Database access charges	10	11	9
Equipment leasing charges	9	7	4
<b>Property management expenses</b>	<b>118</b>	<b>205</b>	<b>87</b>
Rented property:	74	125	57
- rental of premises	71	117	53
- maintenance of leasehold premises	3	8	4
Property owned:	12	27	9
- maintenance of properties owned by the Bank	12	27	9
Security services	18	30	11
Cleaning of premises	14	23	10
<b>General expenses</b>	<b>99</b>	<b>186</b>	<b>84</b>
Postage and telegraph charges	27	41	20
Office supplies	14	21	9
Transport and counting of valuables	7	11	5
Courier and transport services	5	11	5
Other expenses	46	102	45
<b>Professional and insurance fees</b>	<b>100</b>	<b>171</b>	<b>70</b>
Consultancy services	61	112	44
Legal and judiciary expenses	22	31	13
Investigation/commercial information costs	8	16	7
Insurance premiums - banks and customers	9	12	6
<b>Utilities</b>	<b>37</b>	<b>69</b>	<b>30</b>
Telephone	18	36	16
Energy	19	33	14
<b>Promotion, advertising and marketing expenses</b>	<b>25</b>	<b>47</b>	<b>18</b>
Advertising and entertainment	21	41	15
Contributions and membership fees to trades unions and business associations	4	6	3
<b>Indirect personnel costs</b>	<b>33</b>	<b>52</b>	<b>22</b>
Indirect personnel expenses	33	52	22
<b>Total</b>	<b>563</b>	<b>958</b>	<b>416</b>
<b>Indirect duties and taxes</b>			
- stamp duties	76	133	60
- substitute tax (Pres. Decree 601/73)	7	18	9
- local property taxes	5	8	5
- non-recoverable VAT on purchases	3	6	3
- tax on stock exchange contracts	4	5	2
- other	10	19	6
<b>Total</b>	<b>105</b>	<b>189</b>	<b>85</b>
<b>Total other administration costs</b>	<b>668</b>	<b>1,147</b>	<b>501</b>

## 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:

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Adjustments to intangible and tangible fixed assets (caption 90)	242	389	136
<i>including the contribution of the Banco di Napoli group</i>	52	63	-
Provisions for risks and charges (caption 100)	101	323	132
<i>including the contribution of the Banco di Napoli group</i>	24	74	-
Adjustments to loans and provisions for guarantees and commitments (caption 120)	272	647	319
<i>including the contribution of the Banco di Napoli group</i>	74	67	-
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	140	417	245
<i>including the contribution of the Banco di Napoli group</i>	23	14	-
Provisions to reserves for possible loan losses (caption 140)	4	8	3
<i>including the contribution of the Banco di Napoli group</i>	-	-	-
Adjustments to financial fixed assets (caption 150)	15	36	6
<i>including the contribution of the Banco di Napoli group</i>	-	1	-
Writebacks of adjustments to financial fixed assets (caption 160)	1	15	1
<i>including the contribution of the Banco di Napoli group</i>	-	-	-

### Adjustments to intangible and tangible fixed assets (caption 90)

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Adjustments to intangible fixed assets			
– amortization of start-up and capital increase expenses	1	1	-
– amortization of goodwill	-	18	8
– amortization of merger differences	14	27	14
– amortization of software costs	63	114	22
– amortization of other deferred charges	9	17	16
– amortization of goodwill arising on consolidation	51	13	2
– amortization of goodwill arising on application of the equity method	4	32	16
Adjustments to tangible fixed assets			
– depreciation of property	33	59	23
– depreciation of furniture and installations	67	108	35
<b>Total</b>	<b>242</b>	<b>389</b>	<b>136</b>

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

### Provisions for risks and charges (caption 100)

Provisions for risks and charges, € 101 million, made during the period reflect the consolidation of the corresponding provision of the Bank (€ 59 million) and provisions made by Banco di Napoli (€ 24 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:

- € 53 million, for potential charges deriving from the possible renegotiation of mortgage loans (€ 38 million), as explained in Part B - Section 7 of these Notes, as well as to strengthen other provisions against losses from lawsuits and, in particular, from repayments claimed by the receivers of bankrupt customers, as well as other potential liabilities (€ 15 million).
- € 6 million designed to increase the coverage of the reserve for other personnel costs, pension and similar commitments, including € 3 million to cover long-service bonuses to the Bank's employees, and € 3 million to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund.

The provision made by Banco di Napoli is allocated as follows:

- € 2 million to increase the reserve for other personnel costs;
- € 9 million to increase the reserve for other risks and charges against lawsuits, above all claims from bankruptcy liquidators;
- € 12 million against costs in connection with the renegotiation of mortgage loans;
- € 1 million for other risks and charges.

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

Analysis of caption 120 "Adjustments to loans and provisions for guarantees and commitments"

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
a) Adjustments to loans	269	634	309
<i>of which:</i>			
– general adjustments for country risk	13	16	5
– other general adjustments	61	114	63
b) Provisions for guarantees and commitments	3	13	10
<i>of which:</i>			
– general provisions for country risk	-	-	-
– other general provisions	2	8	5
<b>Total</b>	<b>272</b>	<b>647</b>	<b>319</b>



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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Revaluation of loans previously written down	58	107	68
Revaluation of loans previously written off	1	1	-
Revaluation of provisions for guarantees and commitments	3	2	-
Collection of loan principal previously written down	43	200	121
Collection of loan principal and interest previously written off	14	46	24
Collection of default interest previously written down	21	61	32
<b>Total</b>	<b>140</b>	<b>417</b>	<b>245</b>

**Provisions to reserves for possible loan losses (caption 140)**

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

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Adjustments to investment securities	1	16	-
Adjustments to equity investments	14	20	6
<b>Total</b>	<b>15</b>	<b>36</b>	<b>6</b>

Adjustments to equity investments (€ 14 million) relate to the writedown of holdings in the following companies to take account of permanent losses in value:

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Blixer S.p.A	4	4	-
Enel S.p.A	2	-	-
Banca Popolare di Lodi S.c.r.l.	1	3	3
Filos S.p.A	1	2	2
La Stampa Interattiva S.p.A	1	-	-
Banca Mediocredito S.p.A.	1	-	-
Elsacom N.V.	-	8	-
Other	4	3	1
<b>Total</b>	<b>14</b>	<b>20</b>	<b>6</b>

## SECTION 6 - OTHER CONSOLIDATED STATEMENT OF INCOME CAPTIONS

Consolidated asset captions 30, 70, 110, 190, 200 and 240 not commented upon previously, comprise the following:

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Dividends and other revenues (caption 30)	370	231	141
<i>including the contribution of the Banco di Napoli group</i>	5	4	-
Other operating income (caption 70)	156	250	109
<i>including the contribution of the Banco di Napoli group</i>	31	31	-
Other operating expenses (caption 110)	21	31	19
<i>including the contribution of the Banco di Napoli group</i>	8	6	-
Extraordinary income (caption 190)	275	451	319
<i>including the contribution of the Banco di Napoli group</i>	96	38	-
Extraordinary expense (caption 200)	100	55	15
<i>including the contribution of the Banco di Napoli group</i>	71	11	-
Income taxes for the period (caption 240)	315	785	488
<i>including the contribution of the Banco di Napoli group</i>	32	-10	-

### Dividends and other revenues (caption 30)

*Analysis of caption 30 "Dividends and other operating income"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Shares, quotas and other equities			
– dividends	171	107	64
– tax credits	96	62	37
On equity investments, other than those consolidated line-by-line or carried at equity			
– dividends	73	48	30
– tax credits	30	14	10
<b>Total</b>	<b>370</b>	<b>231</b>	<b>141</b>

**Other operating income (caption 70)***Analysis of caption 70 "Other operating income"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Expenses recovered from customers			
– stamp duties	57	122	51
– other taxes	31	20	10
– legal costs	3	14	7
– other recoveries	24	19	8
Income from merchant banking activities	12	11	7
Reimbursement of services rendered to third parties	4	7	9
Other income from leasing activities	2	2	1
Rent and other income from property	2	4	2
Other income	21	51	14
<b>Total</b>	<b>156</b>	<b>250</b>	<b>109</b>

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Leasing charges	1	3	-
Other charges on leasing transactions	8	17	8
Other expenses	12	11	11
<b>Total</b>	<b>21</b>	<b>31</b>	<b>19</b>

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

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Out-of-period income			
– use of reserves in excess	5	6	5
– exchange rate effect on consolidation adjustments	4	-	-
– other out-of-period income	23	74	14
Amounts not payable	15	5	1
Out-of-court settlements by Banco di Napoli (1)	64	-	-
Price review on sale of equity investment (2)	7	-	-
Insurance reimbursements for bank robberies	2	1	-
Gains on:			
– equity investments	113	259	217
– investment securities	12	14	-
– own shares	30	83	82
– tangible fixed assets	-	9	-
<b>Total</b>	<b>275</b>	<b>451</b>	<b>319</b>

(1) It includes the reversal of € 41 million from the provision for risks and charges, which became excessive following a settlement relating to a bankruptcy claim in connection with a sizeable loan, as well as the out-of-court settlement of various law suits for € 23 million.

(2) This is a contractual benefit in favour of SANPAOLO IMI following the final agreement of a settlement between Crediop and one of its subsidiaries.

Gains on investments mainly refer to the sale of interests in Montedison S.p.A. (€ 58 million) and Beni Stabili S.p.A. (€ 50 million).

**Extraordinary expense (caption 200)***Analysis of caption 200 "Extraordinary expense"*

	1 half 2001 (€/million)	2000 (€/million)	1 half 2000 (€/million)
Provisions for disputes concerning the Banco di Napoli supplementary pension	26	-	-
Amounts not collectible	15	5	-
Settlement of civil disputes of Banco di Napoli	6	-	-
Reorganization of the network of financial planners	4	-	-
Expenses for bank robberies	3	4	1
Severance bonus incentive for voluntary redundancy	-	7	-
Exchange rate effect on consolidation adjustments	-	-	1
Losses on:			
– investment securities	9	5	-
– equity investments	4	2	-
– tangible fixed assets	-	1	-
Other out-of-period expenses	33	31	13
<b>Total</b>	<b>100</b>	<b>55</b>	<b>15</b>

## Part D - Other information

### SECTION 1 - NUMBER OF EMPLOYEES AND OPERATING STRUCTURE

*Average number of employees by category*

	1 half 2001 (1)	2000	1 half 2000
a) Executives	687	439	356
b) Managers	11,326	5,046	4,442
c) Other employees	23,704	24,339	19,572
<b>Total</b>	<b>35,717</b>	<b>29,824</b>	<b>24,370</b>

*(1) The distinction between Executives and Managers in the first half of 2001 follows the changes in category definition set out by the CCNL (national employment contract) introduced on 1 January 2001.*

## Part E - Scope of consolidation

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

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:

#### Investments in subsidiaries and companies subject to significant influence

Name	Registered offices	Type of relationship (*)	Ownership Held by	Voting rights at shareholders' meeting %	Consolidated Book values (€/million)	
<b>A. Companies consolidated on a line-by-line basis</b>						
<b>SANPAOLO IMI S.p.A.</b> (Parent Bank)	Turin		-	-	-	
<i>A1 Line-by-line</i>						
1 Banca Fideuram S.p.A.	Milan	1	Sanpaolo IMI Invesp	61.29 12.90 74.19	61.29 12.90 74.19	XXX XXX (A)
2 Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
3 Banca IMI Securities Corp.	United States	1	IMI Capital Markets USA	100.00	100.00	XXX
4 Banca OPI S.p.A.	Rome	1	Sanpaolo IMI	100.00	100.00	XXX
5 Banca Sanpaolo Invest S.p.A.	Rome	1	Sanpaolo IMI	100.00	100.00	XXX
6 Banco di Napoli S.p.A.	Naples	1	BNH Sanpaolo IMI	52.48 40.83 93.31	56.08 43.58 99.66	XXX XXX
7 Banco di Napoli Asset Management SGR p.A.	Naples	1	Banco di Napoli	100.00	100.00	XXX
8 Banque Sanpaolo S.A.	France	1	Sanpaolo IMI	100.00	100.00	XXX
9 BNH S.p.A. (formerly Banco di Napoli S.p.A. Banking Group)	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
10 Bonec Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
11 Datitalia Processing S.p.A.	Naples	1	Banco di Napoli	70.00	70.00	XXX
12 Fideuram Bank S.A.	Luxembourg	1	Banca Fideuram Fideuram Vita	99.99 0.01 100.00	99.99 0.01 100.00	XXX XXX
13 Fideuram Bank (Suisse) A.G. (formerly Turis A.G.)	Switzerland	1	Fideuram Bank	100.00	100.00	XXX
14 Fideuram Capital SIM S.p.A.	Milan	1	Banca Fideuram	100.00	100.00	XXX
15 Fideuram Fiduciaria S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX
16 Fideuram Fondi S.p.A.	Rome	1	Banca Fideuram	99.25	99.25	XXX
17 Fideuram Gestioni Patrimoniali SIM S.p.A.	Milan	1	Banca Fideuram	100.00	100.00	XXX
18 Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram Fideuram Vita	99.99 0.01 100.00	99.99 0.01 100.00	XXX XXX
19 Fideuram Multimanager Fund Management Company S.A.	Luxembourg	1	Banca Fideuram Fideuram Vita	99.20 0.80 100.00	99.20 0.80 100.00	XXX XXX
20 Financiere Wargny S.A.	France	1	Wargny Associés Wargny Société de Bourse	50.17 49.83 100.00	50.17 49.83 100.00	XXX XXX
21 Fonditalia Management Company S.A.	Luxembourg	1	Banca Fideuram Fideuram Vita	99.96 0.04 100.00	99.96 0.04 100.00	XXX XXX

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/million)
			Held by	%		
22 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	
23 Imi Bank (Lux) S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			IMI Investments	0.01	0.01	XXX
				100.00	100.00	
24 IMI Capital Markets USA Corp.	United States	1	IMI Investments	100.00	100.00	XXX
25 IMI Investments S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			Banca IMI Securities Corp.	0.01	0.01	XXX
				100.00	100.00	
26 IMI Real Estate S.A.	Luxembourg	1	IMI Bank (Lux)	99.99	99.99	XXX
			Sanpaolo IMI International	0.01	0.01	XXX
				100.00	100.00	
27 IMIWeb Bank S.p.A.	Milan	1	Banca IMI	100.00	100.00	XXX
28 IMIWeb (UK) Limited	United Kingdom	1	IMIWeb Bank	100.00	100.00	XXX
29 Independent Management for Institutional Advisory Co. S.A.	Luxembourg	1	IMI Investments	100.00	100.00	XXX
30 Interfund Advisory Company S.A.	Luxembourg	1	Banca Fideuram	99.92	99.92	XXX
			Fideuram Vita	0.08	0.08	XXX
				100.00	100.00	
31 Int. Securities Advisory Company S.A.	Luxembourg	1	Banca Fideuram	99.98	99.98	XXX
			Fideuram Vita	0.02	0.02	XXX
				100.00	100.00	
32 Invesp S.p.A. (formerly Apoke' Two S.p.A.)	Turin	1	Sanpaolo IMI	100.00	100.00	XXX (B)
33 Lackenstar Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
34 LDV Holding B.V.	The Netherlands	1	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	XXX
35 NHS-Nuova Holding Sanpaolo IMI S.p.A.	Turin	1	Sanpaolo IMI	51.00	51.00	XXX
36 NHS Investments S.A. (formerly Sanpaolo Imi Investments S.A.)	Luxembourg	1	NHS-Nuova Holding Sanpaolo IMI	99.99	99.99	XXX
			Ldv Holding	0.01	0.01	XXX
				100.00	100.00	
37 NHS Luxembourg S.A.	Luxembourg	1	NHS-Nuova Holding Sanpaolo IMI	99.99	99.99	XXX (C)
			Ldv Holding	0.01	0.01	XXX
				100.00	100.00	
38 Sanpaolo Asset Management S.A.	France	1	Banque Sanpaolo	99.98	99.98	XXX
			Société Foncière d'Investissement	0.01	0.01	XXX
			Société Immobilière d'Investissement	0.01	0.01	XXX
				100.00	100.00	
39 Sanpaolo Bail S.A.	France	1	Banque Sanpaolo	99.97	99.97	XXX
			Sanpaolo Mur	0.01	0.01	XXX
			Société Foncière d'Investissement	0.01	0.01	XXX
			Société Immobilière d'Investissement	0.01	0.01	XXX
				100.00	100.00	
40 Sanpaolo Bank (Austria) A.G.	Austria	1	Sanpaolo Bank S.A.	100.00	100.00	XXX
41 Sanpaolo Bank S.A.	Luxembourg	1	Wealth Management Sanpaolo IMI	99.99	99.99	XXX (D)
			Sanpaolo Services Luxembourg	0.01	0.01	XXX
				100.00	100.00	

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/million)
			Held by			
42 Sanpaolo Fiduciaria S.p.A.	Milan	1	Wealth Management Sanpaolo IMI	100.00	100.00	XXX (D)
43 Sanpaolo Fonds Gestion Snc	France	1	Banque Sanpaolo	80.00	80.00	XXX
			Sanpaolo Asset Management S.A.	20.00	20.00	XXX
				100.00	100.00	
44 Sanpaolo Gestion Internationale S.A.	Luxembourg	1	Wealth Management Sanpaolo IMI	99.98	99.98	XXX (D)
			Sanpaolo Bank S.A.	0.02	0.02	XXX
				100.00	100.00	
45 Sanpaolo IMI Alternative Investments SGR S.p.A.	Milan	1	Sanpaolo IMI Asset Management SGR	99.99	99.99	XXX (C)
			Sanpaolo IMI	0.01	0.01	XXX
				100.00	100.00	
46 Sanpaolo Imi Asset Management SGR S.p.A.	Turin	1	Wealth Management Sanpaolo IMI	100.00	100.00	XXX (D)
47 Sanpaolo Imi Bank (International) S.A.	Madeira	1	Sanpaolo IMI	69.01	69.01	XXX
			Sanpaolo IMI International	30.99	30.99	XXX
				100.00	100.00	
48 Sanpaolo IMI Bank Ireland Plc	Ireland	1	Sanpaolo IMI	100.00	100.00	XXX
49 Sanpaolo IMI Capital Company I LLC	United States	1	Sanpaolo IMI	100.00	100.00	XXX
50 Sanpaolo IMI Institutional Asset Management SGR S.p.A.	Monza	1	Sanpaolo IMI Asset Management SGR	55.00	55.00	XXX (E)
			Fideuram Capital	30.00	30.00	XXX
			Banca IMI	11.72	11.72	XXX
			IMI Bank (Lux)	3.28	3.28	XXX
				100.00	100.00	
51 Sanpaolo Imi International S.A.	Luxembourg	1	Sanpaolo IMI	100.00	100.00	XXX
52 Sanpaolo Imi Us Financial Co.	United States	1	Sanpaolo IMI	100.00	100.00	XXX
53 Sanpaolo Leasint S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
54 Sanpaolo Mur S.A.	France	1	Banque Sanpaolo	99.99	99.99	XXX
			Sanpaolo Bail	0.01	0.01	XXX
				100.00	100.00	
55 Sanpaolo Riscossioni Genova S.p.A.	Genoa	1	Sanpaolo IMI	100.00	100.00	XXX
56 Sanpaolo Riscossioni Prato S.p.A.	Prato	1	Sanpaolo Riscossioni Genova	63.76	63.76	XXX (F)
			Sanpaolo IMI	36.24	36.24	XXX
				100.00	100.00	
57 Sanpaolo Services Luxembourg S.A.	Luxembourg	1	Wealth Management Sanpaolo IMI	99.60	99.60	XXX (D)
			Sanpaolo Bank S.A.	0.40	0.40	XXX
				100.00	100.00	
58 SEP S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
59 SIM Banconapoli & Fumagalli Soldan S.p.A.	Milan	1	Banco di Napoli	80.00	80.00	XXX
60 Societé de Gestion du Fonds commun de Placement Fideuram Fund S.A.	Luxembourg	1	Banca Fideuram	99.20	99.20	XXX
			Fideuram Vita	0.80	0.80	XXX
				100.00	100.00	
61 Sogesmar S.A.	France	1	Financiere Wargny	51.50	51.50	XXX
			Wargny Gestion	48.19	48.19	XXX
				99.69	99.69	
62 SP Asset Management Luxembourg S.A.	Luxembourg	1	Sanpaolo Bank S.A.	99.99	99.99	XXX
			Sanpaolo Services Luxembourg	0.01	0.01	XXX
				100.00	100.00	
63 SP Immobiliere S.A.	Luxembourg	1	Sanpaolo Bank S.A.	99.99	99.99	XXX
			Sanpaolo Services Luxembourg	0.01	0.01	XXX
				100.00	100.00	



Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/million)
			Held by	%		
64 SP Private Banking S.A.	Switzerland	1	Sanpaolo Bank S.A.	99.98	99.98	XXX (C)
65 Tobuk Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
66 Tushingam Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
67 Wargny Associés S.A.	France	1	Banca Fideuram	52.78	52.78	XXX
			Wargny Management	42.24	42.24	XXX
				95.02	95.02	
68 Wargny Gestion S.A.	France	1	Financiere Wargny	99.93	99.93	XXX
69 Wargny Gestion S.A.M.	Montecarlo	1	Financiere Wargny	99.50	99.50	XXX
70 Wargny Management S.A.	France	1	Banca Fideuram	100.00	100.00	XXX
71 Wargny Mesactions S.A.	France	1	Financiere Wargny	99.99	99.99	XXX
72 Wargny Société de Bourse S.A.	France	1	Wargny Associés	98.85	98.85	XXX
			Banca Fideuram	0.02	0.02	XXX
				98.87	98.87	
73 Wealth Management Sanpaolo IMI S.p.A. (formerly Holding 21 S.p.A.)	Milan	1	Sanpaolo IMI	100.00	100.00	XXX (G)

#### A2 Proportional method

1 Finconsumo Banca S.p.A. (formerly Finconsumo S.p.A.)	Turin	7	Sanpaolo IMI	50.00	50.00	XXX (H)
2 FC Factor S.r.l.	Turin	7	Finconsumo Banca	100.00	100.00	XXX

## B. Investments carried at equity

### B1 Subsidiaries (\*\*)

1 Banca IMI (Nominees) Limited	United Kingdom	1	Banca IMI	100.00	100.00	-
2 BDN Commercial Paper USA Inc.	United States	1	Banco di Napoli	100.00	100.00	-
3 Bernabé Mobile Investments 2 S.A.	Belgium	1	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	69
4 Brokerban S.p.A.	Naples	1	Banco di Napoli	100.00	100.00	1
5 Cedar Street Securities Corp.	United States	1	Banca IMI Securities	100.00	100.00	-
6 Consorzio SE.TEL.SUD.	Naples	1	Datitalia Processing	66.67	66.67	-
7 Consorzio Studi e Ricerche Fiscali	Rome	1	Sanpaolo IMI	50.00	50.00	-
			Banca Fideuram	10.00	10.00	-
			Banca IMI	10.00	10.00	-
			Banca OPI	5.00	5.00	-
			Fideuram Vita	5.00	5.00	- (I)
			Banco di Napoli	5.00	5.00	-
			Sanpaolo Leasint	5.00	5.00	-
			NHS-Nuova Holding Sanpaolo IMI Sanpaolo IMI Asset Management SGR	5.00 5.00	5.00 5.00	- -
	100.00	100.00				
8 Fideuram Assicurazioni S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	12
9 Fideuram Vita S.p.A.	Rome	1	Banca Fideuram	99.75	100.00	307
10 Finance Gestion S.A.	France	1	Wargny Société de Bourse	50.02	50.02	-
			Wargny Associés	49.98	49.98	-
				100.00	100.00	
11 Finomatic S.A.R.L.	France	1	Wargny Associés	100.00	100.00	-
12 Gedit S.A.	Luxembourg	1	Sanpaolo IMI	90.00	90.00	-
			Prospettive 2001	10.00	10.00	- (I)
				100.00	100.00	

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/million)
			Held by	%		
13 Immobiliare 21 S.r.l. (formerly Uno Immobiliare in liq.)	Milan	1	Invesp	90.00	90.00	-
			RSP	10.00	10.00	- (I)
				100.00	100.00	
14 Independent Management for Institutionals Sicav	Luxembourg	1	IMI Bank (Lux)	50.00	50.00	-
			Independent Management for Institutional Adv.	50.00	50.00	-
				100.00	100.00	
15 Obiettivo Società di Gestione del Risparmio (SGR) S.p.A.	Milan	1	Banca IMI	100.00	100.00	3 (C)
16 Prospettive 2001 S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	13
17 RSP S.r.l. (formerly Stare S.r.l. in liq.)	Turin	1	Sanpaolo IMI	100.00	100.00	-
18 Sanpaolo IMI Capital Partners Ltd	Guernsey	1	NHS-Nuova Holding Sanpaolo IMI	99.00	99.00	-
			Sanpaolo IMI Management	1.00	1.00	- (I)
				100.00	100.00	
19 Sanpaolo IMI Management Ltd	United Kingdom	1	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	-
20 Sanpaolo IMI Private Equity S.p.A.	Turin	1	NHS-Nuova Holding Sanpaolo IMI	100.00	100.00	1
21 Sanpaolo Immobiliare S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	6 (J)
22 Sanpaolo Invest Ireland Limited	Ireland	1	Banca Sanpaolo Invest	100.00	100.00	-
23 Sanpaolo Leasint GMBH	Austria	1	Sanpaolo Leasint	100.00	100.00	-
24 Sanpaolo Life Ltd	Ireland	1	Sanpaolo Vita	75.00	100.00	- (I)
			Banca Sanpaolo Invest	25.00	0.00	3
				100.00	100.00	
25 Sanpaolo Vita S.p.A.	Milan	1	Wealth Management Sanpaolo IMI	100.00	100.00	151 (D)
26 Soci�t� Civile Les Jardins d'Arcadie	France	1	Banque Sanpaolo	55.00	55.00	-
27 Soci�t� Civile Parisienne de l'Av. Hoche	France	1	Banque Sanpaolo	100.00	100.00	2
28 Socavie	France	1	Banque Sanpaolo	99.80	99.80	7
			Soci�t� Fonciere d'Investissement	0.20	0.20	- (I)
				100.00	100.00	
29 Soci�t� Fonciere d'Investissement	France	1	Banque Sanpaolo	99.96	99.96	-
			Soci�t� Immobili�re d'Investissement	0.04	0.04	- (I)
				100.00	100.00	
30 Soci�t� Immobili�re d'Investissement	France	1	Banque Sanpaolo	99.98	99.98	-
			Soci�t� Fonciere d'Investissement	0.02	0.02	- (I)
				100.00	100.00	
31 Spei S.p.A.	Rome	1	Banca Opi	100.00	100.00	1 (K)
32 UNI Invest S.A.	France	1	Banque Sanpaolo	99.99	99.99	-
			Sanpaolo Bail	0.01	0.01	-
				100.00	100.00	
33 W.D.W. S.A.	France	1	Financiere Wargny	99.76	99.76	-
34 W.S. Invest S.A.	France	1	Wargny Associ�s	60.52	60.52	-
			Finance Gestion	39.00	39.00	- (I)
				99.52	99.52	
35 BN Finrete S.p.A. (in liq.)	Naples	1	Banco di Napoli	99.00	99.00	1 (L)
36 Consorzio SIARC (in liq.)	Naples	1	Datitalia Processing	60.00	60.00	-
37 Fidimi Consulting S.p.A. (in liq.)	Rome	1	Sanpaolo IMI	100.00	100.00	-
38 Imifin S.p.A. (in liq.)	Rome	1	Sanpaolo IMI	100.00	100.00	-

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/million)
			Held by	%		
39 IMI Bank A.G. (in liq.)	Germany	1	IMI Bank (Lux)	95.24	95.24	1 (L)
			Sanpaolo IMI International	4.76	4.76	-
				100.00	100.00	
40 Innovare S.r.l. (in liq.)	Naples	1	Banco di Napoli	90.00	90.00	1 (L)
41 Sanpaolo U.S. Holding Co. (in liq.)	United States	1	Sanpaolo IMI	100.00	100.00	4 (L)
Other minor investments						3 (M)
<b>Total investments in subsidiaries carried at equity</b>						<b>586</b>

*B2 Other*

42 Aeffe S.p.A.	Rimini	8	Ldv Holding	20.00	20.00	49 (N)
43 Banque Michel Inchauspe S.A. (BAMI)	France	8	Banque Sanpaolo	20.00	20.00	5
44 Beaujon Immobilière	France	7	Banque Sanpaolo	50.00	50.00	-
45 Cassa dei Risparmi di Forlì S.p.A.	Forlì	8	Sanpaolo IMI	15.00	15.00	30 (O)
46 Cassa di Risparmio di Firenze S.p.A.	Florence	8	Sanpaolo IMI	19.06	19.06	154
47 CBE Service	Belgium	8	Sanpaolo IMI	26.70	26.70	-
			Banco di Napoli	5.00	5.00	-
				31.70	31.70	
48 Comim S.p.A.	Milan	8	Ldv Holding	49.58	49.58	5 (P)
49 Conservateur Finance S.A.	France	8	Banque Sanpaolo	20.00	20.00	5
50 Consorzio Co.Me.Ta.	Naples	8	Datitalia Processing	20.00	20.00	-
51 Consorzio Dagitalia	Milan	8	Datitalia Processing	28.00	28.00	-
52 Consorzio Datapro	Naples	8	Datitalia Processing	27.00	27.00	-
53 CR Firenze Gestion Internationale S.A.	Luxembourg	8	Sanpaolo IMI	20.00	20.00	-
54 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	Sanpaolo Vita	50.00	50.00	- (I)
55 Esatri S.p.A.	Milan	8	Sanpaolo IMI	31.50	31.50	15
56 Eurosic S.A.	France	8	Banque Sanpaolo	32.77	32.77	10
57 Ferrim S.r.l.	Rimini	8	Ldv Holding	20.00	20.00	2 (P)
58 Finnat Investments S.p.A.	Rome	8	Invesp	20.00	20.00	- (A)
59 HDI Assicurazioni S.p.A. (formerly BNC Assicurazioni S.p.A.)	Rome	8	Sanpaolo IMI	28.32	28.32	37
60 Inter-Europa Bank RT	Hungary	8	Sanpaolo IMI	32.51	32.51	8
61 Logiasit S.A.	France	8	Banque Sanpaolo	36.89	36.89	-
62 San Marino Gestion S.A.	Luxembourg	8	Sanpaolo Bank	20.00	20.00	-
63 Sanpaolo IMI Private Equity Scheme B.V.	The Netherlands	8	Ldv Holding	32.50	32.50	25
64 Società Gestione per il Realizzo S.p.A.	Rome	8	Banco di Napoli	18.83	18.83	1
			Sanpaolo IMI	9.48	9.48	-
			Banca Fideuram	0.63	0.63	-
				28.94	28.94	
65 Société Civile Domaine de La Flambelle	France	8	Banque Sanpaolo	25.00	25.00	-
66 Société Civile du 41 Avenue Bouisson Bertrand	France	8	Banque Sanpaolo	25.00	25.00	-
67 Société Civile le Jardin de Nazareth	France	8	Banque Sanpaolo	20.00	20.00	-
68 Société Civile Le Maestro	France	8	Banque Sanpaolo	20.00	20.00	-
69 Société Civile les Jardins du Ponant	France	8	Banque Sanpaolo	25.00	25.00	-

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated Book values (€/million)	
			Held by	%			
70	Società Civile Res Club les Arcades	France	8	Banque Sanpaolo	25.00	25.00	-
71	Società Civile St. Gratien Village	France	8	Banque Sanpaolo	30.00	30.00	-
72	Stoà S.c.p.a.	Naples	8	Banco di Napoli	20.76	20.76	-
73	Aeroporto di Napoli S.p.A. (in liq.)	Naples	8	Banco di Napoli	20.00	20.00	-
74	Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	Sanpaolo IMI	32.49	32.49	-
				Banco di Napoli	0.35	0.35	-
					32.84	32.84	
75	Consorzio Marc (in liq.)	Naples	8	Datitalia Processing	45.00	45.00	-
76	Eurofondo S.C.p.A. (in liq.)	Rome	8	Sanpaolo IMI	25.00	25.00	-
77	Finexpance S.p.A. (in liq.)	Chiavari	8	Sanpaolo IMI	30.00	30.00	-
78	G.E.CAP. S.p.A. (in liq.)	Foggia	8	Banco di Napoli	37.25	37.25	-
79	Galère 28 (in liq.)	France	8	Banque Sanpaolo	23.44	23.44	-
80	Galileo Holding (in liq.)	Venice	8	Sanpaolo IMI	31.52	31.52	-
81	Italinfra Grandi Progetti S.p.A. (in liq.)	Naples	8	Banco di Napoli	30.00	30.00	-
82	Pubblileasing S.p.A. (in liq.)	Naples	8	Banco di Napoli	24.00	24.00	-
83	Sofimer S.p.A. (in liq.)	Naples	8	Banco di Napoli	20.00	20.00	-
84	Sviluppo di Nuove Iniziative S.p.A. (in liq.)	Genoa	7	Banco di Napoli	50.00	50.00	1 (L)
	Other equity investments						0 (M)
<b>Total other investments carried at equity</b>						<b>347</b>	
<b>Total investments carried at equity</b>						<b>933</b>	

(\*) Type of relationship:

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

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

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

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

(A) Transferred by the Parent Bank as part of the reorganization of non-strategic equity investments (or portions of them).

(B) The company entered the line-by-line consolidation at 30/6/2001 following the contribution of investments (or portions of them) by the Parent Bank.

(C) Newly constituted company.

(D) The company is no longer held directly by the Parent Bank following the reorganization of the Wealth Management sector.

(E) In the 2000 consolidated financial statements, the company was included among subsidiaries carried at equity.

(F) The company, which was formerly controlled directly by the Parent Bank, is now under the direct control of Sanpaolo Riscossioni Genova as a result of the current reorganization of the tax collection sector.

(G) This company has been consolidated line-by-line at 30/6/2001 thanks to its new role as sub-holding company for the Wealth Management.

(H) This company has received authorization from the Bank of Italy to carry on business as a bank from 1/10/2001.

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

(J) This company, which was consolidated line-by-line in the 2000 consolidated financial statements, is now carried at equity, as it was in the process of being disposed of at the end of the period. The company was then sold in July 2001.

(K) This company has been merged in Banca OPI in July 2001.

(L) The book value of the company reflects the estimated realizable 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, which was carried at cost in the 2000 consolidated financial statements, is now carried at equity, having reached the threshold of "significant influence".

(O) In July, a partial public offer for 8% of the ordinary and preference capital of Cassa dei Risparmi di Forlì was launched together with Cassa di Risparmio di Firenze, bringing the Parent Bank's interest to 21.02%.

(P) Equity investments acquired during the first half of 2001.

## SECTION 2 - OTHER EQUITY INVESTMENTS CARRIED AT COST

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

*Other equity investments*

Name	Registered offices	Ownership		Consolidated Book values (€/million)
		Held by	%	
1 AC.E.GA.S S.p.A.	Trieste	NHS-Nuova Holding Sanpaolo IMI	1.08	4 (A)
2 AEM Torino S.p.A.	Turin	NHS-Nuova Holding Sanpaolo IMI	1.47	14
3 AMPS S.p.A.	Parma	Ldv Holding	17.31	38
4 Azimut S.p.A.	Viareggio	Ldv Holding	7.53	27
		Sanpaolo IMI Private Equity S.p.A.	0.07	- (B)
			7.60	27
5 Banca Agricola Mantovana	Mantua	Sanpaolo IMI	8.49	206
6 Banca d'Italia	Rome	Banco di Napoli	6.33	130
		Sanpaolo IMI	2.00	55
			8.33	185
7 Banca Mediocredito S.p.A.	Turin	Invesp	1.11	3 (C)
8 Banca Popolare di Lodi S.c.r.l.	Lodi	NHS-Nuova Holding Sanpaolo IMI	1.30	19
		Ldv Holding	0.46	8
			1.76	27
9 Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.88	16
10 Banco Santander Central Hispano S.A.	Spain	Sanpaolo IMI International	1.85	912
		Sanpaolo IMI	1.15	458
			3.00	1,370
11 Banksiel S.p.A.	Milan	Sanpaolo IMI	7.00	3
12 Beni Stabili S.p.A.	Rome	Invesp	3.53	20 (C)
13 Biat S.A.	Tunisia	Sanpaolo IMI	5.61	8
14 Borsa Italiana S.p.A.	Milan	Banca IMI	7.00	3
		IMI Bank (Lux)	0.50	-
		SIM Banconapoli & Fumagalli Soldan	0.35	-
			7.85	3
15 Camuzzi Gazometri S.p.A.	Milan	NHS-Nuova Holding Sanpaolo IMI	2.79	21
16 Cardine Banca S.p.A.	Bologna	Sanpaolo IMI	10.81	516
		NHS-Nuova Holding Sanpaolo IMI	0.05	2
			10.86	518
17 Cartiere Fedrigoni & C. S.p.A.	Trento	NHS-Nuova Holding Sanpaolo IMI	10.10	14 (A)
18 Cedel International S.A.	Luxembourg	Banca IMI	1.32	3
		Banco di Napoli	0.33	-
			1.65	3
19 Convergenza S.C.A.	Luxembourg	NHS Luxembourg	10.00	10
20 Enel S.p.A.	Rome	NHS-Nuova Holding Sanpaolo IMI	0.04	19
21 Engineering Ingegneria Informatica S.p.A.	Rome	NHS-Nuova Holding Sanpaolo IMI	1.60	8
22 Eni S.p.A.	Rome	NHS-Nuova Holding Sanpaolo IMI	0.26	143 (A)
23 Euromedia Venture Belgique S.A.	Belgium	NHS-Nuova Holding Sanpaolo IMI	9.68	8
24 Euronext Paris S.A.	France	Wargny Société de Bourse	1.47	4

Name	Registered offices	Ownership		Consolidated Book values (€/million)
		Held by	%	
25 FIAT S.p.A.	Turin	NHS-Nuova Holding Sanpaolo IMI	1.48	220
26 Fincantieri - Cantieri Navali S.p.A.	Trieste	NHS-Nuova Holding Sanpaolo IMI	1.21	4
		Banco di Napoli	0.76	3
			1.97	7
27 Hutchinson 3G Italia S.p.A.	Milan	NHS Investments S.A.	5.00	21
		Bernabé Mobile Investments 2 S.A.	2.00	- (B)
			7.00	21
28 Istituto Enciclopedia Italiana S.p.A.	Rome	Banco di Napoli	10.00	3
29 Istituto per il Credito Sportivo	Rome	Banco di Napoli	10.81	19
30 Kiwi II Ventura Servicos de Consultoria S.A.	Madeira	NHS-Nuova Holding Sanpaolo IMI	1.00	4
31 Monte Titoli S.p.A.	Milan	Banca IMI	7.00	15
		Sanpaolo IMI	5.45	1
		Banco di Napoli	2.08	-
		SIM Banconapoli & Fumagalli Soldan	0.02	-
			14.55	16
32 Montedison S.p.A.	Milan	NHS-Nuova Holding Sanpaolo IMI	4.00	78 (D)
33 Olivetti S.p.A. (formerly Tecnost S.p.A.)	Ivrea	Invesp	0.36	60 (C)
		NHS-Nuova Holding Sanpaolo IMI	0.05	7
			0.41	67
34 Praxis Calcolo S.p.A.	Milan	Ldv Holding	12.50	8
		Sanpaolo IMI Private Equity S.p.A.	0.25	- (B)
			12.75	8
35 Sagat S.p.A.	Turin	NHS-Nuova Holding Sanpaolo IMI	12.40	18
36 Salvagnini BV	The Netherlands	Ldv Holding	9.43	6
37 Simest S.p.A.	Rome	Sanpaolo IMI	3.31	5
		Banco di Napoli	0.53	1
			3.84	6
38 SINLOC - Sistemi Iniziative Locali S.p.A.	Turin	Banca OPI	8.15	4
39 Spinner Global Technology Fund Ltd	Dutch Antilles	NHS-Nuova Holding Sanpaolo IMI	2.02	8
40 The Royal Bank of Scotland Plc	United Kingdom	Sanpaolo IMI International	0.20	90
41 Unionvita S.p.A.	Rome	Sanpaolo IMI Institutional Asset Management	15.00	5
42 Utet S.p.A.	Turin	Ldv Holding	17.90	19
43 Other minor investments				36
<b>Total other investments carried at cost</b>				<b>3,307</b>

(A) Equity investments acquired during the first half of 2001.

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

(C) Transferred by the Parent Bank as part of the reorganization of non-strategic equity investments (or portions of them).

(D) At the beginning of July, this company was sold to Italenergia, in which a 7.81% stake was also acquired.

# Attachments

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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

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STATEMENT OF CONSOLIDATED CASH FLOWS

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RECONCILIATION BETWEEN THE PARENT BANK'S HALF YEAR FINANCIAL STATEMENTS  
AND THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

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LIST OF EQUITY INVESTMENTS HIGHER THAN 10% IN UNLISTED COMPANIES  
AND IN LIMITED LIABILITY COMPANIES

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STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT  
OF INCOME FOR THE FIRST HALF OF 2000

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STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA BALANCE SHEET AT 30/6/2000

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STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT  
OF INCOME FOR THE FULL YEAR 2000

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# Statement of changes in consolidated shareholders' equity

## SHAREHOLDERS' EQUITY AS PER FINANCIAL STATEMENTS

	(€/million)					
	Capital	Reserves and retained earnings	Reserve for general banking risks	Goodwill arising on consolidation and on application of the equity method	Net income	Total
<b>Pro forma shareholders' equity as of 31 December 2000</b>	3,931	2,409	355	63	1,292	8,050
Allocation of 2000 net income						
- to reserves	-	418	-	87	-505	-
- to shareholders	-	-	-	-	-787	-787
Reclassifications between reserves	-	15	-	-15	-	-
Change in the reserve for general banking risks	-	-	-4	-	-	-4
Exercise of stock options	1	4	-	-	-	5
Differences arising on the translation of foreign currency financial statements and other adjustments	-	6	-1	-	-	5
Net income	-	-	-	-	688	688
<b>Shareholders' equity as of 30 June 2001</b>	3,932	2,852	350	135	688	7,957

## SHAREHOLDERS' EQUITY AS PER RECLASSIFIED FINANCIAL STATEMENTS

	(€/million)		
	Capital and reserves	Net income	Total
Shareholders' equity as of 31 December 2000	6,758	1,292	8,050
Own shares in the Parent Bank's portfolio as of 31/12/2000	-697	-	-697
<b>Shareholders' equity as per reclassified financial statements as of 31/12/2000</b>	6,061	1,292	7,353
Changes in the Parent Bank's own shares during the first half of the year			
- purchases	-78	-	-78
- sales (*)	486	-	486
Changes in the shareholders' equity as per financial statements	511	-1,292	-781
Net income	-	688	688
<b>Shareholders' equity as per reclassified balance sheet as of 30 June 2001</b>	6,980	688	7,668

(\*) Reductions are expressed at cost.

## STATEMENT OF CONSOLIDATED CASH FLOWS

(€/million)

## APPLICATION OF FUNDS

Use of funds generated by operations	1,309
Dividends paid	787
Use of reserve for termination indemnities	38
Use of provisions for risks and charges	475
Use of reserve for possible loan losses	5
Use of reserve for general banking risks	4

Increase in funds applied	5,237
Equity investments	681
Dealing securities	3,473
Differences arising on consolidation and on application of the equity method	130
Tangible fixed assets	75
Intangible fixed assets	105
Other assets	773

Decrease in funds taken	472
Other liability items	472

<b>Total</b>	<b>7,018</b>
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(€/million)

**SOURCES OF FUNDS**

<b>Funds generated by operations</b>	<b>1,239</b>
Net income	688
Provision for termination indemnities	53
Net adjustments to loans and provisions for guarantees and commitments	132
Provisions for risks and charges	101
Provision to the reserve for possible loan losses	4
Adjustments to tangible fixed assets	100
Adjustments to intangible fixed assets	87
Adjustments to financial fixed assets	14
Adjustments to goodwill arising on consolidation and on application of the equity method	55
Exchange differences on translating the net equity of consolidated companies and other adjustments	5
<b>Increase in funds taken</b>	<b>2,463</b>
Minority interests	22
Due to banks	1,436
Due to customers and securities issued	980
Subordinated liabilities	20
Exercise of stock options	5
<b>Decrease in funds applied</b>	<b>3,316</b>
Cash and deposits with central banks	231
Due from banks	402
Loans to customers	194
Investment securities	2,056
Own shares	433
<b>Total</b>	<b>7,018</b>

## RECONCILIATION BETWEEN THE PARENT BANK'S HALF YEAR FINANCIAL STATEMENTS AND THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

	(€/million)				
	Net income	Capital and reserves	Shareholders' equity	Reserve for possible loan losses	Total
<b>FINANCIAL STATEMENTS OF THE PARENT BANK</b>	<b>558</b>	<b>6,917</b>	<b>7,475</b>	<b>-</b>	<b>7,475</b>
Balance of subsidiary companies consolidated line-by-line	764	8,373	9,137	49	9,186
Consolidation adjustments:					
- book value of consolidated investments line-by-line	-	-6,523	-6,523	-	-6,523
- dividends of consolidated companies	-586	409	-177	-	-177
- amortization of goodwill arising on consolidation	-55	-177	-232	-	-232
- elimination of goodwill arising on consolidation	-	-1,263	-1,263	-	-1,263
- elimination of gains on sale of investments	-6	-	-6	-	-6
- valuation of investments at net equity	47	135	182	-	182
- writedowns of investments	10	-	10	-	10
- minority interests	-58	-679	-737	-	-737
- other	14	77	91	-15	76
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>688</b>	<b>7,269</b>	<b>7,957</b>	<b>34</b>	<b>7,991</b>

**LIST AS OF 30 JUNE 2001 OF EQUITY INVESTMENTS HIGHER THAN 10 % IN UNLISTED COMPANIES AND IN LIMITED LIABILITY COMPANIES REPRESENTED BY SHARES WITH VOTING RIGHTS (CONSOB RESOLUTION 11715 OF 24 NOVEMBER 1998) (1)**

Name	Held by	%
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
BN Commercio e Finanza S.p.A.	Isveimer (in liq.)	100.00
BN Finproget S.p.A.	BN Commercio e Finanza	100.00
Brummel International Ltd	Wobco Holding	100.00
Calitri Denim Industries S.p.A.	Isveimer (in liq.)	14.29
Celeasing S.r.l.	Sanpaolo IMI	100.00
Centrale dei Bilanci S.r.l.	Sanpaolo IMI	7.22
	Banco di Napoli	3.33
		10.55
Centro Agroalimentare di Napoli Scpa	Banco di Napoli	15.67
Chateau Bolides	Immobiliare 21	49.00
Cifrali 8 (in liq.)	Banque Sanpaolo	18.30
Cifrali 9	Banque Sanpaolo	14.09
Cive S.p.A.	Sanpaolo IMI	69.97
Dulevo S.p.A. (bankrupt)	Sanpaolo IMI	16.30
Elvetia Edile S.r.l.	Sanpaolo IMI	100.00
Fata Group S.r.l.	NHS - Nuova Holding Sanpaolo IMI	13.17
Feic S.p.A.	Sanpaolo IMI	17.24
Fides S.p.A. (bankrupt)	Isveimer (in liq.)	20.00
Filos S.p.A.	LDV Holding	12.47
Findirama (in liq.)	Sofir's	66.82
Finlombarda Leasing S.p.A. (in liq.)	Sanpaolo IMI	14.00
Fonti di Gaverina	Sanpaolo IMI	51.04
Giacinto (in liq.)	Sofir's	100.00
Guinness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50
Hermes S.p.A. (in liq.)	NHS - Nuova Holding Sanpaolo IMI	15.00
IAM Piaggio S.p.A.	Sanpaolo IMI	10.00
	Banca Fideuram	3.86
		13.86
Ibos Ltd	Sanpaolo IMI	12.50
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	57.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Integrated Shipping Company S.p.A.	Sanpaolo IMI	100.00
Isveimer S.p.A. (in liq.)	Banco di Napoli	65.23
Italpower S.p.A.	NHS - Nuova Holding Sanpaolo IMI	15.00
Ittica Ugento S.p.A.	Sanpaolo IMI	26.96
Kish Receivables	Tobuk	19.70

Name	Held by	%
Kyle Receivables	Tushingam	11.11
La Stampa Interattiva S.p.A.	NHS - Nuova Holding Sanpaolo IMI	19.03
Leasarte	Sofir's	100.00
Lillo	Sanpaolo IMI	50.00
Loseri S.p.A.	Sanpaolo IMI	18.40
New Grange Financial Services	Bonec	14.79
Nuova Valvotecnic S.A.	Sanpaolo IMI International	16.67
Pantecna S.p.A. (bankrupt)	Sanpaolo IMI	15.50
Receivables Servicing Company	Lackenstar	15.76
S.A. Imm. De Construction de Monteclin (in liq.)	Banque Sanpaolo	11.30
Sago S.p.A. (2)	Sanpaolo IMI	26.67
Sazic	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00 100.00
SCI Balcons Sainte Marie	Banque Sanpaolo	18.00
SCI Boissy Griselle 7	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00 100.00
SCI Boissy RER 5	Société Fonciere d'Investissement	90.00
SCI Boissy RER 8	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00 100.00
SCI Boissy Saint Leger 94	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00 100.00
SCI La Source de Saint Hilarie (in liq.)	Société Immobiliere d'Investissement	98.00
SCI Le Chevalier	Société Immobiliere d'Investissement Société Fonciere d'Investissement	99.00 1.00 100.00
SCI Le Clos de Noyer (in liq.)	Banque Sanpaolo	15.00
SCI Les Jardin de Farnese (in liq.)	Uni Invest	11.11
Sci Plein Ciel	Banque Sanpaolo	12.00
SCI Rognac Nord	Société Fonciere d'Investissement	50.00
Serit S.p.A. (in liq.)	Banco di Napoli	18.64
Società Nazionale Finanziaria	Sofir's	15.25
SSB - Società per i Servizi Bancari S.p.A.	Sanpaolo IMI Banco di Napoli Banca Fideuram	7.24 7.01 0.02 14.27
Sofimer S.p.A. (in liq.)	Isveimer (in liq.)	20.00
Sofir's	RSP (formerly Stare)	100.00
Sogepi et Cie Le Fournas	Banque Sanpaolo	12.50
Sviluppo Finanza Mobiliare S.p.A.	Banco di Napoli	10.87
Tecnoalimenti S.p.A. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.32

Name	Held by	%
Tecnocittà S.r.l.	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50
Tecnogen S.p.A. (2)	Sanpaolo IMI	29.96
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00
Torsyl S.A. (in liq.)	Sanpaolo IMI International	15.79
Uno Broker S.r.l. (in liq.)	Sofir's	100.00
Wobco Holding	Gedit	100.00
Zwalen & Mayr S.A.	Sanpaolo IMI International	12.96

(1) This excludes equity investments already listed in Part E - Section 1 of the consolidated explanatory notes.

(2) Equity investments originating from transactions as per Law 1089 of 25 October 1968 (Applied Research Fund).

## STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT OF INCOME FOR THE FIRST HALF OF 2000

(€/million)

	SANPAOLO IMI Group	Banco di Napoli S.p.A.	Wargny group	Effect of consolidating the companies belonging to the Banco di Napoli group and of the adjustments to shareholders' equity (D)	Pro forma adjustments	SANPAOLO IMI Group (pro forma)
	(A)	(B)	(C)	(D)	(E)	(F)=(A+B+C+D+E)
<b>NET INTEREST INCOME</b>	<b>1,062</b>	<b>391</b>	<b>-</b>	<b>-4</b>	<b>-53</b>	<b>1,396</b>
Net commission and other dealing revenues	1,248	127	27	36	-	1,438
Profits/(losses) on financial transactions and dividends	133	24	4	4	-	165
Profits of companies carried at equity and dividends on equity interests	74	-	-	2	-	76
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>2,517</b>	<b>542</b>	<b>31</b>	<b>38</b>	<b>-53</b>	<b>3,075</b>
Administrative costs	-1,279	-439	-20	-14	-	-1,752
- <i>personnel</i>	-778	-299	-10	-7	-	-1,094
- <i>other administrative costs</i>	-416	-122	-10	-7	-	-555
- <i>indirect taxes and similar dues</i>	-85	-18	-	-	-	-103
Other operating income	88	52	-1	-19	-	120
Adjustments to tangible and intangible fixed assets	-96	-28	-1	-2	-	-127
<b>OPERATING INCOME</b>	<b>1,230</b>	<b>127</b>	<b>9</b>	<b>3</b>	<b>-53</b>	<b>1,316</b>
Adjustments to goodwill, merger and consolidation differences	-40	-	-4	-	-42	-86
Provisions and net adjustments to loans and financial fixed assets	-214	-91	1	33	-	-271
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>976</b>	<b>36</b>	<b>6</b>	<b>36</b>	<b>-95</b>	<b>959</b>
Net extraordinary income	304	-5	-	11	-	310
<b>INCOME BEFORE TAXES</b>	<b>1,280</b>	<b>31</b>	<b>6</b>	<b>47</b>	<b>-95</b>	<b>1,269</b>
Income taxes	-488	-1	-3	-19	22	-489
Change in reserve for general banking risks	3	44	-	-44	-	3
(Income)/Loss attributable to minority interests	-49	-	-1	-4	-	-54
<b>PRO FORMA NET INCOME ATTRIBUTABLE TO THE GROUP</b>	<b>746</b>	<b>74</b>	<b>2</b>	<b>-20</b>	<b>-73</b>	<b>729</b>



## STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA BALANCE SHEET AT 30/6/2000

	(€/million)					
	SANPAOLO IMI Group	Banco di Napoli S.p.A.	Wargny group	Effect of consolidating the companies belonging to the Banco di Napoli group and of the adjustments to shareholders' equity (D)	Pro forma adjustments	Consolidated pro forma balance sheet of the SANPAOLO IMI Group
	(A)	(B)	(C)	(D)	(E)	(F)=(A+B+C+D+E)
<b>ASSETS</b>						
Cash and deposits with central banks and post offices	449	168	-	-	-	617
Loans	97,715	23,325	132	75	-	121,247
- due from banks	21,732	3,924	132	64	-	25,852
- loans to customers	75,983	19,401	-	11	-	95,395
Dealing securities	18,909	1,982	22	16	-	20,929
Fixed assets	6,624	6,358	9	-9	-818	12,164
- investment securities	1,694	5,426	-	-	-	7,120
- equity investments	3,564	195	3	-27	-818 (3)	2,917
- intangible fixed assets	258	62	2	13	-	335
- tangible fixed assets	1,108	675	4	5	-	1,792
Differences arising on consolidation and on application of the equity method	93	-	74	-	774	941
Other assets	16,916	5,019	55	13	-	22,003
<b>Total assets</b>	<b>140,706</b>	<b>36,852</b>	<b>292</b>	<b>95</b>	<b>-44</b>	<b>177,901</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Payables	108,996	29,174	4	76	-	138,250
- due to banks	30,777	4,318	4	16	-	35,115
- due to customers and securities issued	78,219	24,856	-	60	-	103,135
Provisions	2,012	2,025	3	17	-22	4,035
- for taxation	976	38	-	7	-22	999
- for employees termination indemnities	447	287	-	6	-	740
- for risks and charges	545	554	3	3	-	1,105
- for pensions and similar obligations	44	1,146	-	1	-	1,191
Other liability items	18,738	3,647	276	295	888	23,844
Subordinated liabilities	2,207	340	-	-	1,213	3,760
Minority interests	588	-	7	135 (1)	-	730
Shareholders' equity	8,165	1,666	2	-428	-2,123	7,282
- capital	3,930	1,029	-	-	-1,029 (4)	3,930
- equity reserves	3,489	563	-	-408 (2)	-1,021 (4)	2,623
- net income for the period	746	74	2	-20	-73	729
<b>Total liabilities and shareholders' equity</b>	<b>140,706</b>	<b>36,852</b>	<b>292</b>	<b>95</b>	<b>-44</b>	<b>177,901</b>

(1) It represents the minority interests in the portion held by SANPAOLO IMI.

(2) It includes 367 million Euro of adjustments to the Banco di Napoli's shareholders' equity attributable essentially to the adoption of SANPAOLO IMI Group accounting principles and to the reorganization expenses envisaged in the business plan to integrate Banco di Napoli into the SANPAOLO IMI Group.

(3) It represents the elimination of the book value of INA's shares held by SANPAOLO IMI upon the non proportional spin-off of insurance company, entailing for the Bank the acquisition of a 28.6% interest in the capital of the Banco di Napoli group.

(4) Changes mainly represent the entries to consolidate Banco di Napoli in the SANPAOLO IMI Group. More specifically, they reflect the elimination of the book value of the shareholding in the Banco, net of the portion shown in assets under "Differences arising on consolidation and on application of the equity method".

## STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT OF INCOME FOR THE FULL YEAR 2000

(€/million)

	SANPAOLO IMI Group full year 2000 restated (1)	Banco di Napoli S.p.A. full year 2000	Wargny group	Effect of consolidating the companies belonging to the Banco di Napoli group and of the adjustments to shareholders' equity (D)	Pro forma adjustments	SANPAOLO IMI Group full year 2000 pro forma
	(A)	(B)	(C)	(D)	(E)	(F)=(A+B+C+D+E)
<b>NET INTEREST INCOME</b>	<b>2,168</b>	<b>788</b>	<b>-</b>	<b>3</b>	<b>-85</b>	<b>2,874</b>
Net commission and other dealing revenues	2,469	312	48	23	-	2,852
Profits/(losses) on financial transactions and dividends	255	31	5	5	-	296
Profits of companies carried at equity and dividends on equity interests	159	8	-	-3	-17	147
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>5,051</b>	<b>1,139</b>	<b>53</b>	<b>28</b>	<b>-102</b>	<b>6,169</b>
Administrative costs	-2,652	-854	-44	-22	-	-3,572
- <i>personnel</i>	-1,620	-594	-22	-20	-	-2,256
- <i>other administrative costs</i>	-859	-226	-22	-2	-	-1,109
- <i>indirect taxes and similar dues</i>	-173	-34	-	-	-	-207
Other operating income	187	56	-	4	-	247
Adjustments to tangible and intangible fixed assets	-237	-90	-1	-2	-	-330
<b>OPERATING INCOME</b>	<b>2,349</b>	<b>251</b>	<b>8</b>	<b>8</b>	<b>-102</b>	<b>2,514</b>
Adjustments to goodwill, merger and consolidation differences	-89	-	-8	-1	-78	-176
Provisions and net adjustments to loans and financial fixed assets	-454	-373	1	187	-	-639
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,806</b>	<b>-122</b>	<b>1</b>	<b>194</b>	<b>-180</b>	<b>1,699</b>
Net extraordinary income	369	-398	1	430	-	402
<b>INCOME BEFORE TAXES</b>	<b>2,175</b>	<b>-520</b>	<b>2</b>	<b>624</b>	<b>-180</b>	<b>2,101</b>
Income taxes	-795	245	-2	-255	37	-770
Change in reserve for general banking risks	2	367	-	-367	-	2
(Income)/Loss attributable to minority interests	-90	-	-2	-10	-	-102
<b>PRO FORMA NET INCOME ATTRIBUTABLE TO THE GROUP</b>	<b>1,292</b>	<b>92</b>	<b>-2</b>	<b>-8</b>	<b>-143</b>	<b>1,231</b>

(1) For simplicity's sake, the statement of reclassified consolidated pro forma statement of income for 2000 has been made starting from the consolidated statement of income of SANPAOLO IMI for 2000 in the so-called "restated" version. As explained in the notes to the consolidated financial statements for the full year 2000, the "restated" version includes the Banco di Napoli group consolidated at equity, so the investment was only reflected in the caption "profits of companies valued at equity" (17 million Euro, eliminated as part of the pro forma adjustments in column "E").





# PARENT BANK'S HALF YEAR REPORT

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**EXPLANATORY NOTES**

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**FINANCIAL STATEMENTS**

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**ATTACHMENTS**

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# Explanatory notes

## Introduction

With a view to rationalizing the obligatory aspects of preparing the half year report, the Bank has chosen not to publish explanatory notes to the financial statements of the Parent Bank, as allowed by Consob in art. 81 of Resolution 11971 of 14/5/99 (as amended by Consob Resolution 12475 of 6/4/2000). In fact, the Bank believes that the information published on the Group's performance in the first half of 2001, made up of a Report on operations and consolidated financial statements, is perfectly adequate to ensure in-depth analysis of the financial and economic situation of the SANPAOLO IMI Group, both as a whole and by business sector.

The half year report of the Parent Bank is therefore limited to the following documents:

- Statutory statement of income and balance sheet, reclassified for management purposes and prepared on a consistent basis with respect to the Group's annual reports.
- Financial statements of the Parent Bank (Balance sheet and Statement of income prepared in accordance with the compulsory format required by the Bank of Italy);
- Attachments to the financial statements:
  - Intercompany balances between the Parent Bank, subsidiaries and companies subject to significant influence
  - Statement of changes in the Parent Bank's shareholders' equity

The Bank's financial statements for the first half of 2001 have been prepared pursuant to Decree 87 of 27 January 1992, which implemented EEC Directive 86/635. They also take account of the requirements contained in the Bank of Italy instructions dated 30 July 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The financial statements as of 30 June 2001, have been prepared using the accounting policies adopted in relation to the financial statements as of 31 December 2000.

Pursuant to art. 16, para. 3 of Legislative Decree 213/98, effective from 31 December 1999 the Bank has opted for the Euro as its reporting currency, for the preparation of all compulsory accounting documents for publication. Therefore, the financial statements is prepared in Euro.

## Changes in accounting principles

At the board meeting held on 10 April 2001, the Board of Directors of the Bank approved the adoption of a new method of accounting for dividends received from subsidiaries, which under certain circumstances entails booking them in the year that the profit accrues. On application of this new treatment for the first time, the 2001 statement of income will include two amounts of dividends from subsidiaries: (i) dividends paid out of 2000 net income and received in 2001 (to be shown under extraordinary income); and (ii) dividends paid out of 2001 net income of subsidiaries whose Boards of Directors will have approved the proposed allocation of net income prior to the board meeting of the Parent Bank to approve the financial statements (to be recorded under dividends).

The new accounting treatment will be adopted in the 2001 annual financial statements, given that it was not considered important in terms of disclosure to adopt it in the half year report. However, for the sake of maximum transparency and consistency with the 2001 financial statements, the amount of dividends cashed during the first half of 2001, which will be reclassified to extraordinary income for the full year, is indicated at the bottom of the reclassified half year statement of income and balance sheet.

### **Pro forma balance sheet and statement of income**

The reclassified balance sheet and statement of income as of 30 June 2001 of the Bank are compared with those as of 30 June 2000. For ease of comparison between the results for the two periods, the Bank has prepared reclassified "pro forma" situations for the first half of 2000, which are unaudited; they take into consideration the transfer of the public works and infrastructure business to Banca OPI on 1 July 2000, as well as the financial impact on the consolidated financial statements of assuming that the acquisition of Banco di Napoli took effect from 1 January 2000. The effects on net income have been offset by an adjustment.

### **Audit of the half year report**

The half year consolidated and statutory report of SANPAOLO IMI are subject to a limited audit (in accordance with Consob Recommendations 97001574 of 20 February 1997 and 10867 of 31 July 1997) by PricewaterhouseCoopers S.p.A., as resolved during the Shareholders' meeting dated 28 April 2000, which appointed them as auditors for the three-year period 2001/2003.



# Financial statements

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RECLASSIFIED BALANCE SHEET

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RECLASSIFIED STATEMENT OF INCOME

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BALANCE SHEET

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STATEMENT OF INCOME

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## Reclassified balance sheet

	30/6/01 (€/million)	30/6/00 (€/million)	30/6/00 pro forma (€/million)	31/12/00 (€/million)	Changes 30/6/01-30/6/00 pro forma (%)
<b>ASSETS</b>					
Cash and deposits with central banks and post offices	311	338	338	443	-8.0
Loans	73,184	90,536	78,865	75,771	-7.2
- due from banks	13,716	20,666	20,666	14,011	-33.6
- due to customers	59,468	69,870	58,199	61,760	+2.2
Dealing securities	6,140	5,757	5,446	5,457	+12.7
Fixed assets	9,818	6,973	9,081	9,236	+8.1
- investment securities	552	722	722	629	-23.5
- equity investments	8,230	5,210	7,318	7,549	+12.5
- intangible fixed assets	166	155	155	177	+7.1
- tangible fixed assets	870	886	886	881	-1.8
Other assets	7,839	9,424	9,060	8,629	-13.5
<b>Total assets</b>	<b>97,292</b>	<b>113,028</b>	<b>102,790</b>	<b>99,536</b>	<b>-5.3</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Payables	76,072	90,741	78,687	75,969	-3.3
- due to banks	22,833	31,230	24,426	21,706	-6.5
- customer deposits and securities issued	53,239	59,511	54,261	54,263	-1.9
Provisions	1,642	1,695	1,650	1,870	-0.5
- for taxation	678	830	787	948	-13.9
- for employee termination indemnities	421	409	407	408	+3.4
- for risks and charges	501	412	412	471	+21.6
- for pensions and similar obligations	42	44	44	43	-4.5
Other liability items	7,839	11,348	11,148	10,114	-29.7
Subordinated liabilities	4,553	1,989	4,050	4,581	+12.4
Shareholders' equity	7,186	7,255	7,255	7,002	-1.0
- Capital (*)	3,932	3,930	3,930	3,931	+0.1
- reserves (**)	2,696	2,517	2,517	1,873	+7.1
- net income for the year	558	808	808	1,198	-30.9
<b>Total liabilities and shareholders' equity</b>	<b>97,292</b>	<b>113,028</b>	<b>102,790</b>	<b>99,536</b>	<b>-5.3</b>
<b>GUARANTEES AND COMMITMENTS</b>					
Guarantees given	23,713	16,838	16,838	21,219	+40.8
Commitments	14,344	14,214	14,214	13,005	+0.9

(\*) The change in capital, of 2 million Euro, is attributable to the exercise of options within the stock option plan 1999/2001.

(\*\*) Amount shown net of own shares in portfolio as of 30 June 2001 of 16,712,003 shares worth 289 million Euro (697 million Euro at the end of 2000). The other changes are due to the allocation to reserves of 2000 net income (+411 million Euro) and the exercise of stock options (+4 million Euro).

## Reclassified statement of income

	First half year 2001 (€/million)	First half year 2000 (€/million)	First half year 2000 pro forma (€/million)	Changes in the first half of 2001 / first half 2000 pro forma (%)
<b>NET INTEREST INCOME</b>	<b>801</b>	<b>897</b>	<b>791</b>	<b>+1.3</b>
Net commission and other dealing revenues	638	797	796	-19.8
Profits/(losses) on financial transactions and dividends	47	25	25	+88.0
Dividends on equity investments (*)	494	441	441	+12.0
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>1,980</b>	<b>2,160</b>	<b>2,053</b>	<b>-3.6</b>
Administrative costs	-974	-968	-963	+1.1
- <i>personnel costs</i>	-632	-624	-621	+1.8
- <i>other administrative costs</i>	-276	-274	-272	+1.5
- <i>indirect duties and taxes</i>	-66	-70	-70	-5.7
Other operating income	76	84	84	-9.5
Adjustments to fixed assets	-75	-59	-59	+27.1
<b>OPERATING INCOME</b>	<b>1,007</b>	<b>1,217</b>	<b>1,115</b>	<b>-9.7</b>
Adjustments to goodwill and merger differences	-14	-14	-14	-
Provisions for risks & charges	-59	-123	-123	-52.0
Adjustments to loans and provisions for guarantees and commitments	-66	-54	-54	+22.2
Adjustments to financial fixed assets	-6	-6	-6	-
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>862</b>	<b>1,020</b>	<b>918</b>	<b>-6.1</b>
Net extraordinary income	38	338	338	-88.8
<b>INCOME BEFORE TAXES</b>	<b>900</b>	<b>1,358</b>	<b>1,256</b>	<b>-28.3</b>
Income taxes	-342	-550	-507	-32.5
<b>PRO FORMA NET INCOME</b>	<b>558</b>		<b>749</b>	<b>-25.5</b>
Adjustment to net income			59	
<b>NET INCOME</b>	<b>558</b>	<b>808</b>	<b>808</b>	<b>-30.9</b>

(\*) In application of the new accounting treatment of dividends from subsidiaries, booking them to the period when the income accrues, the dividends received from such companies as of 30 June 2001, for total of 427 million Euro, will be reclassified at the end of 2001 to extraordinary income.

# Balance sheet

(in Euro)

ASSETS	30/6/01	31/12/00	30/6/00
10. Cash and deposits with central banks and post offices	310,527,561	442,495,988	338,390,229
20. Treasury bills and similar bills eligible for refinancing with central banks	1,276,479,022	788,672,699	1,251,520,164
30. Due from banks:	13,715,773,846	14,011,333,447	20,665,620,991
a) repayable on demand	865,439,616	577,796,973	8,767,409,751
b) other deposits	12,850,334,230	13,433,536,474	11,898,211,240
40. Loans to customers	59,467,803,514	61,759,856,289	69,870,145,078
of which:			
- loans using public funds	63,759,838	37,872,695	42,201,956
50. Bonds and other debt securities	5,414,852,097	5,285,551,932	5,226,423,052
a) public entities	2,524,695,018	2,477,082,377	2,501,198,714
b) banks	2,086,584,540	2,007,175,171	1,903,307,163
of which:			
- own bonds	275,006,050	430,337,610	434,556,709
c) financial institutions	142,971,696	145,057,000	161,248,136
of which:			
- own bonds	-	-	-
d) other issuers	660,600,843	656,237,384	660,669,039
60. Shares, quotas and other equities	1,406,430	11,118,991	1,106,520
70. Equity investments	1,704,199,053	1,214,306,342	2,187,880,154
80. Investments in Group companies	6,526,060,903	6,335,401,554	3,022,536,820
90. Intangible fixed assets	166,177,817	177,303,857	154,612,446
of which:			
- start-up costs	-	-	-
- goodwill	-	-	-
100. Tangible fixed assets	869,942,742	880,650,514	886,311,775
120. Own shares	288,940,793	697,321,064	46,906,108
130. Other assets	6,470,808,695	6,837,506,399	6,736,454,178
140. Accrued income and prepaid expenses	1,367,991,601	1,791,439,436	2,686,726,967
a) accrued income	1,231,072,759	1,721,744,067	2,522,441,392
b) prepaid expenses	136,918,842	69,695,369	164,285,575
of which:			
- discounts on bond issues	6,798,862	7,374,924	3,731,651
<b>Total assets</b>	<b>97,580,964,074</b>	<b>100,232,958,512</b>	<b>113,074,634,482</b>

(in Euro)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	30/6/01	31/12/00	30/6/00
10. Due to banks	22,833,100,749	21,705,486,596	31,230,403,132
a) repayable on demand	2,670,599,722	2,112,952,543	6,965,352,720
b) time deposits or with notice period	20,162,501,027	19,592,534,053	24,265,050,412
20. Due to customers	38,296,420,661	37,608,980,630	35,697,041,598
a) repayable on demand	26,084,040,215	26,274,055,703	27,349,851,944
b) time deposits or with notice period	12,212,380,446	11,334,924,927	8,347,189,654
30. Securities issued	14,829,182,763	16,596,884,648	23,732,121,224
a) bonds	12,058,488,385	12,413,740,279	18,013,958,310
b) certificates of deposit	2,367,677,266	3,679,072,349	5,342,201,987
c) other	403,017,112	504,072,020	375,960,927
40. Public funds administered	64,629,167	39,320,020	43,628,474
50. Other liabilities	6,624,542,331	8,068,600,744	8,418,944,897
60. Accrued expense and deferred income	1,263,092,370	2,062,742,749	2,965,258,365
a) accrued expense	1,061,457,489	1,848,787,456	2,780,861,089
b) deferred income	201,634,881	213,955,293	184,397,276
70. Provision for termination indemnities	421,185,190	407,683,583	409,395,465
80. Provisions for risks and charges	1,220,777,831	1,462,765,715	1,286,677,574
a) pensions and similar commitments	41,831,759	43,338,262	44,374,680
b) taxation	677,949,748	947,975,345	830,343,395
c) other	500,996,324	471,452,108	411,959,499
100. Reserve for general banking risks	335,696,984	335,696,984	335,696,984
110. Subordinated liabilities	4,553,037,037	4,580,712,498	1,989,310,229
120. Capital	3,932,435,119	3,931,250,954	3,929,629,754
130. Share premium reserve	21,650,169	17,591,867	12,035,783
140. Reserves	2,627,098,772	2,216,629,435	2,216,584,171
a) legal reserve	792,561,421	792,561,421	792,561,421
b) reserve for own shares	288,940,792	697,321,064	46,906,108
c) statutory reserves	-	-	-
d) other reserves	1,545,596,559	726,746,950	1,377,116,642
160. Retained earnings	-	-	-
170. Net income for the period for allocation		1,198,612,089	
180. Net income for the period	558,114,931		807,906,832
<b>Total liabilities and shareholders' equity</b>	<b>97,580,964,074</b>	<b>100,232,958,512</b>	<b>113,074,634,482</b>

<b>GUARANTEES AND COMMITMENTS</b>	30/6/01	31/12/00	30/6/00
10. Guarantees given	23,713,145,561	21,219,009,169	16,838,058,524
<i>of which:</i>			
- acceptances	136,603,478	153,174,321	135,807,929
- other guarantees	23,576,542,083	21,065,834,848	16,702,250,595
20. Commitments	14,344,158,654	13,005,317,113	14,214,462,643
<i>of which:</i>			
- for sales with obligation to repurchase	-	-	-

# Statement of income

(in Euro)

	First half 2001	2000	First half 2000
10. Interest income & similar revenues	2,451,820,415	5,232,693,996	2,648,942,892
<i>of which:</i>			
– loans to customers	1,931,868,520	4,076,343,587	2,106,922,261
– debt securities	166,992,305	375,658,729	182,093,370
20. Interest expense & similar charges	-1,654,843,588	-3,476,887,951	-1,755,909,297
<i>of which:</i>			
– deposits from customers	-584,467,954	-889,154,886	-368,295,810
– debt securities	-481,490,826	-1,313,473,240	-768,558,584
30. Dividends and other revenues	501,007,907	746,306,729	450,477,337
a) from shares, quotas and other equities	360,769	384,184	324,582
b) from equity investments	73,226,016	108,596,278	101,118,633
c) on investments in Group companies	427,421,122	637,326,267	349,034,122
40. Commission income	673,877,781	1,643,579,509	838,530,039
50. Commission expense	-35,744,436	-93,614,072	-41,185,686
60. Profits (losses) on financial transactions	47,316,572	85,600,439	24,279,463
70. Other operating income	79,818,994	172,212,773	85,908,420
80. Administrative costs	-974,269,813	-1,987,521,242	-967,570,095
a) personnel	-632,165,566	-1,280,598,310	-623,869,341
<i>of which:</i>			
– wages and salaries	-451,501,463	-917,545,159	-446,338,968
– social security charges	-148,279,543	-295,522,325	-144,915,878
– termination indemnities	-32,384,560	-67,530,826	-32,614,495
b) other	-342,104,247	-706,922,932	-343,700,754
90. Adjustments to intangible and tangible fixed assets	-89,405,742	-179,580,858	-73,375,942
100. Provisions for risks and charges	-58,598,648	-200,774,931	-122,881,485
110. Other operating expenses	-4,069,578	-5,040,373	-2,313,965
120. Adjustments to loans and provisions for guarantees and commitments	-166,962,294	-494,479,028	-285,925,683
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	101,030,379	354,528,717	232,409,191
140. Provisions to the reserve for possible loan losses	-	-	-
150. Adjustments to financial fixed assets	-6,859,959	-229,829,831	-5,987,271
160. Writebacks of adjustments to financial fixed assets	793,630	236,408	394,543
<b>170. Income from operating activities</b>	<b>864,911,620</b>	<b>1,567,430,285</b>	<b>1,025,792,461</b>
180. Extraordinary income	45,897,287	374,247,806	345,132,592
190. Extraordinary expenses	-10,693,976	-32,042,652	-12,537,100
<b>200. Extraordinary net income</b>	<b>35,203,311</b>	<b>342,205,154</b>	<b>332,595,492</b>
220. Income taxes	-342,000,000	-711,023,350	-550,481,121
<b>230. Net income for the period</b>	<b>558,114,931</b>		<b>807,906,832</b>
<b>250. Net income for the period for allocation</b>		<b>1,198,612,089</b>	

# Attachments

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INTERCOMPANY BALANCES BETWEEN THE PARENT BANK, SUBSIDIARIES  
AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

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STATEMENT OF CHANGES IN THE PARENT BANK'S SHAREHOLDERS' EQUITY

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## Intercompany balances between the Parent Bank, subsidiaries and companies subject to significant influence

(€/million)					
Group companies	Assets (a)	Liabilities	Guarantees and commitments	Revenues (b)	Expenses
Banca d'Intermediazione Mobiliare IMI S.p.A.	432	3	362	18	34
Banca Fideuram S.p.A.	-	-	-	1	2
Banca Opi S.p.A.	6,867	73	1,070	127	-
Banca Sanpaolo Invest S.p.A.	2	92	-	4	3
Banco di Napoli S.p.A.	511	171	25	18	1
Banque Sanpaolo S.A.	243	1	11	6	-
BNH S.p.A.	-	2	-	-	-
Consorzio Studi e Ricerche Fiscali	-	-	-	-	1
IMI Bank (Lux) S.A.	35	215	-	1	2
IMI Capital Markets USA Corp.	177	-	-	5	-
IMIWeb Bank S.p.A.	-	10	7	-	-
Invesp S.p.A.	7	64	2	-	-
LDV Holding B.V.	-	26	-	-	-
NHS - Nuova Holding Sanpaolo Imi S.p.A.	2	1	2	1	-
Prospettive 2001 S.p.A.	-	14	-	-	-
Sanpaolo Bank (Austria) A.G.	-	1	-	-	-
Sanpaolo Bank S.A.	83	1,430	1	3	17
Sanpaolo Fiduciaria S.p.A.	-	2	-	-	-
Sanpaolo Gestion Internationale S.A.	-	-	-	52	-
Sanpaolo IMI Alternative Investments SGR S.p.A.	-	1	-	-	-
Sanpaolo IMI Asset Management SGR S.p.A.	-	193	-	263	2
Sanpaolo IMI Bank (International) S.A.	3	5,371	6,127	-	112
Sanpaolo IMI Bank Ireland Plc	85	74	-	1	1
Sanpaolo IMI Capital Company I LLC	-	1,000	-	-	39
Sanpaolo IMI Institutional Asset Management SGR S.p.A.	-	1	-	-	-
Sanpaolo IMI US Financial CO.	-	3,490	3,490	-	79
Sanpaolo Leasint GmbH	4	-	-	-	-
Sanpaolo Leasint S.p.A.	1,438	2	220	37	3
Sanpaolo Riscossioni Genova S.p.A.	24	-	-	1	1
Sanpaolo Riscossioni Prato S.p.A.	4	-	8	-	-
Sanpaolo Vita S.p.A.	63	17	1	8	1
SEP S.p.A.	-	1	-	-	4
Wealth Management Sanpaolo IMI S.p.A.	-	2	-	-	-
<b>Total Group companies</b>	<b>9,980</b>	<b>12,257</b>	<b>11,326</b>	<b>546</b>	<b>302</b>
Jointly-held subsidiaries					
Finconsumo Banca S.p.A.	68	14	14	3	-
Fc Factor S.r.l.	1	-	-	-	-
<b>Total</b>	<b>10,049</b>	<b>12,271</b>	<b>11,340</b>	<b>549</b>	<b>302</b>
Other significant investments	Assets (a)	Liabilities	Guarantees and commitments	Revenues (b)	Expenses
Cassa di Risparmio di Firenze S.p.A.	25	-	-	1	-
Esatri S.p.A.	26	-	168	2	-
HDI Assicurazioni S.p.A.	-	28	1	-	1
Inter-Europa Bank RT	39	36	11	1	1
<b>Total</b>	<b>90</b>	<b>64</b>	<b>180</b>	<b>4</b>	<b>2</b>

(a) Excluding the book value of the investment.

(b) Excluding dividends received.



# Statement of changes in the Parent Bank's shareholders' equity

## SHAREHOLDERS' EQUITY AS PER FINANCIAL STATEMENTS

(€/million)

	Capital	Legal reserve	Additional paid-in capital	Extraordinary reserve	Unrestricted reserve for purchase of own shares	Restricted reserve for purchase of own shares	Reserve ex art. 13.c.6 D.Lgs. 124/93	Reserve (art. 7.c.3 L. 218/90)	Merger surplus	Reserve ex Law 169/83	Reserve D.Lgs. 213/98	Reserve D.Lgs. 153/99	Reserve for general banking risks	Net income for the period	Total
Shareholders' equity as of 31/12/2000	3,931	792	18	35	283	697	2	80	14	11	42	260	336	1,198	7,699
Allocation of 2000 net income															
- reserve (D.Lgs.153/99)													381		-381
- extraordinary reserve				29											-29
- reserve ex art.13. c.6 D.Lgs. 124/93							1								-1
- dividends distributed															-787
Increases in unrestricted reserve for the purchase of own shares					-6	428	-408		-14						-
Stock option plan for 422,916 shares	1		4												5
Net income														558	558
Shareholders' equity as of 30/6/2001	3,932	792	22	58	711	289	3	80	-	11	42	641	336	558	7,475

## SHAREHOLDERS' EQUITY AS PER RECLASSIFIED FINANCIAL STATEMENTS

(€/million)

	Capital and reserves	Net income for the period	Total
Shareholders' equity as of 31/12/2000	6,501	1,198	7,699
Own shares in portfolio as at 31/12/2000	-697		-697
<b>Shareholders' equity as per reclassified financial statements as of 31/12/2000</b>	<b>5,804</b>	<b>1,198</b>	<b>7,002</b>
Changes in own shares:			
- purchases	-78		-78
- sales (*)	486		486
Changes in the shareholders' equity as per financial statements	416	-1,198	-782
Net income		558	558
<b>Shareholders' equity as per reclassified financial statements as of 30/6/2001</b>	<b>6,628</b>	<b>558</b>	<b>7,186</b>

(\*) Decreases are shown at cost.