SANPAOLO IMI S.p.A.

Quarterly Report September 30, 1999

SANPAOLO IMI

Società per azioni
Registered Office: Piazza San Carlo 156, Turin, Italy
Secondary Office: Viale dell'Arte 25, Rome, Italy
Turin Company Register No. 4382/91

Parent Bank of the SANPAOLO IMI Banking Group
Member of the Interbank Deposit Guarantee Fund

Contents

Key figures

	9/30/1999 (Euro/mln)	9/30/1999 (L/bln)	9/30/1998 pro forma (L/bln)	12/31/1998 pro forma (L/bln)	12/31/1998 (L/bln)	Change 9/99-9/98 (%)
CONSOLIDATED STATEMENT OF INCOME						
Net interest income	1,531	2,965	3,563	4,693	5,134	-16.8
Net commissions and other dealing revenues	1,487	2,879	2,512	3,374	3,365	+14.6
Administrative costs	-1,821	-3,525	-3,583	-4,774	-4,832	-1.6
Provisions and net adjustments to loans and financial fixed assets	-326	-632	-1,113	-1,352	-1,401	-43.2
Income before extraordinary items	1,084	2,098	2,016	2,663	2,868	+4.1
Extraordinary income	299	578	53	232	308	n.s.
Group net income	812	1,572	1,262	1,760	1,760	+24.6
CONSOLIDATED BALANCE SHEET						
Total assets	129,369	250,494	n.a.	274,030	306,490	n.a.
Loans to customers	70,203	135,931	146,523	141,286	168,241	-7.2
Securities	19,604	37,957	n.a.	46,288	49,816	n.a.
Equity investments	3,320	6,429	n.a.	3,238	2,559	n.a.
Customer deposits and securities issued	79,328	153,600	165,115	163,614	188,590	-7.0
Subordinated liabilities	1,301	2,520	n.a.	2,675	2,925	n.a.
Group shareholders' equity	8,651	16,750	16,284	16,784	16,784	+2.9
FINANCIAL ASSETS OF CUSTOMERS						
Total customer assets	241,732	468,058	432,944	452,732	467,130	+8.1
- Direct deposits	79,328	153,600	165,115	163,614	188,590	-7.0
- Indirect deposits	162,404	314,458	267,829	289,118	278,540	+17.4
- Asset administration	61,747	119,558	118,573	127,212	117,232	+0.8
- Asset management	100,657	194,900	149,256	161,906	161,308	+30.6
- Mutual funds	70,194	135,915	105,291	115,038	114,935	+29.1
- Portfolio management	20,728	40,135	30,593	32,018	31,523	+31.2
- Life assurance	9,735	18,850	13,372	14,850	14,850	+41.0
PROFITABILITY RATIOS (%)						
Annualized RoE (Net income/Shareholders' equity excluding current net income)		13.0	10.7	11.3	11.3	
Cost / Income ratio		57.4	54.4	55.5	54.3	
Net commissions/Administrative costs		81.7	70.1	70.7	69.6	
LENDING RISK RATIOS (%)						
Net non-performing loans/Total customer loans		2.6	3.3	2.7	2.3	
Net problem and restructured loans/Total customer loans		2.0	2.1	2.2	1.9	
CAPITAL ADEQUACY RATIOS (%)						
Tier 1 capital/Weighted assets		9.7 (*)	n.d.	n.d.	9.7	
Total capital/Weighted assets		10.6 (*)	n.d.	n.d.	11.1	
SANPAOLO IMI SHARES						
Number of shares (millions)		1,402	1,402	1,402	1,402	-
- number of shares in circulation		1,387	1,402	1,402	1,402	-1.1
- number of own shares		15	-	-	-	n.s.
Price (euro; lire)						
- average	13,795	26,711	24,686	24,796	24,796	+8.2
- low	11,441	22,153	17,272	17,272	17,272	+28.3
- high	16,520	31,987	32,123	32,123	32,123	-0.4
Earnings per share in circulation (euro; lire)	0,585	1,133	900	1,256	1,256	+25.9
Dividend per share in circulation (euro; lire)	-	-	-	900	900	-
Dividend / average annual price (%)	-	-	-	3,6	3,6	-
Shareholders' equity per share in circulation (euro; lire)	6,237	12,076	11,615	11,971	11,971	+4.0
OPERATING STRUCTURE						
Employees		24,296	24,668	24,299	24,527	-1.5
Domestic branches		1,354	1,334	1,346	1,346	+1.5
Foreign branches and representative offices		76	75	75	75	+1.3
Financial planners		4,771	4,287	4,497	4,497	+11.3

(*) Data at June 30, 1999.

The pro forma financial data at 9/30/1998 and 12/31/1998 have been restated similarly to those of 9/30/1999, according to the criteria explained in the notes attached to the present report.

The financial data at 9/30/1999 and the pro forma financial data at 9/30/1998 and 12/31/1998 have not been audited.

Group structure

Corporate Center

Commercial Banking	Large Corporate	Government Agencies and Infrastructure	Investment Banking	Personal Financial Services	Merchant Banking	Loan recovery (Workout)	Principal other Group companies
Parent Bank	**Parent Bank**	**Parent Bank**	**Banca IMI Group**	**Fideuram Group**	**Nuova Holding Subalpina**	**Parent Bank**	**IMI International** (Luxembourg)
Banque Sanpaolo (France)	**Sanpaolo Bank Ireland**	**IMI Lease** [2]	• ***Banca IMI***	• ***Banca Fideuram***	**LDV Holding** (Netherlands)	**Sanpaolo Immobiliare**	**Sanpaolo US Financial**
Sanpaolo IMI Asset Management			• ***Intersim***	• ***Fideuram Fondi***			**Sanpaolo IMI Bank International Madeira** (Portugal)
Sanpaolo Vita			• ***IMI Sigeco UK***	• ***Fideuram Vita***			**Sanpaolo Riscossioni Genova**
Sanpaolo Life (Ireland)			• ***IMI Bank*** (Luxembourg)	• ***IMI Fideuram Asset Mgt***			**Sanpaolo Riscossioni Prato**
Sanpaolo Bank (Luxembourg)			• ***IMI Investments*** (Luxembourg)	• ***Fonditalia Mgt*** (Luxembourg)			
Sanpaolo Bank (Austria)			• ***IMI Capital Markets USA***	• ***Fideuram GPM***			
Sanpaolo Fiduciaria			• ***Banca IMI Securities*** (USA)	• ***Fideuram Bank Lux***			
Sanpaolo Gestion Internationale (Luxembourg)				• ***Interfund Advisory Co*** (Luxembourg)			
Sanpaolo Leasint				• ***Fideuram Assicurazioni***			
Finconsumo [1]				• ***Fideuram Fund*** (Luxembourg)			
				• ***Fideuram Fiduciaria***			
				• ***Turis*** (Switzerland)			
				• ***I.S.A.C.*** (Luxembourg)			
				Sanpaolo Invest			

Group investments at 9/30/1999

- **Banco Santander Central Hispano** (2.0%)
- **Banque Nationale de Paris** [3] (1.5%)
- **INA** [4] (10.2%)
- **UNIM** (3.0%)

[1] Company controlled jointly with Banco Santander Central Hispano S.A.
[2] The transfer to IMI Lease of the Parent Bank's "Government Agencies and Infrastructure" is under review.
[3] The shareholding will be diluted to 0.89% following the expected merger between BNP and Paribas.
[4] The holding refers to shares held by the Group at October 20, 1999 (9.1% by the Parent Bank and 1.1% by subsidiaries). At September 30 the Group share was 8.5%.

Reclassified consolidated statement of income

	First 9 months '99 (Euro/ml)	First 9 months '99 (L/bln)	First 9 months '98 pro forma (L/bln)	FY 1998 pro forma (L/bln)	FY 1998 (L/bln)	Change first 9 months 99/98 (%)
NET INTEREST INCOME	1,531	2,965	3,563	4,693	5,134	-16.8
Net commissions and other dealing revenues	1,487	2,879	2,512	3,374	3,365	+14.6
Profits and losses from financial transactions and dividends	171	331	534	612	628	-38.0
Profits of companies carried at equity and dividends from shareholdings	121	235	247	336	209	-4.9
NET INTEREST AND OTHER BANKING INCOME	3,310	6,410	6,856	9,015	9,336	-6.5
Administrative costs	-1,821	-3,525	-3,583	-4,774	-4,832	-1.6
- *personnel*	*-1,147*	*-2,220*	*-2,220*	*-2,954*	*-2,988*	*+0.0*
- *other administrative costs*	*-546*	*-1,057*	*-1,110*	*-1,489*	*-1,511*	*-4.8*
- *indirect taxes and others*	*-128*	*-248*	*-253*	*-331*	*-333*	*-2.0*
Other operating income, net	125	243	270	358	359	-10.0
Adjustments to tangible and intangible fixed assets	-206	-398	-414	-584	-594	-3.9
OPERATING INCOME	1,410	2,730	3,129	4,015	4,269	-12.8
Net adjustments to loans and provisions	-291	-564	-1,042	-1,223	-1,271	-45.9
Net adjustments to financial fixed assets	-35	-68	-71	-129	-130	-4.2
INCOME BEFORE EXTRAORDINARY ITEMS	1,084	2,098	2,016	2,663	2,868	+4.1
Net extraordinary income	299	578	53	232	308	n.s.
INCOME BEFORE TAXES	1,382	2,676	2,069	2,895	3,176	+29.3
Income taxes	-526	-1,019	-724	-1,035	-1,220	+40.7
Change in reserve for general banking risks	-	-	-14	-16	-16	n.s.
Net income attributable to minority interests	-44	-85	-69	-84	-180	+23.2
NET INCOME	812	1,572	1,262	1,760	1,760	+24.6

The pro forma statements of income for the first nine months 1998 and for the year 1998 have been restated consistently with those of the first nine months of 1999, according to the criteria explained in the notes attached to the present report.
The statements of income for the first nine months of 1999 and the pro forma statements of income for the first nine months of 1998 and for the year 1998 have not been audited.

Analysis of quarterly consolidated statement of income

billions of lire

	1999			1998			
	III Q 1999	II Q 1999	I Q 1999 pro forma	IV Q 1998 pro forma	III Q 1998 pro forma	II Q 1998 pro forma	I Q 1998 pro forma
NET INTEREST INCOME	965	1,009	991	1,130	1,129	1,226	1,208
Net commissions and other dealing revenues	1,010	951	918	862	828	905	779
Profits and losses from financial transactions and dividends	54	101	176	78	76	184	274
Propfits of companies carried at equity and dividends from shareholdings	102	68	65	89	90	88	69
NET INTEREST AND OTHER BANKING INCOME	2,131	2,129	2,150	2,159	2,123	2,403	2,330
Administrative costs	-1,181	-1,194	-1,150	-1,191	-1,186	-1,225	-1,172
- *personnel*	*-740*	*-747*	*-733*	*-734*	*-735*	*-740*	*-745*
- *other administrative costs*	*-354*	*-365*	*-338*	*-379*	*-374*	*-393*	*-343*
- *indirect taxes and others*	*-87*	*-82*	*-79*	*-78*	*-77*	*-92*	*-84*
Other operating income, net	79	83	81	88	83	97	90
Adjustments to tangible and intangible fixed assets	-139	-124	-135	-170	-142	-140	-132
OPERATING INCOME	890	894	946	886	878	1,135	1,116
Net adjustments to loans and provisions	-175	-188	-201	-181	-247	-418	-377
Net adjustments to financial fixed assets	-18	-50	-	-58	-	-21	-50
INCOME BEFORE EXTRAORDINARY ITEMS	697	656	745	647	631	696	689
Net extraordinary income	-4	574	8	179	12	27	14
INCOME BEFORE TAXES	693	1,230	753	826	643	723	703
Income taxes	-248	-480	-291	-311	-217	-265	-242
Change in reserve for general banking risks	-	-	-	-2	-7	-5	-2
Net income attributable to minority interests	-44	-21	-20	-15	-27	-16	-26
NET INCOME	401	729	442	498	392	437	433

The pro forma statements of income for the first nine months 1998 and for the year 1998 have been restated consistently with those of the first nine months of 1999, according to the criteria explained in the notes attached to the present report.
The quarterly financial statements have not been audited.

Reclassified consolidated balance sheet

ASSETS	9/30/1999 (Euro/mil)	9/30/1999 (L/bln)	12/31/1998 pro forma (L/bln)	12/31/1998 (L/bln)
Cash and deposits with central banks and post offices	761	1,473	815	815
Loans	88,955	172,241	184,770	212,954
- due from banks	*18,753*	*36,310*	*43,484*	*44,713*
- loans to customers	*70,203*	*135,931*	*141,286*	*168,241*
Delaing securities	18,125	35,094	41,756	45,280
Fixed assets	6,503	12,592	11,454	10,911
- investment securities	*1,479*	*2,863*	*4,532*	*4,536*
- equity investments	*3,320*	*6,429*	*3,238*	*2,559*
- intangible fixed assets	*255*	*493*	*574*	*585*
- tangible fixed assets	*1,450*	*2,807*	*3,110*	*3,231*
Differences arising on consolidation and application of the equity method	43	84	113	113
Other assets	14,982	29,010	35,122	36,417
Total assets	129,369	250,494	274,030	306,490

LIABILITIES	9/30/1999 (Euro/mil)	9/30/1999 (L/bln)	12/31/1998 pro forma (L/bln)	12/31/1998 (L/bln)
Payables	101,362	196,264	212,293	242,346
- due to banks	*22,034*	*42,664*	*48,679*	*53,756*
- due to customers and securities issued	*79,328*	*153,600*	*163,614*	*188,590*
Reserves:	1,769	3,426	4,005	4,338
- for taxation	*876*	*1,696*	*2,280*	*2,556*
- for termination indemnities	*440*	*852*	*835*	*844*
- for risks and charges	*391*	*757*	*762*	*810*
- for pensions and similar commitments	*62*	*121*	*128*	*128*
Other liabilities	15,736	30,469	37,993	39,335
Subordinated liabilities	1,301	2,520	2,675	2,925
Minority interests	550	1,065	280	762
Shareholders' equity	8,651	16,750	16,784	16,784
- capital	*4,345*	*8,413*	*8,413*	*8,413*
- reserves (*)	*3,494*	*6,765*	*6,611*	*6,611*
- net income	*812*	*1,572*	*1,760*	*1,760*
Total liabilities	129,369	250,494	274,030	306,490

(*) Reserves are net of own shares held by the Parent Bank: 14,962,000 shares (L. 358 billion) at September 30, 1999.

The pro forma financial data at 9/30/1998 and al 12/31/1998 have been restated consistently with those at 9/30/1999, according to the criteria explained in the notes attached to the present report.

The financial data at 9/30/1999 and the pro forma financial data at 12/31/1998 have not been audited.

Report on Group operations

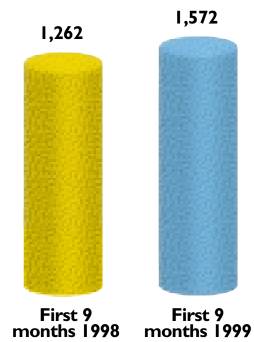
Operational performance

Shareholders,

The results achieved by SANPAOLO IMI in the first nine months of 1999 are in line with the strategic objectives defined at the end of last year, which set out actions to increase revenues, particularly in asset management, reduction in costs and improvement in asset quality. There was a further emphasis in the consolidation of lending business towards small and medium-sized business, against a containment of business on foreign markets and to financial institutions with risks not adequately remunerated.

Net income of the Group amounted to L. 1,572 billion, up by 24.6% compared to the pro forma results for the first nine months of 1998.

Ordinary income amounted to L. 2,098 billion, with an increase of 4.1%. The growth in commissions from services, the reduction in administrative expenses and lower value adjustments to loans, which compensated for the fall in net interest income and profits from financial transactions contributed favorably to this result. Extraordinary results were instead in line with the half year, at L. 578 billion.



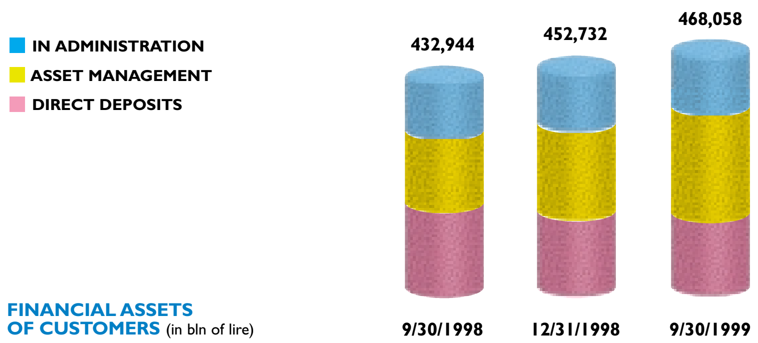
NET INCOME (in bln of lire)

Analysis of results

Net interest income of SANPAOLO IMI, L. 2,965 billion, was heavily affected by the reduction in market yields and in spreads, showing in the first nine months of the year a fall of 16.8%. The movement in the margin is slightly improved compared to the first half year and the recovery ought to occur in the remaining part of the year, as a result of the growing convergence of rates in the last months of 1998 and those currently prevailing. As a result, the return may be lower than expected, also because of the lower free capital as a result of the substantial equity investments made by the Group in the course of 1999.

There was a positive performance in net commissions from services and trading revenues, which amounted to L. 2,879 billion, a growth of 14.6% on an annual basis, and higher than the 11% recorded in June.

Commission income benefited from the positive performance in asset management, which amounted at the end of September to L. 195,000 billion, an increase of 20.4% from the beginning of the year and a net inflow in the third quarter alone of L. 7,500 billion. Mutual funds and portfolio management in funds, in particular, showed a growth in the nine months of 21.7%, which has contributed to a consolidation of market share to 16.9%. Insurance policies increased by 26.9% and the relative technical reserves reached L. 18,850 billion, with a value attributable to new production of L. 250 billion. The continuing process of directing the financial resources of customers into asset management was reflected in a reduction from the beginning of the year of 7% in direct deposits, which amounted to L. 153,600 billion.

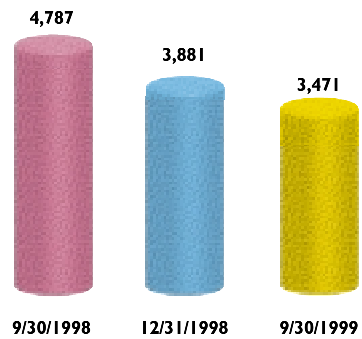


FINANCIAL ASSETS OF CUSTOMERS (in bln of lire)

Control of costs continues to produce the results previously seen in the earlier quarters: administrative expenses, L. 3,525 billion, have shown a general fall of 1.6% compared to the first nine months of 1998. The reduction is due to operating costs other than personnel, which fell by 4.8%. Personnel expenses remained stable: rationalization at the Parent Bank, where personnel costs fell by 2.1%, has in fact compensated for the higher charges incurred by subsidiaries, following moves to reinforce asset management, investment banking and merchant banking. The cost to income ratio remains under control (57.4%).

The reduction in the level of provisions and writedowns to loans and financial fixed assets has been made possible thanks to the net improvement in asset quality: non-performing loans, at net values, amounted to L. 3,471 billion, 2.6% of total loans to customers, with a fall of 10.6% compared to the beginning of the year; problem loans and loans in restructuring fell to L. 2,722 billion, with a reduction of 13.5% from the beginning of the year; Loans to customers and banks in countries at risk decreased in the nine months from L. 421 billion to L. 390 billion.

Net extraordinary income, L. 578 billion, confirms the values at the end of June; reflecting capital gains on shareholdings in the first half year, and in particular the sale to the Dexia Group of a share of 20% in Crediop and to the acceptance of the public offer by Olivetti for Telecom Italia.



NON-PERFORMING LOANS (in bln of lire)

Steps for development

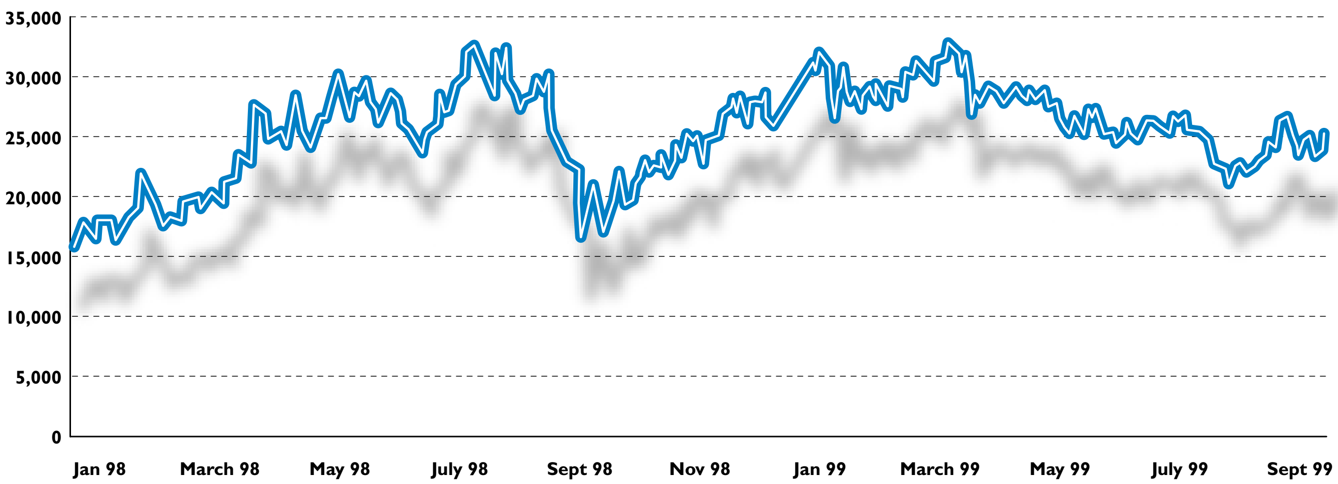
Significant initiatives to develop and rationalize the business have been put in place by SANPAOLO IMI in the first nine months of the year: the necessary measures to integrate San Paolo and IMI, following the merger at the end of last year, have been taken while important projects for operational growth in those areas of business offering the greatest opportunities for development have been put in place.

In Commercial Banking a plan to expand in Italy with the opening of 130 branches has been launched, the concept of individual account portfolio manager has been introduced, new personal financial planning instruments have been adopted, new product ranges been set out, the process of extending and managing loans has been revised, and initiatives have been launched in private banking and on-line banking. In Personal Financial Services, Banca Fideuram has consolidated its leading position in the Italian market, reinforcing its distribution network and providing new services to customers, while Sanpaolo Invest has launched a project which includes its transformation to banking status, the creation of dedicated products and the provision of services on-line. An on-line trading project has been developed in Investment Banking and, in Merchant Banking, together with the Compagnia di San Paolo, Nuova Holding Subalpina, a company with a substantial presence in the domestic market has been established. The spin-off of a significant part of the property assets of the Group is in course of realization the and a project to incorporate separately the Government Agencies and Infrastructure business has been launched.

The actions being taken and the results achieved in the Group's areas of business bear witness to SANPAOLO IMI's ability to develop independently a constant reinforcement in its competitive position, thus confirming its leadership in its various operating sectors.

SANPAOLO IMI believes in the need to reinforce further its dimensions and operations, not only through internal growth but also, in the light of market opportunities, through integration. An important step in this direction is the willingness expressed at the beginning of October by SANPAOLO IMI and Generali to define a common understanding designed, among other things, to include a possible integration of SANPAOLO IMI with the Banco di Napoli, which, with more than 700 branches and financial assets of customers of more than L. 70,000 billion, is the leading bank in southern Italy.

SANPAOLO IMI SHARE PRICE (in lire)



Explanatory notes

Accounting policies

The balance sheet and income statement at September 30, 1999, as reclassified consistently with those in the Annual Report at December 31, 1998, have been based on the same accounting principles and valuation used in the year-end financial statements to which reference for greater detail is made. In summary, they are as follows:

- the infrannual position has been established using the discrete approach where the period of reference is the individual period considered as an independent financial accounting period. Thus, the statement of income reflects the ordinary and extraordinary line items relating to the period;
- the accounting schedules used for consolidation are those set out by subsidiaries with reference to September 30, 1999, adjusted, where necessary, to align them with group accounting principles;
- own shares acquired by the Parent Bank, to be held as a stable investment, are valued at cost and posted in reduction of reserves in shareholders' equity;
- adjustments and provisions made only for fiscal reasons by consolidated subsidiaries have been reversed;
- important infragroup balance sheet and income statement transactions have been eliminated.

The scope of consolidation at December 31, 1998, excludes:

- Crediop (and its subsidiaries, Crediop BV, Crediop Overseas Bank and C.Fin), no longer controlled by SANPAOLO IMI following the sale of 20%;
- Imigest Immobiliare (and its subsidiaries, Tradital and Immobiliare Italia Gestioni), which are included in the property assets due to be spun off;

and includes:

- Nuova Holding Subalpina, a merchant banking company, 51% controlled following the transfer of that sector by the Bank.

Given the importance of Crediop's contribution to the Group, the balance sheets and income statements of previous quarters have been restated on an equity basis rather than fully consolidated to assist comparison.

The quarterly balance sheets and income statements at September 30, 1999 have not been independently audited.

Pro forma information

The pro forma balance sheets and income statements have been prepared as follows:

- position at March 31, 1999 and at December 31, 1998: the pro forma restatement has been made to take account of the line-by-line deconsolidation of Crediop, and the replacement by equity accounting;
- position at September 30, June 30, and at March 31, 1998: the pro forma financial information has been made using the results set out, prior to the merger, of Sanpaolo and IMI, adjusted to reflect, on the one hand, the above exclusion of Crediop from full consolidation and, on the other, common accounting principles. In particular, writedowns on loans have been adjusted to take account of the provision for credit risks of the former IMI SpA, reposted in the financial statement after the merger (December 31, 1998) in value adjustments by the new Bank; this last amendment has produced a reduction of L. 138 billion in total net income over the first nine months of 1998, which is thus comparable with the results of first nine months of the current year.

Turin, October 26, 1999

The Board of Directors