

Quarterly report 30 September 2000

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

SHARE CAPITAL: EURO 3,929,899,954.4 FULLY PAID

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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Key figures

	First nine months 2000 (Euro/mil)	First nine months 1999 (Euro/mil)	FY 1999 (Euro/mil)	Change first nine months 2000/1999 (%)	First nine months 2000 (L/ln)
CONSOLIDATED STATEMENT OF INCOME					
Net interest income	1,612	1,531	2,047	+5.3	3,121
Net commissions and other dealing revenues	1,841	1,487	2,066	+23.8	3,565
Administrative costs	-1,929	-1,821	-2,466	+5.9	-3,735
Operating income	1,730	1,409	1,985	+22.8	3,350
Provisions and net adjustments to loans and financial fixed assets	-295	-326	-481	-9.5	-572
Income before extraordinary items	1,435	1,083	1,504	+32.5	2,778
Extraordinary income	345	299	294	+15.4	668
Group net income	1,053	812	1,050	+29.7	2,039
CONSOLIDATED BALANCE SHEET					
Total assets	137,761	129,369	139,887	+6.5	266,742
Loans to customers	77,055	70,203	73,174	+9.8	149,199
Securities	18,510	19,604	18,401	-5.6	35,841
Equity investments	4,184	3,320	3,347	+26.0	8,101
Customer deposits and securities issued	79,496	79,328	78,957	+0.2	153,926
Subordinated liabilities	3,239	1,301	1,524	+149.0	6,272
Group shareholders' equity	7,918	8,651	8,036	-8.5	15,332
FINANCIAL ASSETS OF CUSTOMERS					
Total financial assets	270,150	241,732	260,026	+11.8	523,083
- Direct deposits	79,496	79,328	78,957	+0.2	153,926
- Current accounts and deposits	36,988	33,680	36,096	+9.8	71,619
- Certificates of deposit	6,240	8,588	9,090	-27.3	12,082
- Bonds	23,666	24,629	23,643	-3.9	45,824
- Commercial paper	3,864	1,439	2,584	+168.5	7,482
- Repo and securities lending	5,681	6,316	3,758	-10.1	11,000
- Other deposits	3,057	4,676	3,786	-34.6	5,919
- Indirect deposits	190,654	162,404	181,069	+17.4	369,157
- Asset administration	67,313	61,747	70,597	+9.0	130,336
- Asset management	123,341	100,657	110,472	+22.5	238,821
- Mutual funds	78,747	70,194	76,019	+12.2	152,476
- Portfolio management in funds	25,319	14,843	17,836	+70.6	49,024
- Portfolio management	6,884	5,885	6,117	+17.0	13,329
- Life assurance	12,391	9,735	10,500	+27.3	23,992
PROFITABILITY RATIOS (%)					
Annualized RoE (Net income / Shareholders' equity less current income)	18.8	14.1	14.0		
Cost / Income ratio (Administrative expenses and amortization and depreciation net of recoveries / Net interest and other banking income)	53.7	57.4	56.6		
Net commissions / Administrative costs	95.4	81.7	83.8		
CREDIT RISK RATIOS (%)					
Net non-performing loans / Net customer loans	1.1	2.6	2.3		
Net problem and loans in restructuring / Net customer loans	1.1	2.0	1.6		
CAPITAL ADEQUACY RATIOS (%)					
Tier 1 capital / Weighted assets	9.5 (*)	9.7 (*)	9.6		
Total capital / Weighted assets	10.9 (*)	10.6 (*)	10.3		
SANPAOLO IMI SHARES					
Number of shares (millions)	1,403	1,402	1,402	+0.1	
- number of shares in circulation	1,398	1,387	1,375	+0.8	
- number of own shares held by the Parent Bank	5	15	27	-66.7	
Quoted price per share (Euro; lire)					
- average	18.261	13.795	13.191	+32.4	35,358
- low	15.845	11.441	11.102	+38.5	30,680
- high	20.870	16.520	16.035	+26.3	40,410
Earnings per share in circulation (Euro; lire)	0.75	0.59	0.75	+27.1	1,458
Dividend per share in circulation (Euro; lire)			0.52		
Dividend / average annual price (%)			3.92		
Shareholders' equity per share in circulation (Euro; lire)	5.66	6.24	5.84	-9.2	10,967
OPERATING STRUCTURE					
Employees	24,823	24,296	24,133	+2.2	
Domestic branches	1,398	1,354	1,355	+3.2	
Foreign branches and representative offices	84	76	76	+10.5	
Financial planners	5,093	4,795	4,865	+6.2	

(*) At 30 June.

The data for the first nine months of 2000 and 1999 have not been audited.

Group structure

Retail Banking

- **Commercial Banking**
 - Parent Bank
 - Banque Sanpaolo (France)
 - Sanpaolo IMI Asset Management
 - Sanpaolo Vita
 - Sanpaolo Life (Ireland)
 - Sanpaolo Bank (Luxembourg)
 - Sanpaolo Bank (Austria)
 - Sanpaolo Fiduciaria
 - Sanpaolo Gestion Internationale (Luxembourg)
 - Sanpaolo Leasint
 - Finconsumo (*)
- **Banco di Napoli (**)**
- **Cassa di Risparmio di Firenze (***)**

Personal Financial Services

- **Banca Fideuram Group**
 - Banca Fideuram
 - Fideuram Fondi
 - Fideuram Vita
 - Fideuram Capital
 - Fonditalia Mgt (Luxembourg)
 - Fideuram GPM
 - Fideuram Bank (Luxembourg)
 - Interfund Advisory Co (Luxembourg)
 - Fideuram Assicurazioni
 - Fideuram Fund (Luxembourg)
 - Fideuram Fiduciaria
 - Turis (Switzerland)
 - ISAC (Luxembourg)
 - Fideuram Gestions (Luxembourg)
 - Imitec
- **Sanpaolo Invest Banca**
- **@IMIWeb**

Wholesale Banking

- **Large Corporate**
 - Parent Bank
 - Sanpaolo IMI Bank Ireland (Ireland)
- **Public Works and Infrastructure**
 - Banca OPI
- **Investment Banking**
 - Banca IMI Group
 - Banca IMI
 - IMI Sigeco UK (United Kingdom)
 - IMI Bank (Luxembourg)
 - IMI Investments (Luxembourg)
 - IMI Capital Markets USA (United States)
 - Banca IMI Securities (United States)
- **Merchant Banking**
 - NHS - Nuova Holding SANPAOLO IMI
 - LDV Holding (Netherlands)

Corporate Centre

- **Shareholding Investments**
 - Banco Santander Central Hispano (3.0%)
 - INA (9.14%) (**)
 - Beni Stabili (14.0%)
 - Royal Bank of Scotland (0.2%)
 - Other shareholdings
- **Treasury**
 - Parent Bank
 - Sanpaolo IMI US Financial (United States)
 - Sanpaolo IMI Bank International (Madeira, Portugal)
- **Workout**
 - Parent Bank
 - Sanpaolo Immobiliare
- **Property**
 - Parent Bank
- **Parent Bank functions**
 - Parent Bank

(*) Company controlled jointly with Banco Santander Central Hispano S.A..

(**) The non-proportional spin-off of INA, completed on 18/10/2000, brought the quota of the ordinary capital of Banco di Napoli held by SANPAOLO IMI to 56.1%; that is, against the cancellation of the 9.14% stake held by SANPAOLO IMI in INA.

(***) Interest of 19.1%, of which 15% held by the Parent Bank and 4.1% by NHS.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

	First nine months 2000 (Euro/mil)	First nine months 1999 (Euro/mil)	FY 1999 (Euro/mil)	Change first nine months 2000/1999 (%)	First nine months 2000 (L/bln)
NET INTEREST INCOME	1,612	1,531	2,047	+5.3	3,121
Net commissions and other dealing revenues	1,841	1,487	2,066	+23.8	3,565
Profits and losses from financial transactions and dividends on shares	174	171	251	+1.8	337
Profits from companies carried at equity and dividends from shareholdings	109	121	205	-9.9	211
NET INTEREST AND OTHER BANKING INCOME	3,736	3,310	4,569	+12.9	7,234
Administrative costs	-1,929	-1,821	-2,466	+5.9	-3,735
- <i>personnel</i>	-1,177	-1,147	-1,534	+2.6	-2,279
- <i>other administrative costs</i>	-626	-546	-763	+14.7	-1,212
- <i>indirect duties and taxes</i>	-126	-128	-169	-1.6	-244
Other operating income, net	136	125	175	+8.8	263
Adjustments to tangible and intangible fixed assets	-213	-205	-293	+3.9	-412
OPERATING INCOME	1,730	1,409	1,985	+22.8	3,350
Net adjustments to loans and provisions	-289	-291	-394	-0.7	-560
Net adjustments to financial fixed assets	-6	-35	-87	-82.9	-12
INCOME BEFORE EXTRAORDINARY ITEMS	1,435	1,083	1,504	+32.5	2,778
Net extraordinary income	345	299	294	+15.4	668
INCOME BEFORE TAXES	1,780	1,382	1,798	+28.8	3,446
Income taxes	-659	-526	-685	+25.3	-1,276
Change in reserve for general banking risks	3	-	-1	n.s.	6
Income attributable to minority interests	-71	-44	-62	+61.4	-137
NET INCOME	1,053	812	1,050	+29.7	2,039

The statements of income for the first nine months of 2000 and 1999 have not been audited.

ANALYSIS OF QUARTERLY CONSOLIDATED STATEMENT OF INCOME

	FY 2000			FY 1999			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter pro forma
	(Euro/mil)	(Euro/mil)	(Euro/mil)	(Euro/mil)	(Euro/mil)	(Euro/mil)	(Euro/mil)
NET INTEREST INCOME	541	542	529	516	499	520	512
Net commissions and other dealing revenues	593	601	647	579	522	491	474
Profits and losses from financial transactions and dividends on shares	50	40	84	80	27	53	91
Profits from companies carried at equity and dividends from shareholdings	35	39	35	84	52	36	33
NET INTEREST AND OTHER BANKING INCOME	1.219	1.222	1.295	1.259	1.100	1.100	1.110
Administrative costs	-650	-660	-619	-645	-610	-617	-594
- <i>personnel</i>	-399	-392	-386	-387	-382	-386	-379
- <i>other administrative costs</i>	-210	-226	-190	-217	-183	-189	-174
- <i>indirect duties and taxes</i>	-41	-42	-43	-41	-45	-42	-41
Other operating income, net	48	48	40	50	40	43	42
Adjustments to tangible and intangible fixed assets	-77	-71	-65	-88	-71	-64	-70
OPERATING INCOME	540	539	651	576	459	462	488
Net adjustments to loans and provisions	-80	-120	-89	-103	-90	-97	-104
Net adjustments to financial fixed assets	-1	-3	-2	-52	-9	-26	-
INCOME BEFORE EXTRAORDINARY ITEMS	459	416	560	421	360	339	384
Net extraordinary income	41	195	109	-5	-2	297	4
INCOME BEFORE TAXES	500	611	669	416	358	636	388
Income taxes	-171	-220	-268	-159	-128	-248	-150
Change in reserve for general banking risks	-	3	-	-1	-	-	-
Income attributable to minority interests	-22	-27	-22	-18	-23	-11	-10
NET INCOME	307	367	379	238	207	377	228

The pro forma statement of income for the first quarter of 1999 has been restated consistently with those of successive quarters.

The quarterly statements of income have not been audited.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	30/9/2000 (Euro/mil)	30/9/1999 (Euro/mil)	31/12/1999 (Euro/mil)	Change 30/9/00 - 30/9/99 (%)	30/9/2000 (L/blr)
ASSETS					
Cash and deposits with central banks and post offices	511	761	528	-32.9	989
Loans	96,532	88,955	95,318	+8.5	186,912
- due from banks	19,477	18,752	22,144	+3.9	37,713
- loans to customers	77,055	70,203	73,174	+9.8	149,199
Dealing securities	16,873	18,125	16,645	-6.9	32,671
Fixed assets	7,181	6,503	6,490	+10.4	13,904
- investment securities	1,637	1,479	1,756	+10.7	3,170
- equity investments	4,184	3,320	3,347	+26.0	8,101
- intangible fixed assets	261	254	267	+2.8	505
- tangible fixed assets	1,099	1,450	1,120	-24.2	2,128
Differences arising on consolidation and on application of the equity method	81	43	58	+88.4	157
Other assets	16,583	14,982	20,848	+10.7	32,109
Total assets	137,761	129,369	139,887	+6.5	266,742
LIABILITIES					
Payables	107,474	101,362	106,969	+6.0	208,099
- due to banks	27,978	22,034	28,012	+27.0	54,173
- due to customers and securities issued	79,496	79,328	78,957	+0.2	153,926
Provisions	2,193	1,769	1,950	+24.0	4,245
- for taxation	1,125	876	1,029	+28.4	2,178
- for termination indemnities	448	440	438	+1.8	867
- for risks and charges	576	406	437	+41.9	1,115
- for pensions and similar	44	47	46	-6.4	85
Other liabilities	16,327	15,736	20,869	+3.8	31,613
Subordinated liabilities	3,239	1,301	1,524	+149.0	6,272
Minority interests	610	550	539	+10.9	1,181
Shareholders' equity (*)	7,918	8,651	8,036	-8.5	15,332
- capital	3,930	4,345	3,926	-9.6	7,610
- reserves (**)	2,935	3,494	3,060	-16.0	5,683
- net income	1,053	812	1,050	+29.7	2,039
Total liabilities	137,761	129,369	139,887	+6.5	266,742

(*) Net shareholders' equity reflects: (i) the property spin-off closed on 31/10/99, with a reduction of Euro 701 million, of which Euro 413 million attributable to equity capital; (ii) the distribution of Euro 724 million in dividends in May 2000; (iii) positive differences of Euro 723 million arising on consolidation, following the acquisition of interests in Cassa di Risparmio di Firenze and Banco di Napoli, taken against preexisting negative differences.

(**) Reserves are net of own shares held by the Parent Bank: 14,962,000 with a book value of Euro 185 million at 30 September 1999, 27,431,500 with a book value of Euro 336 million at 31 December 1999 and 5,336,250 with a book value of Euro 77 million at 30 September 2000.

The balance sheet data at 30/9 have not been audited.

ANALYSIS OF QUARTERLY CONSOLIDATED BALANCE SHEET

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

(*) Net shareholders' equity reflects: (i) the property spin-off closed on 31/10/99, with a reduction of Euro 701 million, of which Euro 413 million attributable to equity capital; (ii) the distribution of Euro 724 million in dividends in May 2000; (iii) positive differences of Euro 723 million arising on consolidation, following the acquisition of interests in Cassa di Risparmio di Firenze and Banco di Napoli, taken against preexisting negative differences.

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

The pro forma balance sheet at 31/3/1999 has been restated consistently with those of successive quarters.

The balance sheet data at 31/3 and 30/9 have not been audited.

Report on Group operations

Initiatives in the quarter

In the third quarter of 2000 the SANPAOLO IMI Group strengthened its businesses dedicated to retail operations, completing the acquisition of a controlling stake in Banco di Napoli and setting the foundations for the takeover, by Banca Fideuram, of the French Group Wargny; the distribution network has also been strengthened and the preparatory activity for the quotation of Sanpaolo Invest has been continued. SANPAOLO IMI has further reinforced its shareholding links with Banco Santander Central Hispano and has continued the work of rationalization and selective investment in the corporate banking sector.

The takeover of control of the Banco di Napoli

In July, the Group acquired the stake of 49% held by Banca Nazionale del Lavoro in Banco Napoli Holding, which controls Banco di Napoli with a stake of 56.1% of its ordinary capital. In the same month, the Shareholders' Meetings of SANPAOLO IMI and INA approved the non-proportional spin-off project, completed in the middle of October, which led to the acquisition by SANPAOLO IMI of the remaining stake of 51% in Banco Napoli Holding and, therefore, the control of Banco di Napoli.

The takeover of the stake held by BNL was effected at a price of Euro 874 million. The acquisition of the stake held by INA, valued at Euro 945 million, was effected against the cancellation of the residual share of 9.14% held by SANPAOLO IMI in INA, valued at Euro 903 million, as well as against the assignment of 3.6 million of SANPAOLO IMI's own shares to INA shareholders other than Generali, the majority shareholder, valued at Euro 57 million. SANPAOLO IMI has further received from Generali a cash consideration of Euro 15 million.

SANPAOLO IMI will launch, during November, the obligatory offer required by Consob for the remaining share of the 43.9% of the ordinary capital of Banco di Napoli. The offer will be launched at a price of Euro 1.533 per share and, in the case of full acceptance, will mean a cost of Euro 1,255 million.

The completion of the transaction will not lead to any need for increases in capital on the part of SANPAOLO IMI. The maintenance of the capital adequacy ratio of approximately 10%, suitably reflecting the high ratings given to the Group, is in fact being pursued through an issuance plan of subordinated debt and preferred shares, which will also allow for the coverage of other shareholding measures completed and planned for the current year. More than Euro 2 billion in subordinated issuance has been placed since the beginning of the year and issuance of approximately Euro 1.1 billion in preferred shares is also under way.

The acquisition of the Wargny Group

In September, Banca Fideuram reached an agreement for the purchase of 100% of the capital of Wargny Associés, holding company of the Wargny Group, which, in addition to a preminent position in the French market in securities in both traditional and online services, also has a niche presence in private banking.

This transaction, which represents an important stage in the international development strategy of Banca Fideuram, is aimed at exporting the business model successfully effected in Italy into the French market. The Wargny Group will in fact develop, along with its traditional brokerage activities, the provision of portfolio management services for high profile customers, using a network of financial consultants and taking advantage of online services.

Other initiatives

Other important events which occurred in the course of the third quarter include:

- the strengthening of the banking network, with the opening of 17 new branches, and of the financial sales network, whose numbers increased by approximately 100 as well as investments in new technological distribution channels;
- continuing preparation of the work to quote Sanpaolo Invest, as well as its operational separation from the Parent Bank, following its attainment of a banking license;
- the reinforcement of the shareholding link with Banco Santander Central Hispano: in the three months the SANPAOLO IMI Group invested Euro 245 million, taking up the increase in capital made in July by BSCH and increasing its interest from 2.8% to

3%; SANPAOLO IMI and BSCH have also signed an agreement for the distribution of their products to their respective customers in Europe and Latin America, as well announcing the creation of a joint venture, with Commerzbank, The Royal Bank of Scotland and Société Générale, to offer dedicated treasury and capital markets services to companies and institutional investors through the Internet;

- the carve-out of the public sector lending business to Banca OPI: at the beginning of July, the Parent Bank SANPAOLO IMI conferred the public sector lending arm of the company to a dedicated incorporated structure, the subsidiary IMI Lease, which obtained its banking license and took the name of Banca OPI; the transaction concerned net loans of more than Euro 10 billion;
- the taking by NHS, the merchant bank of the Group, of a shareholding of 2.2% in the ordinary capital of FIAT from Compagnia di San Paolo, at a market price of approximately Euro 220 million; the investment is strategic and will herald the arrival of NHS in the FIAT consultative agreement among IFI/IFIL, Generali and Deutsche Bank;
- the lifting by Standard & Poor's of the outlook relative to SANPAOLO IMI and Banca Fideuram, from stable to positive; the ratings remain at A+ for long-term debt and A-1 for short-term.

Group performance

The SANPAOLO IMI Group confirmed in the third quarter the positive performance demonstrated in the first part of the year:

- net income for the first nine months amounted to Euro 1,053 million, a growth of 29.7% compared to the same period of 1999;
- RoE, calculated on an annual base, is 18.8%;
- the cost/income ratio is 53.7%.

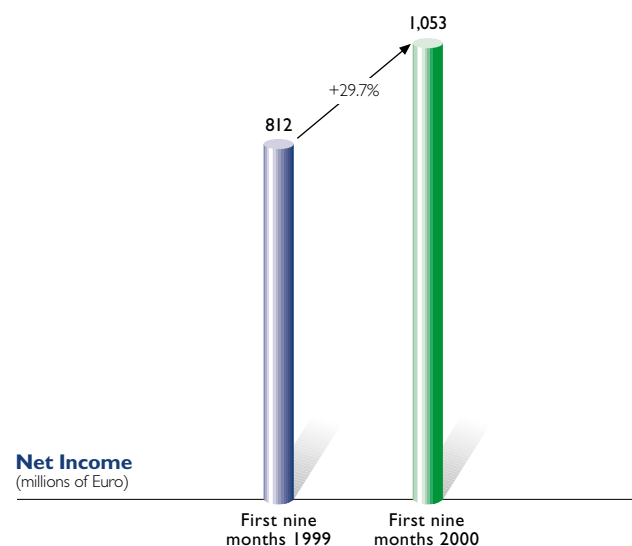
The continuing positive performance is attributable primarily to commissions from services, which have confirmed the high rates of growth seen in the first six months of the year, showing an increase on an annual base of 23.8%. Commission income in the third quarter was again driven by asset management: the significant expansion in volumes placed with customers has compensated for the slowdown, in a less positive market environment, of the phenomenon of reconversion of funds towards equities.

A further positive contribution came from the reinforcement of the growth trend in net interest income. In fact, the rate of growth on an annual base rose to 5.3%, against the 3.8% seen in the first half; this was due both to the continuing expansionary phase in volumes, and to the further rise in market rates and the reopening of spreads with customers.

The positive development in net interest income is confirmed when assessed together with the further improvement in asset quality, which has made possible more contained levels of provisions compared to the previous year. Net interest income in the first nine months, net of writedowns, in fact registered a growth of 9.3%, an improvement on the 6.3% seen at half year.

The increase in profitability was possible notwithstanding further investments directed to the strengthening of the distribution structure and the development of new electronic channels. Operating costs, net of recoveries, and amortization and depreciation registered a growth on an annual base of 5.5%, slightly higher than the 5.3% seen in the first part of the year.

Profitability prospects for the next months are confirmed as positive, even if the turbulent financial markets may attenuate the particularly good growth trends seen so far by the Group.



Analysis of consolidated results

Turning in greater detail to operating performance, it may first be noticed, in the course of the third quarter, the SANPAOLO IMI Group has continued to devote priority attention to the asset management sector, with consequently satisfying results: the total reached Euro 123.3 billion, registering a rate growth on an annual base of 22.5%, in line with the performance registered in the first half, and an inflow since January of approximately Euro 12.9 billion.

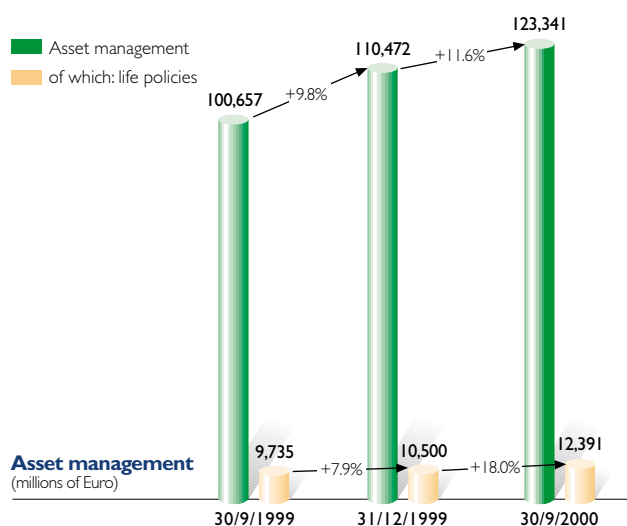
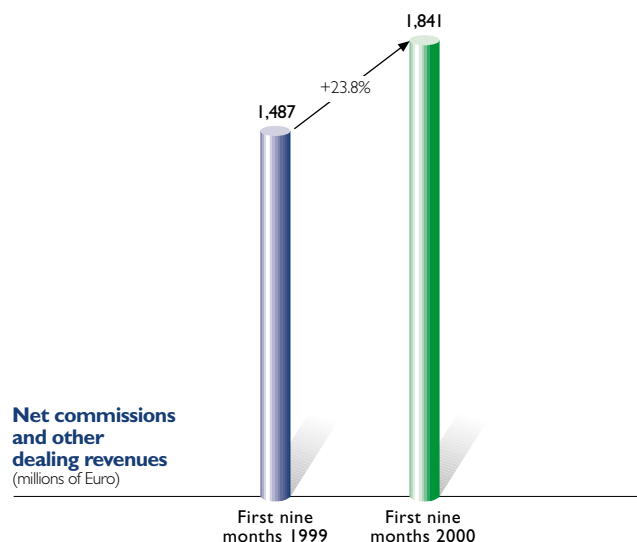
In particular, mutual funds and portfolio management in funds showed a net quarterly inflow of Euro 2.4 billion, bringing the cumulative inflow from the beginning of the year to approximately Euro 9.8 billion. The inflows contributed to further growth in the Group's market share in Italy, rising to 18.1%, from 17.5% at the end of December 1999 and from 18% at the end of June 2000; the increase is not insubstantial, considering that, given the size of the mutual fund market in Italy, a share of 0.1% corresponds to more than Euro 550 million.

Again in the area of asset management, the positive performance in the life sector continued: technical reserves at the end of September amounted to Euro 12,391 million, an increase in the 12 months of 27.3%; the increase from the beginning of the year was Euro 1,891 million, of which Euro 631 million in the third quarter, in the course of which unit linked policies for more than Euro 400 million were issued.

The increase in asset management volumes has allowed the Group to maintain a high rate of growth in commissions, notwithstanding a market which showed a slowdown in the process of converting funds towards the equity sector: net commissions amounted to Euro 1,841 million, a growth of the 23.8% in 12 months, thanks to an inflow in the quarter of almost Euro 600 million.

Direct deposits were in line with those of September 1999, showing moreover a further increase in more remunerative categories represented by current accounts and deposits, against a reduction in certificates of deposit. In particular, sight deposits with the Italian branches of the Parent Bank showed growth of 4.5% on an annual base, while certificates of deposit fell by 27.3%. The phenomenon of recomposition was attenuated, during the summer months, by a growth in bonds of approximately Euro 1.3 billion, made possible by an issue directed towards placement through the post office network.

The continuation of a positive economic cycle in Italy kept demand from companies for financing at a high level, particularly for short-term loans, often connected to extraordinary financial needs; the SANPAOLO IMI Group, while following its selective lending policies, registered an annual increase in customer financing, net of non-performing loans, of 11.4%, an increase on the 7.1% seen at June.



The expansion in volumes, together with a reopening of the spreads with customers and a greater return on liquidity as a result of the increase in market rates, contributed to strengthening the rate of growth of the net interest income of the Group, up to 5.3% against the 3.8% in the first half of 2000; the inflow in the quarter was Euro 541 million.

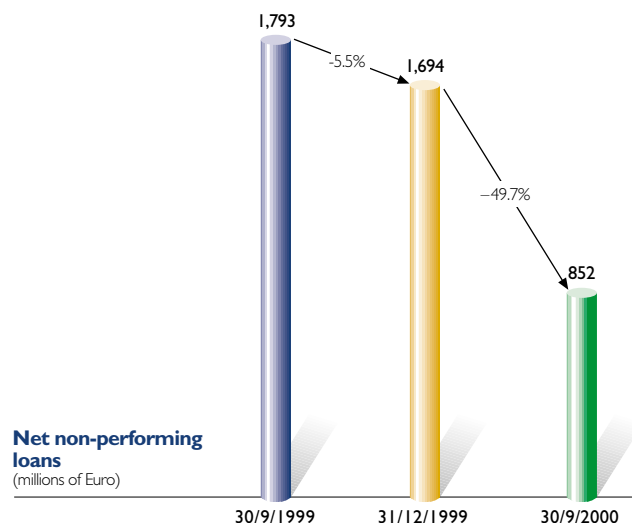
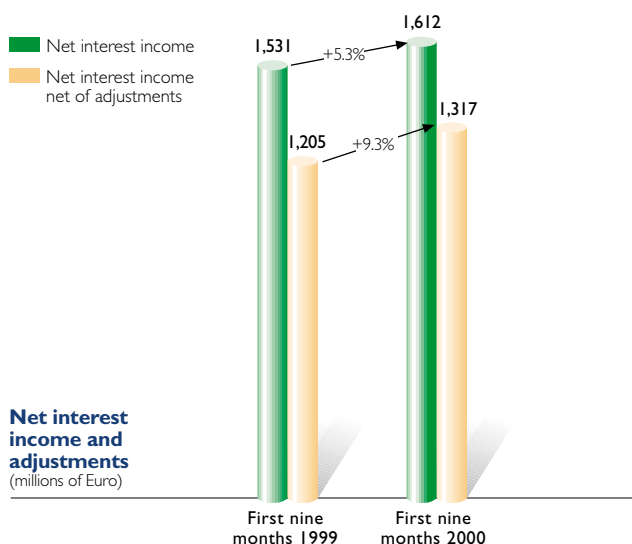
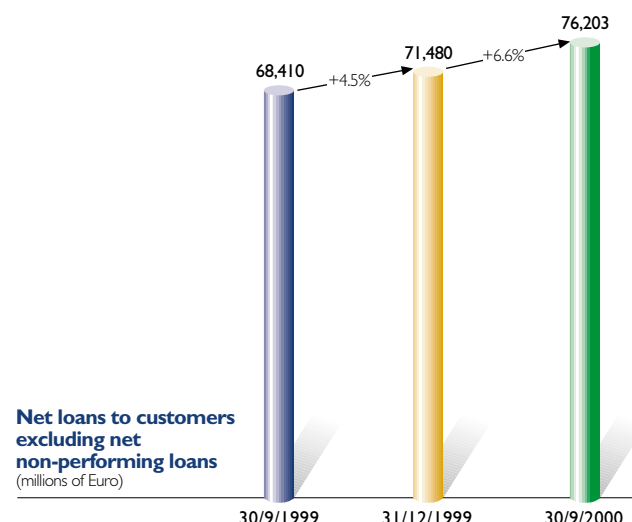
It should further be noted how net interest income, take net of provisions and adjustments, showed a rise on an annual base of 9.3%. In fact, the improvement in asset quality and high coverage of the total portfolio reached in the last months made possible a reduction of 9.5% in adjustments and provisions compared to the first nine months of 1999.

Net problematic loans, represented by non-performing loans, problem loans, restructured loans and unguaranteed exposures to countries at risk, amounted in total to Euro 1,936 million at the end of September, registering a further reduction of approximately Euro 90 million in the third quarter. Net non-performing loans, in particular, confirm a ratio to total net loans to customers of 1.1%.

Operating costs were still influenced by the investments made by the Group, in order to reinforce market positioning; these concerned in particular the distribution structure, with new electronic channels as well as the branch network which grew by 17 new branches in the quarter. Total expenses, net of recov-

eries, and amortization and depreciation showed a rate of growth of 5.5%, a little higher than the 5.3% at half-year.

Finally, extraordinary income of Euro 345 million (approximately Euro 40 million attributable to the third quarter) contributed to total Group results; the Euro 40 million were related in particular to the sale of investment securities issued by the Russian Federation (Euro 12 million), to the sale of shares in The Royal Bank of Scotland (Euro 12 million) and in Compart (Euro 4.6 million).



Group operating sectors

Retail Banking

In the third quarter the positive performance in Commercial Banking was continued, with activity targeted to the retail segment, represented by families and small- and medium-sized companies.

Asset management volumes amounted to Euro 73.9 billion, with an annual change of 17.5% and an inflow of Euro 6.5 billion compared to the end of 1999. In this context, mutual funds and portfolio management in funds rose to Euro 60.8 billion, thanks to a net inflow from the beginning of the year of Euro 3.8 billion, of which Euro 1.4 billion came in the third quarter; at the end of September volume of life policies reached Euro 6.4 billion, with an inflow in the nine months of more than Euro 1,250 million.

In business with customers undertaken by the domestic network, the increase in loans, in particular to households, should be noted: in the first three quarters, gross drawdowns of private mortgages was Euro 1,150 million and personal loans and consumer credit registered a growth of 14.5% from the beginning of the year. In corporate lending, action to improve asset quality was taken.

Personal Financial Services

In Personal Financial Services the following should be noted:

- the progress made by Banca Fideuram, registered asset management volumes of Euro 41.6 billion, with an inflow of Euro 5.5 billion from the beginning of the year and an increase in the 12 months of 31%. Net inflows in mutual funds and portfolio management in funds from the beginning of the year was more than Euro 5 billion and the life sector approximately Euro 550 million;
- assets managed for customers of Sanpaolo Invest grew to Euro 7.9 billion at the end of September, 35.7% more than the same month in 1999; the inflow from the beginning of the year was approximately Euro 970 million;
- the broadening of the business undertaken by @IMIWeb: the number of active clients climbed further in the past months, reaching 12,000 in September.

Wholesale Banking

Of note in wholesale business were the following:

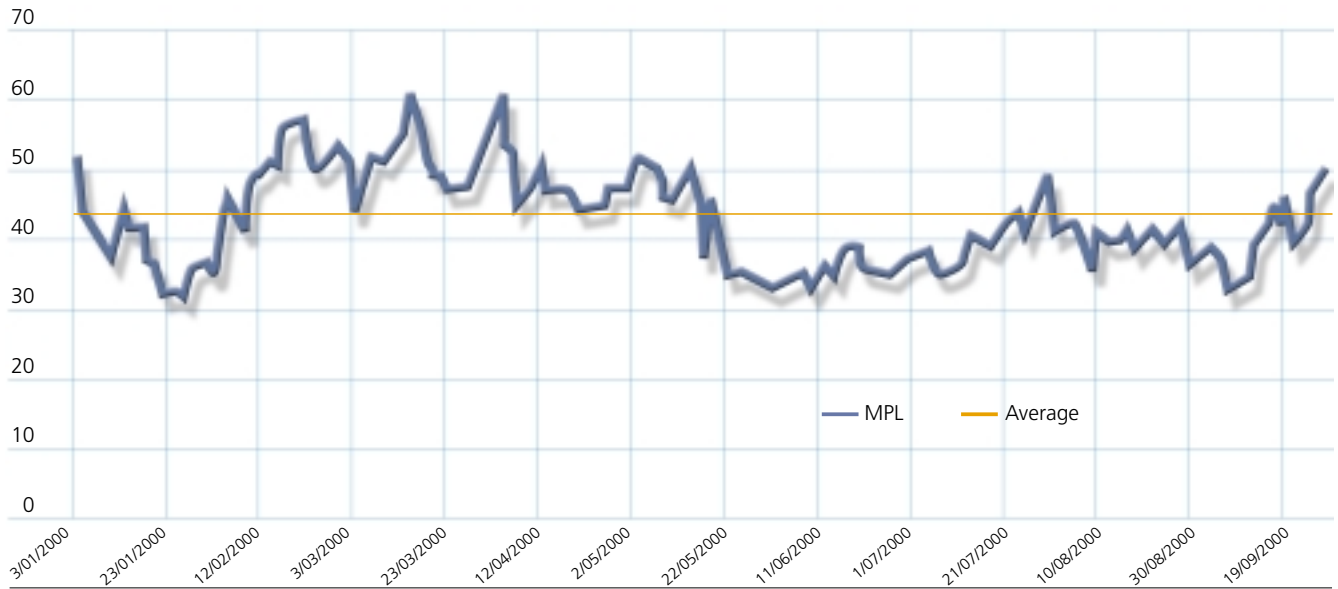
- the growth in customer business done by Large Corporate through the foreign network: in the third quarter loans increased by almost Euro 1 billion, bringing the increase from the beginning of the year to more than Euro 2.5 billion;
- continued business in Public Works and Infrastructure, through Banca OPI, established at the beginning of July, to better meet the specialist needs of a sector which has good prospects for development;
- the consolidation, in Investment Banking, of the leadership of Banca IMI in equity placements; the Banca was Global Coordinator and Sponsor in various transactions during the quarter, among them Inferentia, TXT and Biosearch Italia. The tensions in the major financial markets have moreover slowed the growth trend of the preceding months;
- the continuing rationalization and strengthening of the shareholding portfolio of NHS during the quarter in merchant banking; most important was the 2.2% of Fiat mentioned earlier.

Financial risk management

Market risk generated by the Group's lending business in the first nine months remained contained. The change in market value of the banking book, measured in terms of shift sensitivity, as an upward, parallel and uniform movement of 100 basis points in the interest rate curve, had an average negative value of Euro 61 million in the nine months, a substantial fall compared to the negative value of Euro 105 million seen in the corresponding period of the previous year. In the course of the third quarter, the shift sensitivity progressively fell to the positive level of Euro 43 million at the end of September.

The Value at Risk (VaR) of the banking book, calculated as maximum unexpected potential loss of the market value of the portfolio which could occur in the 10 following working days with a statistical confidence interval of 99%, was maintained in the third quarter at an average value of Euro 170 million, slightly lower than that seen in the first six months, amounting to approximately Euro 145 million at the end of September.

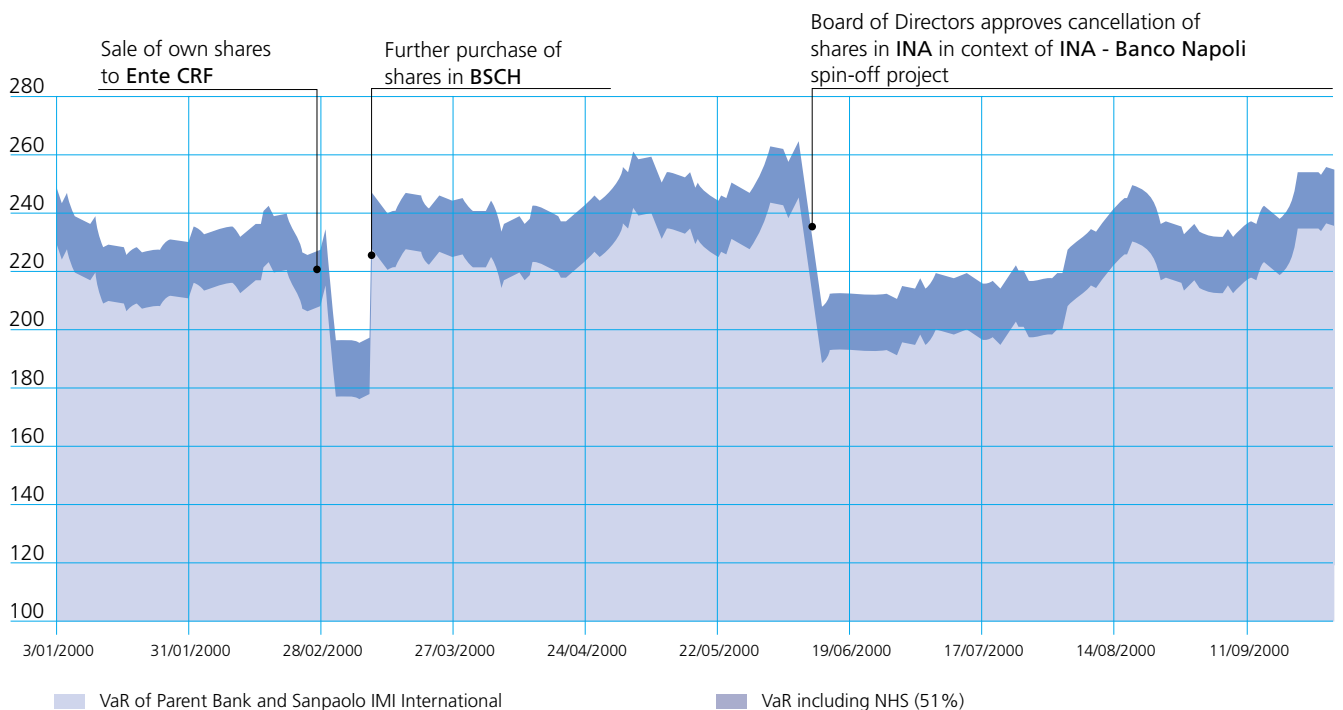
Own financial risks related to the trading activities of the Group, concentrated in the subsidiary Banca IMI,



Maximum Potential daily Loss in trading
(€/mil)

registered an average value, measured in terms of Value at Risk, of Euro 16 million in the third quarter. At the end of September the VaR was in line with the average values of the year at Euro 13.5 million.

In addition to VaR, the Worst Case Scenario methodology is used to monitor the impact of potential losses in extreme circumstances. Changes in maximum potential daily loss in the course of the third quarter



VaR of Group shareholdings (€/mil)

showed substantial stability in potential risks, which oscillated around values close to the annual average, at Euro 43 million.

The market value of minority shareholding investments, in quoted companies, held by the Parent Bank and the subsidiary Sanpaolo IMI International - excluding the share of 9.14% in INA cancelled in the spin-off connected with the taking of control of Banco Napoli - amounted to Euro 2,241 million at the end of September, with a potential capital gain with respect to book value of Euro 443 million, related mainly to the interests in Banco Santander Central Hispano, Beni Stabili and The Royal Bank of Scotland.

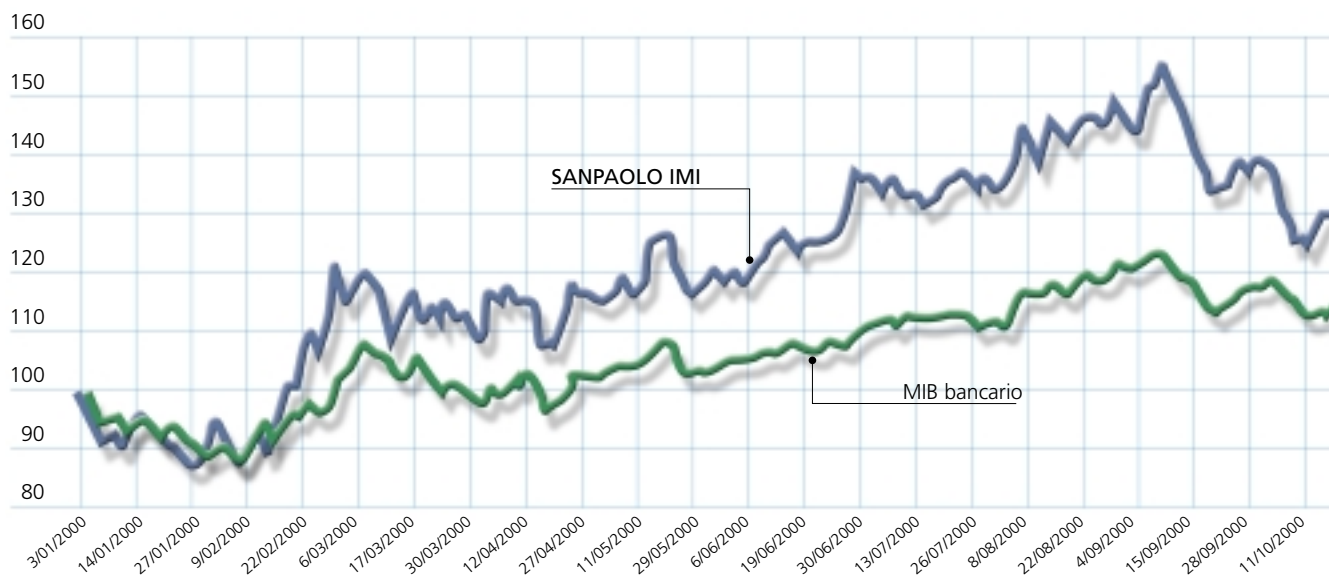
The market value of the quoted shareholding portfolio of the merchant bank NHS, controlled by SANPAOLO IMI with a stake of 51%, amounted to Euro 623 million at the end of September; the potential capital gain, against book value, was Euro 129 million.

The VaR concerning minority shareholding investments in quoted companies held by the Parent Bank and the subsidiaries Sanpaolo IMI International and NHS, as pertaining proportionally to Sanpaolo IMI, showed an increase during the quarter due to the increased value of the portfolio and amounted in total to Euro 256 million at the end of September.

Performance of share prices

The SANPAOLO IMI shares showed a strong appreciation during the summer months, reaching their historic peak of Euro 20.87 in the early days of September, in growth of 56.2% compared to the beginning of the year.

Volatility in financial markets from September led to a fall in the share price, which fell by the middle of October to Euro 17.40, with an increase compared to the beginning of the year reduced to 30.3%.



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

Explanatory notes

The Quarterly Report of the SANPAOLO IMI Group at 30 September 2000 has been prepared according to Consob Regolamento 11971 of 14 May 1999.

The balance sheet and income statement at 30 September 2000, as reclassified in the annual and half-year reports, have been based on the accounting and valuation principles used in the annual report to which reference is made for greater detail. In summary, they are as follows:

- the infrannual position has been established using the discrete approach where the period of reference is treated as an independent accounting period. Thus, infrannual income statement reflects the ordinary and extraordinary items relating to the period in accordance with accrual principles. In particular, income taxes reflect the charge relative to the period on the basis of the current and deferred taxation structure, calculated prudently without taking account of advantages pursuant to the Ciampi Law (L. 461/98 and D. Lgs. 153/99);
- the accounts used for consolidation are the preliminary accounts prepared by subsidiaries at 30 September 2000 (consolidated line-by-line or at equity), adjusted, where necessary, in line with Group accounting principles;
- valuations according to the equity method in companies subject to a significant degree of influence, in the income statement, have been made on the basis of information provided by the companies themselves and also using prudent estimates;
- adjustments and provisions made exclusively for tax purposes by consolidated subsidiaries have been reversed;
- own shares held by the Parent Bank are valued at cost and placed against net shareholders' equity reserves;
- only significant intercompany transactions and balances have been eliminated.

For companies included within the scope of consolidation, it should be noted that:

- there are no significant changes concerning within the scope of full consolidation;
- the consolidation at net equity of the indirect interest (25.71%) held in Banco di Napoli is included for the first time as a result of the acquisition of the

49% of the controlling Banco di Napoli Holding, at the beginning of July. The valuation at net equity of the Banco di Napoli means a positive difference upon consolidation of Euro 542 million, taken against preexisting negative differences together with those already posted in the consolidated half-year accounts with reference to the shareholding in the Cassa di Risparmio di Firenze.

Following the loss of SANPAOLO IMI's control of Crediop from June 1999 and given the importance of Crediop's contribution to the Group, the balance sheet and income statement for the first quarter of 1999 have been presented on a pro forma basis. This reflects the consolidation of Crediop and its subsidiaries on an equity basis rather than fully consolidated.

The quarterly balance sheet and income statement at 30 September 2000 have not been independently audited.

Turin, 24 October 2000

The Board of Directors

