

Quarterly Report 31 December 2001



SANPAOLO IMI S.p.A.

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

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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Key figures

	2001	2000 pro forma (1)	Change 2001 / 2000 pro forma (%)	2000 Financial Statement
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	2,786	2,874	-3.1	2,572
Net commissions and other net dealing revenues	2,605	2,852	-8.7	2,641
Administrative costs	-3,601	-3,572	+0.8	-3,076
Operating income	2,110	2,514	-16.1	2,460
Provisions and net adjustments to loans and financial fixed assets	-703	-639	+10.0	-581
Income before extraordinary items	1,258	1,699	-26.0	1,789
Net extraordinary income	381	402	-5.2	396
Net income	1,203	1,231	-2.3	1,292
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	171,469	172,101	-0.4	172,101
Loans to customers (excluding net NPLs and SGA loans)	94,254	94,953	-0.7	94,953
Securities	23,266	25,000	-6.9	25,000
Equity investments	4,701	3,573	+31.6	3,573
Customer deposits and securities issued	108,042	104,144	+3.7	104,144
Subordinated liabilities	5,607	5,158	+8.7	5,158
Shareholders' equity	8,184	7,353	+11.3	7,353
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	306,652	304,141	+0.8	304,141
- Direct deposits	108,042	104,144	+3.7	104,144
- Indirect deposits	198,610	199,997	-0.7	199,997
- Asset management	126,047	128,913	-2.2	128,913
- Asset administration	72,563	71,084	+2.1	71,084
PROFITABILITY RATIOS (%)				
RoE (2)	16.6	18.5		18.1
Cost / Income ratio (3)	64.0	59.2		56.2
Net commissions / Administrative costs	72.3	79.8		85.9
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	0.9	1.0		1.0
Net problem loans and loans in restructuring / Net loans to customers	0.9	1.0		1.0
CAPITAL ADEQUACY RATIOS (%) (4)				
Tier 1 capital / Weighted assets	7.3	6.6		6.6
Total capital / Weighted assets	9.3	9.1		9.1
SANPAOLO IMI SHARES				
Number of shares (millions)	1,404	1,404	-	1,404
- number of shares in circulation	1,387	1,365	+1.6	1,365
- number of own shares held by the Parent Bank	17	39	-56.4	39
Quoted price per share (€; reference prices)				
- average	14.375	16.612	-13.5	16.612
- low	8.764	11.483	-23.7	11.483
- high	18.893	20.800	-9.2	20.800
Earnings per average number of shares in circulation (€)	0.87	0.93	-6.5	0.93
Dividend per share (€)	0.57 (5)	0.57	-	0.57
Dividend / Average annual price (%)	3.97	3.42	+16.1	3.42
Shareholders' equity per share in circulation (€)	5.90	5.39	+9.5	5.39
OPERATING STRUCTURE				
Employees	35,028	35,729	-2.0	35,729
Domestic branches	2,201	2,137	+3.0	2,137
Foreign branches and representative offices	93	91	+2.2	91
Financial planners	5,506	5,495	+0.2	5,495

(1) The pro forma figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/11/2000. This provides a more consistent comparison with 2001.

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

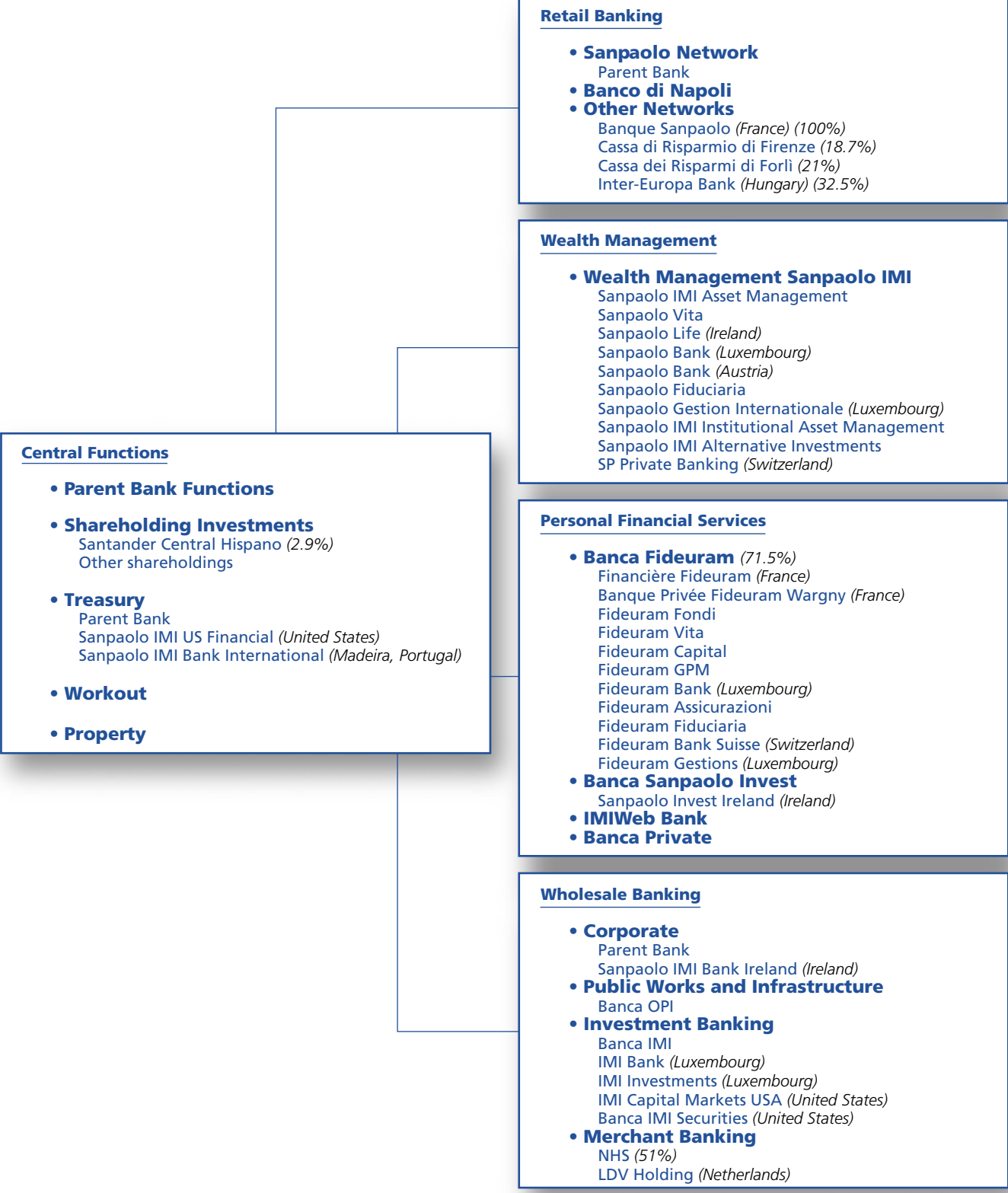
(3) Administrative costs (net of recoveries) and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income.

(4) The figures at 31/12/2001 are estimated. The ratios reflect the Bank of Italy's regulatory clarifications made in its technical note of 3 August 2001.

(5) Dividend to be proposed to the Shareholders' Meeting.

The pro forma figures for the year 2000 as well as the figures for the year 2001 are unaudited.

Group structure



The above breakdown by Business Areas shows the new structure of the Group, with operational effect from 1 September 2001.

Reclassified consolidated financial statements

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

RECLASSIFIED CONSOLIDATED BALANCE SHEET

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED BALANCE SHEET

Reclassified consolidated statement of income

	2001 (€/mil)	2000 pro forma (1) (€/mil)	Change 2001 / 2000 pro forma (%)	2000 Financial Statement (€/mil)
NET INTEREST INCOME	2,786	2,874	-3.1	2,572
Net commissions and other net dealing revenues	2,605	2,852	-8.7	2,641
Profits and losses from financial transactions and dividends on shares	272	296	-8.1	263
Profits from companies carried at equity and dividends from shareholdings	206	147	+40.1	146
NET INTEREST AND OTHER BANKING INCOME	5,869	6,169	-4.9	5,622
Administrative costs	-3,601	-3,572	+0.8	-3,076
- personnel	-2,220	-2,256	-1.6	-1,929
- other administrative costs	-1,180	-1,109	+6.4	-958
- indirect duties and taxes	-201	-207	-2.9	-189
Other operating income, net	235	247	-4.9	213
Adjustments to tangible and intangible fixed assets	-393	-330	+19.1	-299
OPERATING INCOME	2,110	2,514	-16.1	2,460
Adjustments to goodwill and merger and consolidation differences	-149	-176	-15.3	-90
Provisions and net adjustments to loans and financial fixed assets	-703	-639	+10.0	-581
INCOME BEFORE EXTRAORDINARY ITEMS	1,258	1,699	-26.0	1,789
Net extraordinary income	381	402	-5.2	396
INCOME BEFORE TAXES	1,639	2,101	-22.0	2,185
Income taxes for the period	-333	-770	-56.8	-785
Change in reserves for general banking risks	-1	2	n.s.	2
Income attributable to minority interests	-102	-102	-	-94
Reversal of income Banco di Napoli group (2)	-	-	n.s.	-16
NET INCOME	1,203	1,231	-2.3	1,292

(1) The pro forma statement of income 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 consolidated Financial Statements for 2000 was reflected line by line throughout the whole of the second half.

The pro forma statement of income for the year 2000 as well as the statement of income for the year 2001 are unaudited.

Quarterly analysis of the reclassified consolidated statement of income

	2001				2000 pro forma (1)			
	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)
NET INTEREST INCOME	695	668	697	726	759	719	709	687
Net commissions and other net dealing revenues	653	623	676	653	735	679	692	746
Profits and losses from financial transactions and dividends on shares	99	35	73	65	76	55	49	116
Profits from companies carried at equity and dividends from shareholdings	53	9	85	59	41	30	41	35
NET INTEREST AND OTHER BANKING INCOME	1,500	1,335	1,531	1,503	1,611	1,483	1,491	1,584
Administrative costs	-946	-871	-911	-873	-932	-888	-897	-855
- <i>personnel</i>	-566	-538	-561	-555	-601	-561	-550	-544
- <i>other administrative costs</i>	-333	-284	-295	-268	-278	-276	-296	-259
- <i>indirect duties and taxes</i>	-47	-49	-55	-50	-53	-51	-51	-52
Other operating income, net	56	56	69	54	65	62	63	57
Adjustments to tangible and intangible fixed assets	-120	-100	-93	-80	-127	-76	-66	-61
OPERATING INCOME	490	420	596	604	617	581	591	725
Adjustments to goodwill and merger and consolidation differences	-44	-36	-36	-33	-49	-41	-44	-42
Provisions and net adjustments to loans and financial fixed assets	-313	-139	-150	-101	-263	-105	-159	-112
INCOME BEFORE EXTRAORDINARY ITEMS	133	245	410	470	305	435	388	571
Net extraordinary income	33	171	104	73	41	51	201	109
INCOME BEFORE TAXES	166	416	514	543	346	486	589	680
Income taxes for the period	36	-54	-120	-195	-97	-184	-200	-289
Change in reserves for general banking risks	-4	-1	2	2	-1	-	3	-
Income attributable to minority interests	12	-56	-35	-23	-22	-26	-29	-25
NET INCOME	210	305	361	327	226	276	363	366

(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 provides a more consistent comparison with 2001.

The pro forma quarterly statements of income for 2000 as well as the quarterly statements of income for 2001 are unaudited.

Reclassified consolidated balance sheet

	31/12/2001 (€/mil)	31/12/2000 (€/mil)	Change 31/12/01-31/12/00 (%)
ASSETS			
Cash and deposits with central banks and post offices	839	708	+18.5
Loans	118,908	117,825	+0.9
- due from banks	21,780	19,119	+13.9
- loans to customers	97,128	98,706	-1.6
Dealing securities	19,841	18,329	+8.2
Fixed assets	10,240	12,396	-17.4
- investment securities	3,425	6,671	-48.7
- equity investments	4,701	3,573	+31.6
- intangible fixed assets	381	359	+6.1
- tangible fixed assets	1,733	1,793	-3.3
Differences arising on consolidation and on application of the equity method	1,026	989	+3.7
Other assets	20,615	21,854	-5.7
Total assets	171,469	172,101	-0.4
LIABILITIES			
Payables	135,977	133,740	+1.7
- due to banks	27,935	29,596	-5.6
- customer deposits and securities issued	108,042	104,144	+3.7
Provisions	3,201	4,601	-30.4
- for taxation	904	1,230	-26.5
- for termination indemnities	734	743	-1.2
- for risks and charges	1,520	1,500	+1.3
- for pensions and similar	43	1,128	-96.2
Other liabilities	17,830	20,534	-13.2
Subordinated liabilities	5,607	5,158	+8.7
Minority interests	670	715	-6.3
Shareholders' equity (1)	8,184	7,353	+11.3
Total liabilities	171,469	172,101	-0.4

(1) Reserves are net of own shares held by the Parent Bank, 39,345,982 at a book value of 697 million Euro at 31 December 2000 and 17,080,403 at a book value of 294 million Euro at 31 December 2001.

The balance sheet figures at 31/12/2001 are unaudited.

Quarterly analysis of the reclassified consolidated balance sheet

	2001				2000			
	31/12	30/9	30/6	31/3	31/12	30/9 pro forma (1)	30/6 pro forma (1)	31/3 pro forma (1)
	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)
ASSETS								
Cash and deposits with central banks and post offices	839	505	478	507	708	676	617	514
Loans	118,908	114,999	117,097	117,966	117,825	118,220	121,247	118,771
- due from banks	21,780	19,261	18,717	21,382	19,119	23,028	25,852	24,752
- loans to customers	97,128	95,738	98,380	96,584	98,706	95,192	95,395	94,019
Dealing securities	19,841	17,869	21,777	19,283	18,329	18,601	20,929	18,557
Fixed assets	10,240	10,813	11,000	12,197	12,396	12,415	12,164	11,955
- investment securities	3,425	4,321	4,615	5,746	6,671	7,103	7,120	6,635
- equity investments	4,701	4,383	4,240	4,313	3,573	3,199	2,917	3,224
- intangible fixed assets	381	368	377	356	359	335	335	326
- tangible fixed assets	1,733	1,741	1,768	1,782	1,793	1,778	1,792	1,770
Differences arising on consolidation and on application of the equity method	1,026	1,068	1,064	966	989	907	941	918
Other assets	20,615	21,665	22,626	23,452	21,854	21,518	22,003	23,660
Total assets	171,469	166,919	174,042	174,371	172,101	172,337	177,901	174,375
LIABILITIES								
Payables	135,977	130,537	136,156	135,464	133,740	135,093	138,250	134,402
- due to banks	27,935	27,359	31,032	30,679	29,596	31,380	35,115	30,529
- customer deposits and securities issued	108,042	103,178	105,124	104,785	104,144	103,713	103,135	103,873
Provisions	3,201	3,012	4,241	4,857	4,601	4,204	4,035	4,194
- for taxation	904	793	864	1,432	1,230	1,147	999	1,352
- for termination indemnities	734	745	758	753	743	743	740	739
- for risks and charges	1,520	1,433	1,509	1,553	1,500	1,132	1,105	903
- for pensions and similar	43	41	1,110	1,119	1,128	1,182	1,191	1,200
Other liabilities	17,830	19,213	20,062	20,077	20,534	20,937	23,844	23,595
Subordinated liabilities	5,607	5,400	5,178	5,148	5,158	3,803	3,760	3,906
Minority interests	670	787	737	736	715	755	730	699
Shareholders' equity (2)	8,184	7,970	7,668	8,089	7,353	7,545	7,282	7,579
Total liabilities	171,469	166,919	174,042	174,371	172,101	172,337	177,901	174,375

(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, 30/9/2001 and 31/12/2001 are unaudited.

Report on Group Operations

ACTION POINTS AND INITIATIVES IN THE QUARTER

CONSOLIDATED RESULTS

CAPITAL AND RESERVES

FINANCIAL RISK MANAGEMENT

SUPPLEMENTARY INFORMATION

Performance of share prices

Shareholders of SANPAOLO IMI

Ratings

GROUP BUSINESS AREAS

Action points and initiatives in the quarter

The actions to strengthen the competitive positioning in the market realized by the SANPAOLO IMI Group in the fourth quarter of 2001 were concentrated in the first place on the integration project with Cardine Banca, expressed in the industrial integration Plan which sets out the principal strategic lines of the Group after the merger, the shareholding and organizational structure, as well as the profit and operational objectives for the four years 2002-2005. At the same time actions directed to external development were undertaken, among which the collaboration arrangements with the French Group CDC-Caisse des Dépôts et Consignations and the launch of a Public Offer for the Slovenian Banka Koper should be noted, as well as the initiatives to strengthen and rationalize the structure of the Group, with the primary objective to achieve a better focus in the various sectors of business.

The Cardine Banca integration project

On 18 December 2001 the Boards of Directors of SANPAOLO IMI and Cardine Banca approved the industrial integration Plan between the two Groups and the merger project, whose principle lines were presented to the Bank of Italy on 19 October; the project has considerable importance in the Italian banking context, leading to the creation of the country's second Group. The Cardine Group, created from the merger of the Casse Venete and the Cassa di Risparmio in Bologna, represents an important banking presence in the regions of North East Italy, where its branch network, made up of 837 branches at the end of the year, is concentrated.

The project, which will be placed before the respective Shareholders' Meetings at the beginning of March 2002, envisages the merger by incorporation of Cardine into SANPAOLO IMI, through the prior conferral into a new banking company (Nuova Cardine Banca), with legal office in Padua, where development towards the markets of Central Eastern Europe will be concentrated.

The effectiveness of the merger in accounting and tax terms will be from 1 January 2002; the exchange ratio proposed by the Boards to Shareholders is 1.7950 SANPAOLO IMI shares for each Cardine share; on that basis,

to serve the exchange, SANPAOLO IMI will increase its equity capital up to a maximum of 1,381.7 million Euro, through the issue of approximately 493.5 million ordinary shares nominal unit value of 2.80 Euro, which will be assigned to the shareholders of the bank to be incorporated, against the cancellation and exchange of a maximum of 274.9 million ordinary shares of Cardine Banca in circulation, of nominal value 5.20 Euro per share. The project envisages the possibility for SANPAOLO IMI to use up to 70 million own shares for the exchange.

The aggregation between the two Groups, whose logic is contained in the industrial integration Plan, is based upon:

- the creation of a bank of considerable dimensions in terms of intermediated assets and geographical presence: on the basis of figures at the end of June 2001, total assets were estimated at 213 billion Euro, customer financial assets exceeded 356 billion Euro, loans to customers amounted to 124 billion Euro and branches in Italy were approximately 3,000;
- the geographical and business complementarity: the new entity will in fact be able to count on the wide presence of the Sanpaolo Network in the North West, the leadership position of Banco di Napoli in the South and Cardine's roots in the North East, one of the wealthiest areas in the country in industrial and financial terms; moreover, in business terms, SANPAOLO IMI will be able to offer Cardine's customers its specific competencies in asset management, product production and specialist units in wholesale banking;
- the focus on areas of business with high potential: to the traditional business portfolio represented by the banking networks, the distribution networks of Personal Financial Services and by Wealth Management, the new Group will be able to add activities with considerable potential to generate value, such as private banking, consumer banking, private equity and development in Central Eastern Europe;
- the achievement of important economies of scale: the new Group will be able to make use of a Macchina Operativa Intragruppo (Intragroup Operating Vehicle) to serve the Sanpaolo Network, Cardine and Banco di Napoli, in which the management of IT systems, auxiliary activities and back office will be concentrated, consistently with the strict program of rationalization and structural containment of costs launched by SANPAOLO IMI at the end of the first half.

The economic-financial projections for 2001-2005 suggest estimates of growing gross synergies from the

merger, reaching approximately 280 million Euro before taxes in 2005. These synergies derive from both the improvement in the revenue base from the existing business (130 million Euro), and the achievement of cost synergies (102 million Euro) and, finally, returns coming from the joint development of new businesses with substantial potential future upside, prudently calculated at around 50 million Euro. The integration costs have been valued at 260 million Euro.

The new Group hopes to achieve, in 2005, a RoE target of 21% and a reduction in the cost/income ratio of 14 percentage points approximately compared to their current levels, moving from 65% in pro forma 2001 to 51% in 2005.

Particularly innovative is the shareholding structure of the Parent Bank which will result from the merger: the Compagnia di San Paolo, which holds 16.1% of SANPAOLO IMI, and the Fondazioni Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna, which hold stakes of respectively 40.2% and 28.6% in Cardine Banca, have agreed to limit to a total of 15% their voting rights in ordinary shareholders' meetings of SANPAOLO IMI following the merger.

This objective will be pursued through a schema which envisages the entrusting of this stake to an appropriately dedicated vehicle, established at the beginning of January 2002 and called Fondaco SGR, created from two equal stakes of the capital of the company created from the merger, one of 7.5% by the Compagnia di San Paolo and the other, again of 7.5%, by the other two Fondazioni in proportion to their current shareholdings in Cardine Banca; in greater detail, the Fondazioni Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna will confer respective shares of 4.38% and 3.12%. The remaining shares, not placed in management in the new structure, will be converted into preference shares, convertible in turn, on request, into ordinary shares after a period of 10 years or in case of sale. The shareholding structure of the SGR is divided into equal parts between the Compagnia di San Paolo, on the one hand, and the other two Fondazioni on the other, providing for a minority share of 20% to a qualified independent advisor for the management of the assets, identified in Ersel Finanziaria. It is further expected that Fondaco will substitute the Compagnia in the consultation agreement signed with other private shareholders of SANPAOLO IMI.

Alliances and commercial agreements

Among the important initiatives made by SANPAOLO IMI in the course of the quarter the collaboration agreements with the French Group Caisse des Dépôts et Consignations (CDC) should also be noted; at the beginning of October the two Groups formally signed a "Protocol of Agreement" which sets out the guidelines concerning the envisaged industrial and commercial collaboration and defines their reciprocal commitments in shareholding terms.

In the last quarter of 2001 the two Groups were active in identifying the initiatives to make the intense operational agreements envisaged concrete, defining the priority areas which offer the most interesting opportunities for joint development; in particular:

- in asset management, where the two Groups are among the leaders in their respective domestic markets, marketing opportunities, on a reciprocal basis, and the creation and development of new lines of innovative and specialist products, exploiting their respective management experiences, are under examination;
- in private equity, where the two Groups are already collaborating on the basis of the agreement concluded in 2000 between NHS and CDC Participation, joint investment opportunities in France and Italy, as well as possible investments, on a reciprocal basis, in specialist funds are being evaluated;
- in capital markets, Banca IMI and CDC Ixis Capital Market are assessing the possibility of operating agreements, in particular in debt and equity markets;
- in lending, extending to the financing of projects and infrastructure, preliminary analyses to identify joint participation in pool financing in the various sectors of interest have been performed.

The collaboration between the two Groups may be extended to other operating areas such as retail banking, e-banking, life insurance, custody services, property management and financial guarantees.

As envisaged in the agreement, the CDC Group acquired in October a stake of 2% in SANPAOLO IMI for 323 million Euro; in December SANPAOLO IMI formalized the shareholding exchange with the Eulia Group, the newly established financial holding which controls the Caisse des Dépôts et Consignations Group and the Caisse d'Epargne Group, acquiring in turn an interest of a corresponding amount in CDC Ixis, the CDC Group's investment bank, approximately 3.5% of the capital.

Development initiatives abroad

In the fourth quarter of 2001 SANPAOLO IMI has also pursued the actions aimed at strengthening its operations in foreign countries with high development opportunities, in particular in Central Eastern Europe.

Following the positive conclusion, at the end of July, of the due diligence on Banka Koper, an agreement with the principal shareholders was signed on 30 October for the acquisition of a majority stake in the capital of the Slovenian bank. At the end of November 2001 SANPAOLO IMI purchased, with an outlay of approximately 37 million Euro, a first tranche of 15% and launched a full Public Offer for the shares of the bank. The price per share fixed for the Offer was made on the basis of a complete valuation of Banka Koper at 244 million Euro, which corresponds to approximately double estimated net shareholders' equity at the end of 2001.

Banka Koper represents the fourth Slovenian bank by total assets and operates through a network of 37 branches concentrated around Ljubljana; the bank, which principally takes deposits from retail customers and lends to corporate customers, is also one of the principal Slovenian issuers of debit and credit cards and active in trading and fund management. It has a share of approximately 7% of the Slovenian market, which has close commercial relationships with Italy and is among the most interesting in the area in terms of macro-economic indicators and growth prospects.

For the SANPAOLO IMI Group, which intends to preserve the identity and autonomy of the Slovenian bank, reinforcing its commercial capacity and product supply through the contribution of its know how, the transaction assumes particular importance also in the light of the future integration with Cardine Banca, whose entrepreneurial customers, concentrated in North East Italy, are aiming to increase commercial exchanges towards the markets of Eastern Europe.

Initiatives to rationalize Group structure

In parallel to the actions aimed at external growth, in the fourth quarter of 2001 the Group identified actions aimed at the rationalization of the structure, with the objective of an ever closer management of its business sectors.

Among these should be noted the sale agreements concerning equity shareholdings currently under definition with the Compagnia di San Paolo; these envisage, with effect prior to the merger with Cardine Banca, that SANPAOLO IMI will sell the Compagnia a portion (of 8%) of the shareholding of the 10.8% currently held in Cardine Banca, taking in turn 100% of CIP - Compagnia di San Paolo Investimenti Patrimoniali and approximately 40% of NHS. Following these transactions SANPAOLO IMI will transfer its shareholding in CIP to Banca OPI, widening the financial resources of the subsidiary, and will start the project to redefine the structure of NHS. This envisages the partial split of the company, with the transfer of its private equity business to a Newco (NHS Private Equity); the business that consists of generating value from the portfolio of considerable industrial investments will continue to be managed by the surviving company, which will take the name of IMI Investimenti.

Finally, also to be noted is that, in the context of the actions aimed at the integration of Banco di Napoli into the Group, SANPAOLO IMI, which currently holds 100% of the ordinary capital of the Banco, has decided to launch a voluntary Public Offer for the non-convertible savings shares of the Banco. The Offer, designed to provide a greater flexibility in the management of the shareholding, is expected in March and will cover the total amount of savings shares in circulation, approximately 127 million shares (excluding those already held by SANPAOLO IMI, corresponding to 0.85% of the savings capital); the total outlay, on the basis of the price fixed at 1.30 Euro per share, is valued at 165 million Euro in the case of total acceptance and will be wholly financed with own funds. The achievement of a level of acceptances, to reach a stake at least equal to the absolute majority of the savings capital, taking account of the shares already held by SANPAOLO IMI, will be a condition of effectiveness of the Offer.

Consolidated results

Summary of results

Following the worsening of the external economic environment recorded in the third quarter of 2001, from October the financial markets, although with certain signs of recovery, continued to be associated with high volatility; the economic context has moreover maintained its heightened weakness. In these conditions the revenues of SANPAOLO IMI Group in the final part of the year showed a slight increase on the previous quarter, remaining however below the levels of the first part of 2001 and the year 2000.

In total, profit margins for 2001 have shown a general reduction, in part attenuated by the effects of the operating cost containment actions launched at the end of the first half, as well as the measures taken to optimize the tax charge. In particular net interest and other banking income was 5,869 million Euro, 4.9% less than the previous year, principally due to lower commissions; operating income was reduced by 16.1% to 2,110 million Euro and income before extraordinary items fell by 26% to 1,258 million Euro.

Group net income was 1,203 million Euro, a little less than

the 1,231 million Euro recorded in 2000 on a consistent basis (-2.3%).

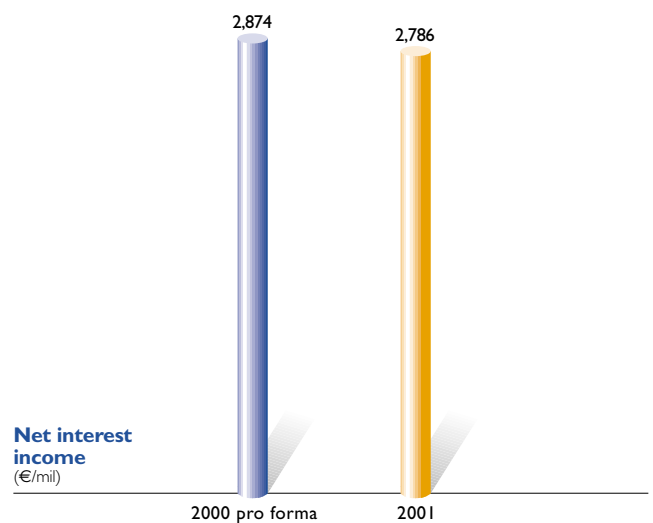
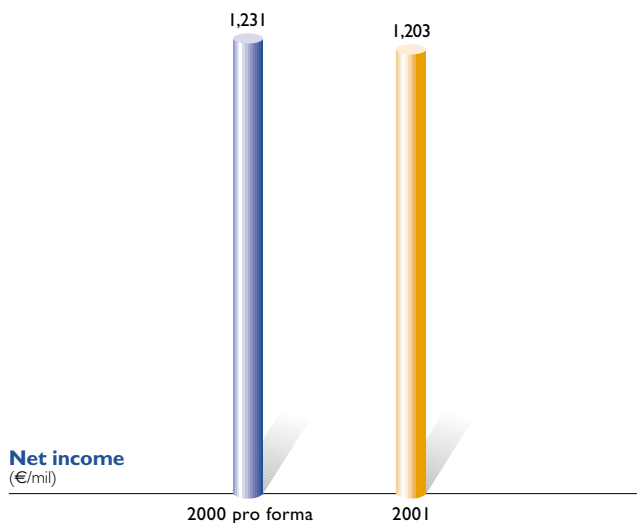
A dividend of 0.57 Euro per share, unchanged from that paid in respect of the financial year 2000, will be proposed to the Shareholders' Meeting.

Net interest income

Group net interest income in 2001 was 2,786 million Euro, down by 3.1% against the previous year; this performance was moreover influenced by factors not attributable to ordinary operating conditions:

- the posting of lower interest income from mortgages (22 million Euro), pursuant to decree law 394/2000, converted into law 24/2001;
- greater interest payable, 23 million Euro, paid by Banco di Napoli on the liquidity of the supplementary personnel pension fund which was spun off from the company in July; these charges are moreover reflected in a corresponding reduction in personnel costs.

Taking out these elements, Group net interest income would show a reduction of 1.5%, largely attributable to the progressive contraction in market rates and spreads beginning at the end of 2000 and continuing in the course of 2001.

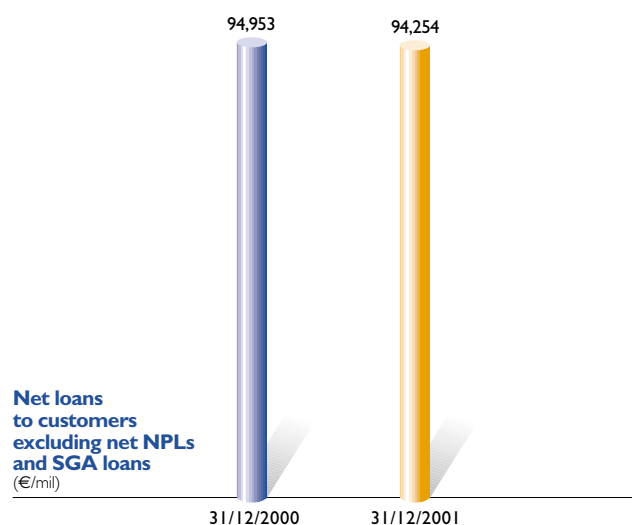


In terms of market rates, three-month Euribor fell by 1.54 percentage points, from 4.88% at the end of 2000 to 3.34% at the end of December 2001; the annual average for 2001, 4.27%, was 11 basis points lower than in the previous year; the 10-year BTP, in average terms, recorded a reduction of 40 basis points.

During 2001 the yield on interest-earning assets of the Group was 5.91%, 20 basis points less than in 2000; the cost of interest-bearing liabilities presented in turn a reduction of 16 basis points, passing from 4.07% to 3.91%. In business with customers, the average spread on deposit and lending volumes was 2.86% in 2001 against the 2.94% recorded in the previous year.

The average interest-earning assets of the Group showed a reduction of 2.1% in 2001 against the previous year; in this context, the average amounts of loans to customers, excluding repurchase agreements, moreover recorded an increase of 2.9%. On the liability side, there was a reduction of 1.7% in average volumes of direct customer deposits, net of repurchase agreements, due to a reduction of 5.2% in securities issued.

At the end of the year net loans to Group customers, excluding non-performing loans and loans to SGA, the company into which Banco di Napoli's doubtful loans were transferred, were 94.3 billion Euro, showing a fall in the 12 months of 0.7%. Within this total, medium- and



Analysis of average amounts and interest rates

	2001		2000 pro forma		Change 2001 / 2000 pro forma	
	Average amount (€/mil)	Average rate (%)	Average amount (€/mil)	Average rate (%)	Change in average amount (%)	Difference in rate (% points)
Interest-earning assets	126,138	5.91	128,801	6.11	-2.1	-0.20
- loans to customers (excluding repos)	89,436	6.42	86,886	6.60	+2.9	-0.18
- securities	14,812	5.09	15,794	5.57	-6.2	-0.48
- other interest-earning assets	21,890	4.41	26,121	4.81	-16.2	-0.40
Non interest-earning assets (1)	45,047		44,784		+0.6	
Total assets	171,185		173,585		-1.4	
Interest-bearing liabilities	119,412	3.91	122,855	4.07	-2.8	-0.16
- direct customer deposits (excluding repos)	89,149	3.56	90,716	3.66	-1.7	-0.10
- due to customers	52,586	2.51	52,162	2.40	+0.8	+0.11
- securities issued	36,563	5.08	38,554	5.36	-5.2	-0.28
- other interest-bearing liabilities	30,263	4.95	32,139	5.23	-5.8	-0.28
Non interest-bearing liabilities (1)	44,527		44,083		+1.0	
Shareholders' equity	7,246		6,647		+9.0	
Total liabilities and shareholders' equity	171,185		173,585		-1.4	

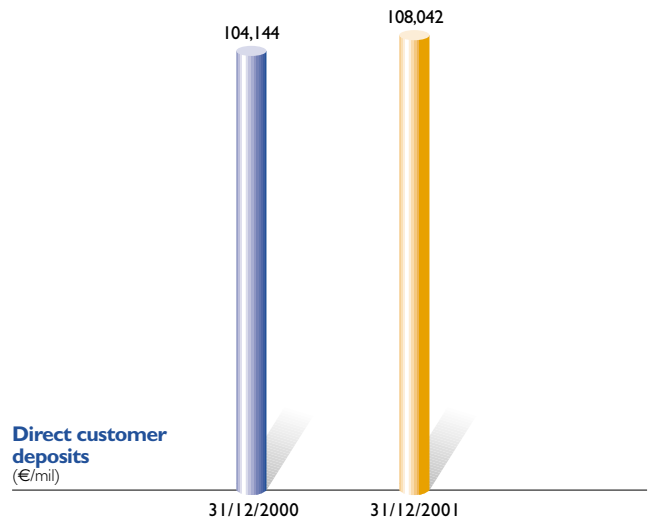
(1) This figure includes Banca IMI group's average volumes, in line with the reclassification of the related interest income and expense, which have been included in the caption "Profits and losses from financial transactions and dividends on shares" as they are more closely related to securities dealing.

long-term loans were the more active component, showing annual growth of 3.9%, against a reduction of 6.7% in short-term financings, in part due to repayments of substantial amounts.

In medium- and long-term loans, good progress in lending to the retail sector continued: mortgage disbursements by the Sanpaolo Network to households were 1.7 billion Euro in 2001, up by 8% on the previous year.

Direct customer deposits showed a particularly dynamic performance in the final part of the year: the flow in the fourth quarter of 2001, 4.9 billion Euro, brought the total to 108 billion Euro, with an increase of 3.7% from the beginning of the year. Customer preferences, in the face of market uncertainty, were directed in particular towards forms of short-term investment: during the year repurchase agreements grew by 2.5 billion Euro (+32%) and commercial paper by approximately 1 billion Euro (+33.2%). Current accounts and deposits and bonds also increased (respectively by 1.6% and 4.6%) while the flow out of certificates of deposit continued (-6.1%).

At the end of December 2001 the Group's domestic market shares were 8.4% in both loans to customers and direct customer deposits.



Loans to customers

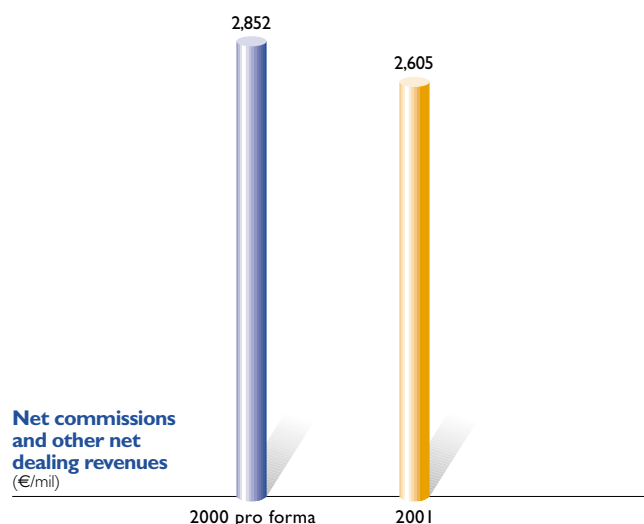
	31/12/2001		31/12/2000		Change 31/12/01-31/12/00 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Short-term loans	38,676	39.8	41,438	42.0	-6.7
Medium- and long-term loans	55,578	57.2	53,515	54.2	+3.9
Loans to customers excluding net NPLs and SGA loans	94,254	97.0	94,953	96.2	-0.7
Net non-performing loans	833	0.9	1,015	1.0	-17.9
SGA loans	2,041	2.1	2,738	2.8	-25.5
Loans to customers	97,128	100.0	98,706	100.0	-1.6

Direct customer deposits

	31/12/2001		31/12/2000		Change 31/12/01-31/12/00 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Current accounts and deposits	54,261	50.2	53,396	51.3	+1.6
Certificates of deposit	8,346	7.7	8,888	8.5	-6.1
Bonds	27,813	25.8	26,589	25.5	+4.6
Commercial paper	4,137	3.8	3,107	3.0	+33.2
Repurchase agreements and securities lending	10,484	9.7	7,944	7.6	+32.0
Other deposits	3,001	2.8	4,220	4.1	-28.9
Direct customer deposits	108,042	100.0	104,144	100.0	+3.7

Net commissions and other net dealing revenues

Group net commissions in 2001 were 2,605 million Euro, down by 8.7% on the previous year; the flow in the final three months of the year, helped by the recovery in asset management, was 653 million Euro, up on the 623 million Euro recorded in the previous quarter.



Compared to 2000, the reduction in commissions is wholly due to asset management and securities dealing which fell by 15.2%; this lower amount was partially compensated for by growth in commission revenues related to loans and guarantees (+17.5%), management of deposits and current accounts (+4.2%) and collection and payment services (+2.3%); in the context of other commissions, the contribution of revenues from merchant banking was 12 million Euro.

In terms of operating volumes, following the difficulties of September, the amount of assets under management of the Group showed an inversion in trend, growing in the fourth quarter by 7.9 billion Euro; both the significant net inflow, 3.8 billion Euro, and a positive performance effect of 4.1 billion Euro, helped by the recovery in equity prices, contributed to this increase.

At the end of 2001 the volumes of assets under management were thus 126 billion Euro; against the beginning of the year there was a reduction of 2.9 billion Euro (-2.2%) caused by a devaluation of 9.6 billion Euro countered in part by a net flow of 6.7 billion Euro.

Net commissions and other net dealing revenues

	2001 (€/mil)	2000 pro forma (€/mil)	Change 2001 / 2000 pro forma (%)
Management, dealing and advisory services	1,773	2,092	-15.2
Loans and guarantees	235	200	+17.5
Collection and payment services	175	171	+2.3
Deposits and current accounts	297	285	+4.2
Other services and net dealing revenues	125	104	+20.2
Net commissions and other net dealing revenues	2,605	2,852	-8.7

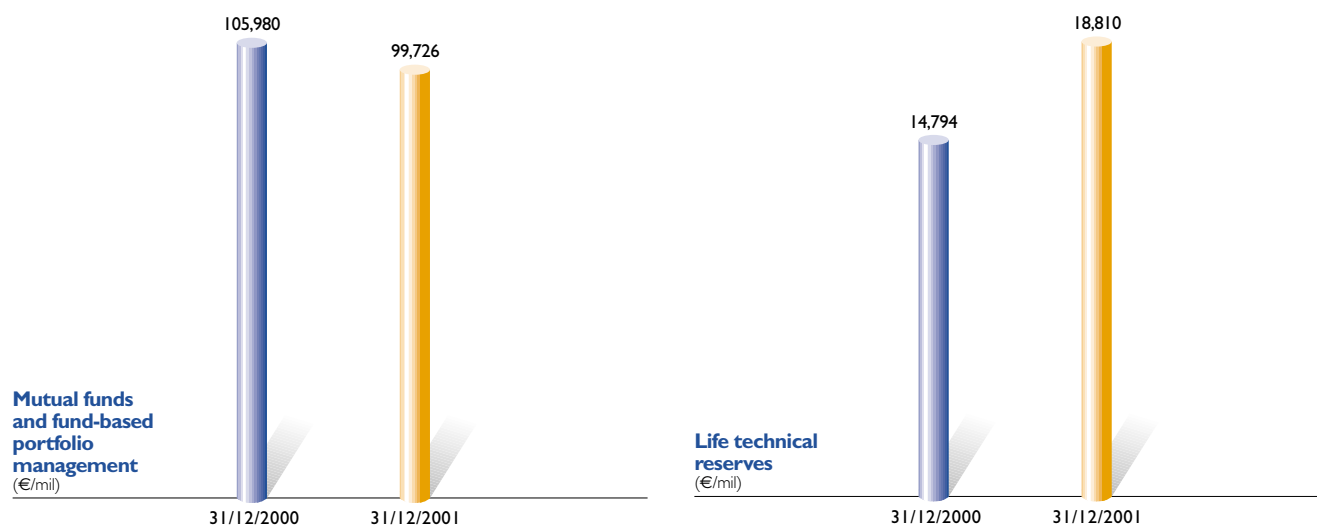
Customer financial assets

	31/12/2001		31/12/2000		Change 31/12/01-31/12/00 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Asset management	126,047	41.1	128,913	42.4	-2.2
Asset administration	72,563	23.7	71,084	23.4	+2.1
Direct deposits	108,042	35.2	104,144	34.2	+3.7
Customer financial assets	306,652	100.0	304,141	100.0	+0.8

In this context:

- the amounts in mutual funds and fund-based portfolio management, particularly hit by the negative performance in equities, showed a reduction of 6.3 billion Euro from the beginning of the year, recording a fall of 5.9% from December 2000; the weight of equity funds was 32% at the end of 2001, against 38.8% at the end of 2000;

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Asset management

	31/12/2001		31/12/2000		Change 31/12/01-31/12/00 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	99,726	79.1	105,980	82.2	-5.9
Portfolio management	7,511	6.0	8,139	6.3	-7.7
Life technical reserves	18,810	14.9	14,794	11.5	+27.1
Asset management	126,047	100.0	128,913	100.0	-2.2

Change in assets under management

	2001 (€/mil)	2000 pro forma (€/mil)
Net inflow for the period	6,741	15,113
- Mutual funds and fund-based portfolio management	2,042	11,928
- Portfolio management	336	127
- Life technical reserves	4,363	3,058
Performance	-9,607	-5,698
Change in assets under management	-2,866	9,415

Mutual funds by type

	31/12/2001 %	31/12/2000 %
Equity	32.0	38.8
Balanced	15.2	19.0
Bond	52.8	42.2
Total Group mutual funds	100.0	100.0

- life technical reserves instead continued to grow during the year, representing one of the forms of investment preferred by customers; the net flow from the distribution networks, 4.4 billion Euro, took the amount at the end of 2001 to 18.8 billion Euro (+27.1%).

The Group's domestic market share in asset management grew in the year from 14.2% to 14.4%; the greater market share in life policies, estimated at the end of 2001 at 8.7% against 7.3% at the beginning of the year, was particularly significant, while the share in mutual funds was stable at 18.9%.

Profits from financial transactions, profits from companies carried at equity and dividends

Profits from financial transactions and dividends on shares held by the Group were 272 million Euro in 2001, down by 8.1% on the preceding year. Performance in the year was conditioned by the difficult external context, which had a particularly negative impact on investment banking; moreover, this revenue item recorded a significant growth in the final quarter, in part due marking to market the securities held in portfolio.

Profits from companies carried at equity and dividends from shareholdings, 206 million Euro, showed an annual growth of 40.1%. In particular:

- dividends distributed by companies outside the Group doubled on 2000, rising to 127 million Euro; these include 38 million Euro distributed by Santander Central Hispano, 27 million from the 10.8% stake in Cardine Banca and 25 million Euro in total from shareholdings held by the Group's merchant bank, NHS;
- profits from companies carried at equity were 79 million Euro; in this context, the significant growth related to the good performance of Wealth Management's insurance companies, Sanpaolo Vita and Sanpaolo Life, whose contribution was 55 million Euro, against 27 million in 2000, should be noted.

Costs

The structural cost containment actions launched in the first part of the year allowed the Group to record in

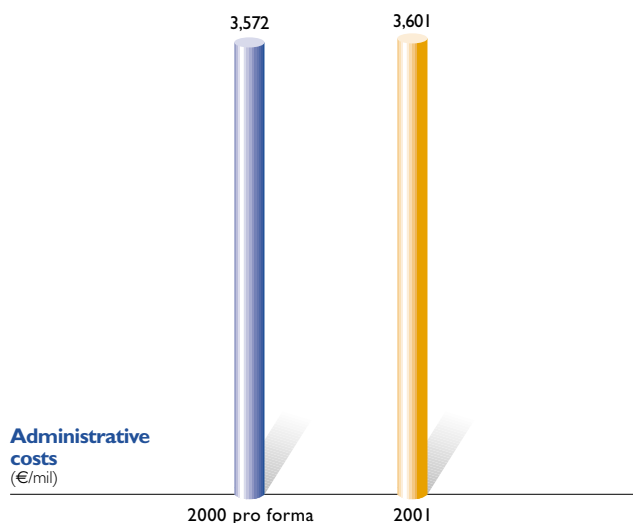
2001 administrative costs of 3,601 million Euro, substantially in line with the previous year (+0.8%).

In particular, personnel costs fell by 1.6% to 2,220 million Euro; not only the savings achieved by Banco di Napoli following the reduction in number of employees and the effects already mentioned of the spin-off of the supplementary personnel pension fund, but also the greater flexibility in the methods of remuneration introduced by Group companies which allowed, against the reduction in revenues, the containment of the variable part of remuneration, contributed to the positive performance.

Other administrative costs showed an increase of 6.4% on 2000, at 1,180 million Euro; this amount includes, moreover, charges of a non-recurrent nature taken by the Group in the final part of the year, due to external growth operations in course as well as the completion of procedural measures and actions connected to the introduction of the Euro.

Adjustments to tangible and intangible fixed assets for 2001 were 393 million Euro, an annual increase of 19.1%; the increase was particularly influenced by the acceleration of investments to reinforce distribution channels in the second part of 2000.

Adjustments to goodwill and merger and consolidation differences, 149 million Euro, showed a reduction of 15.3% compared to the previous year; this item includes 85 million Euro related to goodwill amortization of Banco di Napoli.



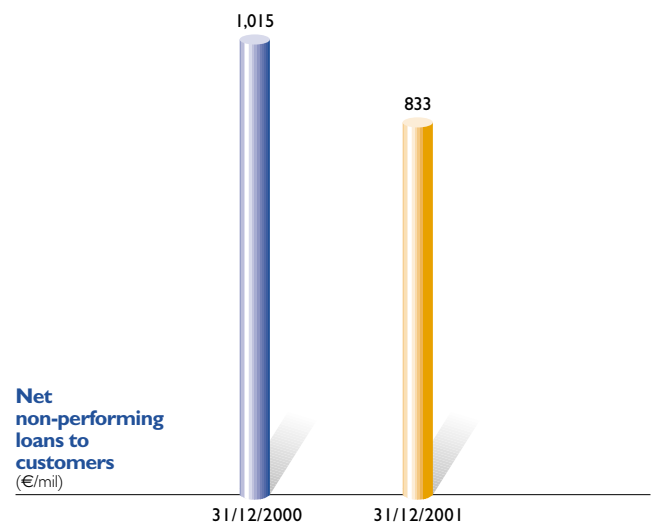
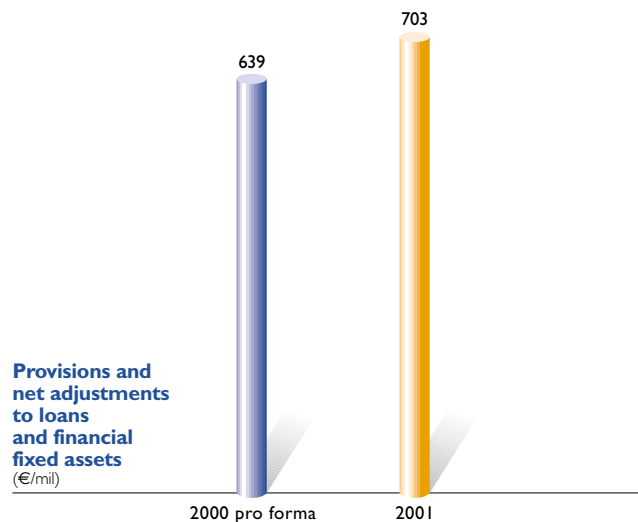
Provisions and adjustments

Provisions and net adjustments to loans and financial fixed assets were 703 million Euro, an increase of 10% on the 639 million Euro in 2000.

The flow in 2001 incorporates greater provisions for credit risks, prudently taken against the deterioration in the economic environment and designed both to book specific positions to market values, among them Enron, and to reinforce the coverage of inherent risk in the performing loan portfolio. In contrast, provisions for risks and charges were at normal levels, after the peak recorded in 2000 to cover the effects of the possible renegotiation of subsidi-

dized building mortgages. Further adjustments of approximately 220 million Euro were made on the shareholding portfolio and merchant banking investments.

At the end of 2001 the net doubtful loans of the Group were 1,762 million Euro, 395 million less than at the end of 2000 (-18.3%). This positive performance was also helped by the completion, in May, of a non-recourse sale of non-performing loans, with a book value of approximately 110 million Euro and, in July, of the sale of 100% of Sanpaolo Immobiliare, a company dedicated to the management of non-performing mortgage loans acquired without recourse from the Parent Bank in 1994, which led to a reduction in net non-performing loans of 45 million Euro.



Analysis of loan portfolio

	31/12/2001		31/12/2000		Change 31/12/01-31/12/00 (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Non-performing loans	833	0.9	1,015	1.0	-17.9
Problem, restructured and in course of restructuring loans	838	0.9	982	1.0	-14.7
Loans to countries at risk - customers	33	0.0	106	0.1	-68.9
Performing loans	95,424	98.2	96,603	97.9	-1.2
Total loans to customers	97,128	100.0	98,706	100.0	-1.6
Non-performing and problem loans - banks	1		1		-
Loans to countries at risk - banks	57		53		+7.5

In particular, in terms of loans to customers:

- net non-performing loans, 833 million Euro at the end of December 2001, showed a reduction of 182 million Euro from the beginning of the year; the ratio of net non-performing loans / net loans to customers fell from 1% to 0.9%. The non-performing loans of the Group at the end of 2001 had a coverage ratio, also taking account of tax write-offs, of 76.2%;
- problem, restructured and in course of restructuring loans amounted to 838 million Euro, a fall of 144 million from the beginning of the year; the coverage ratio, also taking account of tax write-offs, was 35.3%;
- non-guaranteed loans to customers in countries subject to country risk, as defined by regulators, fell from 106 to 33 million Euro during the year; this was due above all to the repayment of loans to customers resident in Argentina which, in net terms, were largely written off by the end of the year.

Extraordinary income and taxes

Group net extraordinary income in 2001 was 381 million Euro, showing a reduction of 5.2% on an annual basis; among the principal revenues accounted for in the period were:

- 228 million Euro in capital gains from NHS following the sale of the 6.2% held in Montedison;
- 50 million Euro from capital gains from the sale of a stake of 10.7% in Beni Stabili;
- 30 million Euro in capital gains from own shares, sold to the Fondazione Carivenezia in the context of the acquisition of a stake of 10.8% in Cardine Banca.

Among the extraordinary charges were provisions of 114 million Euro made by Banco di Napoli to cover risks and charges that may be incurred by the Banco for pensions.

The tax rate of the Group was 20.3%, down on 36.6% in 2000. This is essentially due to the recovery by subsidiaries of prior tax losses for which the corresponding prepaid taxes were not posted, in the absence of a stable reinstatement of profit capacity, as well as following extraordinary tax savings connected to actions to rationalize the Group's structure in Italy and abroad.

Finally it should be noted that the taxes for 2001, in line with the criteria adopted in previous years, have been calculated without taking account of the incentives envisaged by the Legge Ciampi for the merger between San Paolo and IMI and the acquisition of Banco di Napoli.

Capital and reserves

Net shareholders' equity

Group shareholders' equity at 31 December 2001 was 8,184 million Euro net of own shares held by the Parent Bank. Movements in the year were as follows:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
Net shareholders' equity at 1 January 2001	7,353
Decreases	-787
- Dividends	-787
Increases	1,618
- Capital	1
- Share premium reserve	4
- Provision for general banking risks	1
- Exchange and other adjustments	6
- Decrease in own shares held by the Parent Bank	403
- Net income for the year	1,203
Net shareholders' equity at 31 December 2001	8,184

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

Own shares held by the Group at 31 December 2001 were 17,895,967, or 1.27% of the equity capital, and were written into the balance sheet at 304 million Euro. The Parent Bank, in particular, held 17,080,403 shares at the end of the year, with a book value, carried at cost, of 294 million Euro (17.2 Euro per share). The decrease against the end of 2000 is attributable to the sale to Fondazione Cassa di Risparmio di Venezia of approximately 27.5 million shares, or 1.96% of the capital of SANPAOLO IMI, in the context of the acquisition of a shareholding of 10.8% in Cardine Banca.

Regulatory capital and capital adequacy

At the end of December 2001 the ratio of regulatory capital to total weighted assets against credit and market risks was estimated at around 9.3%; the ratio of Group primary capital to total weighted assets was estimated at 7.3%.

Financial risk management

Financial risks from lending business

In 2001 the market risk generated by the lending activities of the Group, 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 168 million Euro with a low and high of respectively 120 and 226 million Euro. In the fourth quarter, the average shift sensitivity (214 million Euro) grew compared to the previous period, following from the Group's adoption of policies to maximize the fair value of its portfolio, in relation to expected interest rates.

The Value at Risk (VaR) of the banking book, calculated as the 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%, fluctuated during the year at an average value of 96 million Euro, slightly higher than the 94 million Euro regis-

tered in the first nine months of the year. VaR at the end of December was 114 million Euro.

Equity investments in non-Group listed companies

The market value of equity investments held in quoted companies not consolidated line by line or at net equity, according to the end of December prices, showed a market value of 2,111 million Euro, of which 382 million was held by the merchant bank NHS, 51% held by SANPAOLO IMI. This market value showed a net potential capital gain of 27 million Euro against book value, after deduction of minority interests related to NHS.

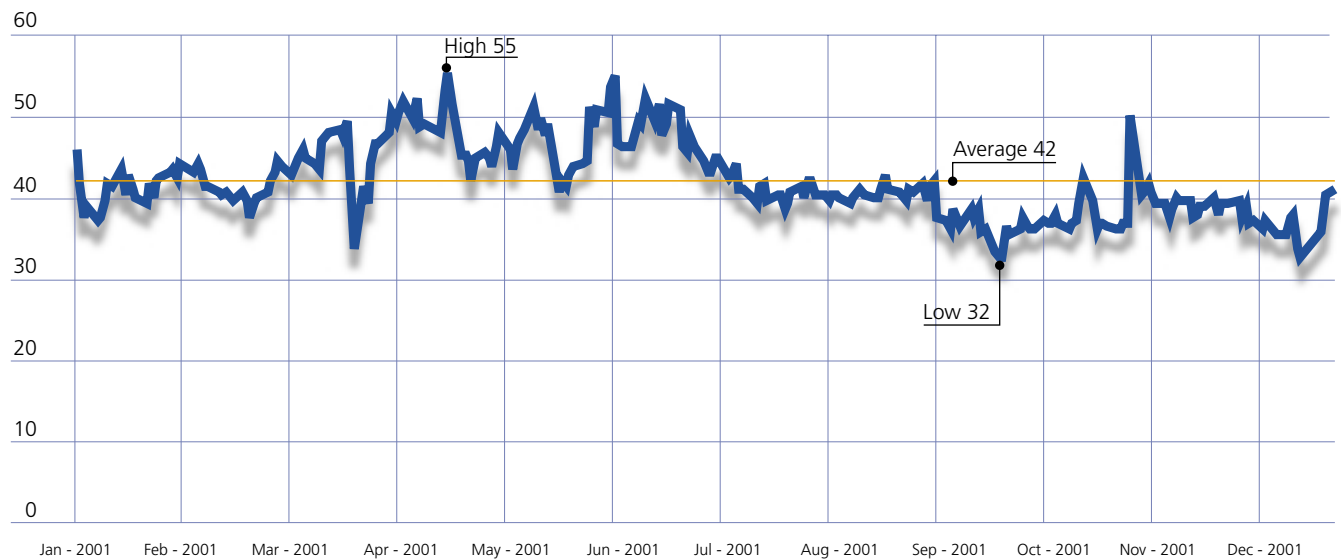
During 2001 the VaR for minority equity investments in quoted companies, net of minority interests relative to NHS, showed an average of 266 million Euro, with a low of 215 million Euro and a high of 326 million Euro reached in the fourth quarter following the strong increase in share prices volatility. At the end of December, the VaR was 297 million Euro, at levels close to those at the end of the previous year.

Trading activities

Financial risk generated by the trading activities of the Group, concentrated in the subsidiary Banca IMI, had an average value in terms of VaR of 7.5 million Euro, fluctuating between a low of 3.1 million Euro, and a high of 18.5 million Euro. In the fourth quarter, the average VaR was 5.7 million Euro, down on 8.2 million Euro in the first nine months of the year; at the end of December, VaR was 6.9

million Euro, well below the average value of 13.7 million Euro seen in the previous year.

In addition to VaR, Worst Case Scenario methodology is also used to monitor the impact of potential losses that could occur in extreme conditions. The development of the maximum potential daily loss during the year was largely stable in terms of potential risks, always oscillating around the average annual value, at 42 million Euro.



Maximum potential daily loss in trading (€/mil)

Supplementary information

Performance of share prices

At the end of December 2001 the price of SANPAOLO IMI shares was 12.041 Euro, a fall of 30.3% from the begin-

ning of the year against a reduction of 31.2% in the MIB bancario. On the same date SANPAOLO IMI share traded on a price/book value of 2.2 and a price/earnings, calculated on consensus earnings for 2002, of 13.8.

On 12 February 2002 the price was 10.765 Euro, with a fall of 10.6% from the beginning of the year.

Market comparison

	12/2/2002	28/12/2001	29/12/2000	Change 28/12/01- 29/12/00 (%)
SANPAOLO IMI share price (€) (1)	10.765	12.041	17.269	-30.3
Banking index (historical MIB bancario)	2,284	2,371	3,444	-31.2

SANPAOLO IMI share price (1)

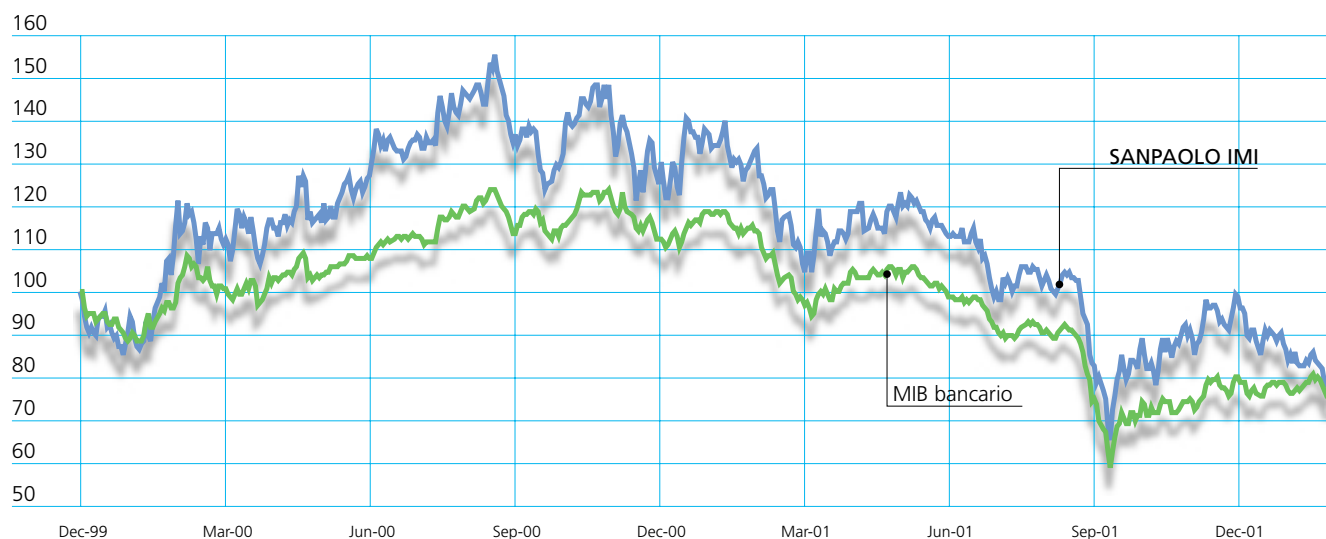
Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002 (until 12/2/2002)	12.215	10.548	11.338

SANPAOLO IMI market indices

	28/12/2001	29/12/2000
Price/book value	2.2	3.0
Price/earnings on consensus earnings (2)	13.8	17.3

(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 28/12/2001 and on consensus earnings 2001 for 29/12/2000.



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

Shareholders of SANPAOLO IMI

At 31 December 2001, the shareholder structure of SANPAOLO IMI, based on available information, was as follows:

<i>Shareholders of SANPAOLO IMI</i>	%
Compagnia di San Paolo	16.13
Santander Central Hispano	6.48
Monte dei Paschi di Siena	6.15
IFI / IFIL	4.98
Fondazione Cariplo	2.77
Ente Cassa di Risparmio di Firenze	2.57
Caisse des Dépôts et Consignations (CDC)	2.04
Società Reale Mutua di Assicurazioni	2.00
Fondazione Cassa di Risparmio di Venezia	1.96
Other shareholders (1)	54.92
Total	100.00

(1) Includes own shares held by the Group.

Ratings

There were no changes in the ratings assigned to SANPAOLO IMI's debt in the fourth quarter of 2001.

SANPAOLO IMI debt ratings

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

Group Business Areas

Organization by Business Areas

At the end of December 2001, following the reorganization at the beginning of September, the Group was structured as follows:

- **Retail Banking:** oversees business with households and small- and medium-sized companies; includes the Sanpaolo Network, operating in Italy through the 1,376 branches of the Parent Bank SANPAOLO IMI and the Internet, phone and mobile banking direct channels; the Banco di Napoli, with 731 branches concentrated in the South of the country; the Other Networks, which include, in Italy, the distribution networks of Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì and, abroad, the French subsidiary Banque Sanpaolo and the Hungarian Inter-Europa Bank;
- **Wealth Management:** the Area, established in April 2001, provides asset management products and services both to the Group's internal distribution structures (Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest) and to institutional investors and other networks;
- **Personal Financial Services:** includes the distribution of financial services to households with medium to high savings potential through the networks of financial planners of Banca Fideuram and Banca Sanpaolo Invest, as well as on line trading as developed by IMIWeb Bank;

- **Wholesale Banking:** includes the activities carried out by Corporate, Public Works and Infrastructure, Investment Banking and Merchant Banking.

The Group also has Central Functions, carrying out holding, treasury, loan recovery, property and shareholding investment management activities.

The accounting of the economic and operating results of the Business Areas has been presented with reference to the preceding structure, as the Group operated in the first eight months of the year; it should be noted that this structure included, within Commercial Banking, the operations of the Italian Branch Network (currently undertaken by the Sanpaolo Network) and the foreign subsidiaries Banque Sanpaolo and Inter-Europa Bank (now in Other Networks).

For completeness, the total results and profitability indices of the Business Areas in 2001 are also reported, restated on the basis of the new Group structure from 1 January 2001.

The criteria to determine the profitability of the Business Areas are detailed in the Explanatory Notes.

Results of the Business Areas

The results of the Group's Business Areas, on the basis of the Group structure in the first eight months of 2001, are in summary the following:

Business Area	Contribution to net income of the Group			Average capital		Profitability	
	2001 (€/mil)	2000 pro forma (1) (€/mil)	Change 2001 / 2000 pro forma (%)	2001 (€/mil)	2000 pro forma (1) (€/mil)	2001 (%)	2000 pro forma (1) (%)
RETAIL BANKING							
Commercial Banking	417	625	-33.3	2,254	2,417	18.5	25.9
Banco di Napoli	-9	84	n.s.	1,358	1,286	n.s.	6.5
WEALTH MANAGEMENT (2)	213	106	+100.9	348	267	61.2	39.7
PERSONAL FINANCIAL SERVICES							
Banca Fideuram	172	175	-1.7	612	544	28.1	32.2
Banca Sanpaolo Invest	17	16	+6.3	93	89	18.3	18.0
IMIWeb Bank	-37	-28	+32.1	84	41	n.s.	n.s.
WHOLESALE BANKING							
Corporate	94	92	+2.2	892	804	10.5	11.5
Public Works and Infrastructure	68	98	-30.6	349	279	19.5	35.0
Investment Banking	30	60	-50.0	302	356	9.9	16.9
Merchant Banking	35	33	+6.1	391	382	9.0	8.6
CENTRAL FUNCTIONS	203	-30	n.s.	563	182	n.s.	n.s.
GROUP TOTAL	1,203	1,231	-2.3	7,246	6,647	16.6	18.5

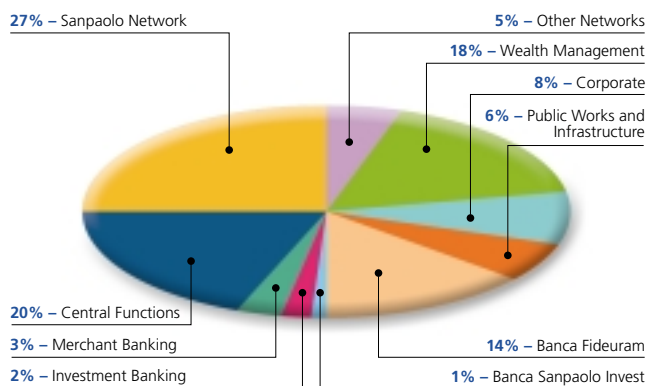
(1) The figures for the year 2000 are pro forma; they have been prepared to provide a consistent comparison with 2001, according to the methods indicated in the Explanatory Notes.

(2) The figures for the year 2001 are pro forma in that the Area was set up in April 2001. It should be noted that the net result for 2001 benefited from lower current taxes and the posting of prepaid taxes against the recovery of prior tax losses.

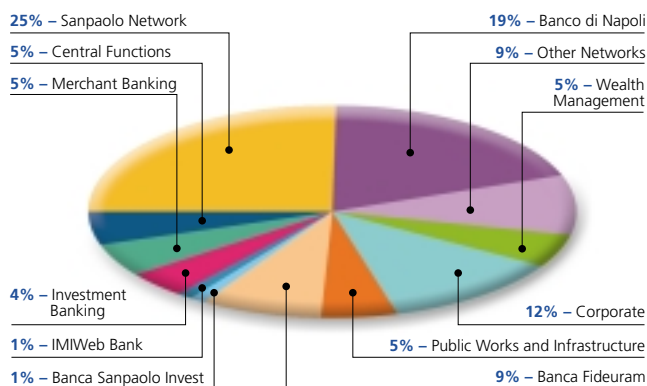
The 2001 results of the Business Areas, restated on the basis of the new Group structure from 1 January 2001,

are in summary the following:

Business Area	2001		
	Contribution to net income of the Group (€/mil)	Average capital (€/mil)	Profitability (%)
RETAIL BANKING			
Sanpaolo Network	323	1,824	17.7
Banco di Napoli	-9	1,358	n.s.
Other Networks	59	638	9.2
WEALTH MANAGEMENT			
PERSONAL FINANCIAL SERVICES			
Banca Fideuram	172	612	28.1
Banca Sanpaolo Invest	17	93	18.3
IMIWeb Bank	-37	84	n.s.
WHOLESALE BANKING			
Corporate	92	892	10.3
Public Works and Infrastructure	68	349	19.5
Investment Banking	30	302	9.9
Merchant Banking	35	391	9.0
CENTRAL FUNCTIONS			
GROUP TOTAL			
	1,203	7,246	16.6



Net income 2001 by Business Area



Allocated capital 2001 by Business Area

Retail Banking

Commercial Banking

In the new Group configuration, operational from 1 September 2001, there are two autonomous Business Areas in place of the previous Commercial Banking:

- the Sanpaolo Network, which operates in Italy through the Parent Bank's 1,376 banking branches, as well as the Internet, phone and mobile banking direct channels; the Network is structured in two Divisions, the first dedicated to private customers and small entrepreneurs, the

second to companies with turnover of generally less than 250 million Euro;

- the Other Networks, which include the French subsidiary Banque Sanpaolo and the Hungarian Inter-Europa Bank, previously included within Commercial Banking; the Italian distribution networks of Cassa di Risparmio di Firenze, in which the Group has a 18.7% stake, and Cassa dei Risparmi di Forlì, with a 21% stake, are also included in this Area.

The analysis of the initiatives in the final quarter refers to the new operating configuration; on the other hand, the

	Commercial Banking			of which: Italian Branch Network		
	2001	2000 pro forma	Change 2001 / 2000 pro forma (%)	2001	2000 pro forma	Change 2001 / 2000 pro forma (%)
STATEMENT OF INCOME (€/mil)						
Net interest and other banking income	3,015	3,294	-8.5	2,699	2,973	-9.2
Operating costs	-1,986	-1,904	+4.3	-1,774	-1,717	+3.3
Operating income	1,029	1,390	-26.0	925	1,256	-26.4
Provisions and net adjustments to loans and financial fixed assets	-235	-222	+5.9	-203	-197	+3.0
Income before extraordinary items	794	1,168	-32.0	722	1,059	-31.8
Net extraordinary income	-1	12	n.s.	-5	1	n.s.
Income before taxes	793	1,180	-32.8	717	1,060	-32.4
Income taxes for the period	-376	-555	-32.3	-344	-505	-31.9
Net income	417	625	-33.3	373	555	-32.8
ALLOCATED CAPITAL (€/mil)	2,254	2,417	-6.7	1,824	2,004	-9.0
RATIOS (%)						
RORAC	18.5	25.9		20.4	27.7	
Cost / Income ratio	65.9	57.8		65.7	57.8	
	31/12/2001	31/12/2000 pro forma	Change 31/12/01-31/12/00 pro forma (%)	31/12/2001	31/12/2000 pro forma	Change 31/12/01-31/12/00 pro forma (%)
OPERATING DATA (€/mil)						
Customer financial assets	160,002	160,185	-0.1	147,288	146,955	+0.2
- Direct deposits	35,799	33,747	+6.1	30,893	28,945	+6.7
- Asset management	69,705	71,125	-2.0	64,343	65,424	-1.7
- <i>Mutual funds and fund-based portfolio management</i>	55,594	59,629	-6.8	52,080	55,237	-5.7
- <i>Portfolio management</i>	5,173	4,848	+6.7	4,069	4,249	-4.2
- <i>Life technical reserves</i>	8,938	6,648	+34.4	8,194	5,938	+38.0
- Asset administration	54,498	55,313	-1.5	52,052	52,586	-1.0
Net asset management flows	3,174	7,674		2,864	6,204	
Net loans to customers excluding NPLs	36,732	38,304	-4.1	33,282	34,431	-3.3
OPERATING STRUCTURE						
Employees	17,975	17,750	+1.3	16,160	16,046	+0.7
Branches	1,435	1,393	+3.0	1,376	1,332	+3.3

examination of the 2001 results and the comparison with 2000 are made on the basis of the preceding structure.

In the fourth quarter of 2001 the Sanpaolo Network undertook initiatives aimed at consolidating its market positioning in private customer financial asset management and developing relationships with creditworthy companies. Actions concerned in particular:

- the revision of the organizational structure, taking from 16 to 20 the number of territorial areas and the diffusion of the new network organizational model, designed to specialize each operating point on its main customer segment: private customers, small entrepreneurs and companies. In particular at the end of 2001 there were 35 business centers, of which 24 activated in the final quarter;
- the development of direct banking channels: the number of contracts allowing private customers to operate in an integrated way through traditional and direct channels rose to 179,000. Initiatives aimed at directing specific customer segments towards Internet, phone and mobile banking, such as the creation of "Virtual Points" inside the branches, contributed to this result;
- the widening of electronic payment products, including the launch, in view of the introduction of the Euro, of new prepaid cards.

In operating terms, the Sanpaolo Network recorded in the final quarter a significant recovery in customer financial assets, up by 7.5 billion Euro compared to the end of September. The total amount at the end of 2001 was 147.3 billion Euro, stable on the end of 2000. In this context: direct deposits showed an annual increase of 1.9 billion Euro (+6.7%); asset administration fell by 0.5 billion Euro, following new inflows of 4.5 billion Euro and a devaluation of 5 billion Euro; asset management fell by 1.1 billion Euro following a negative performance effect of 4 billion Euro, only in part offset by a net inflow of 2.9 billion Euro. In this context, the positive trend in insurance should be noted: life technical reserves grew by 38%, rising to 8.2 billion Euro.

Loans by the Sanpaolo Network showed an annual fall of 3.3%; the performance in household mortgages, moreover, was positive, recording disbursements in the year of 1.7 billion Euro, up 8% on 2000.

The income statement of the Sanpaolo Network, restated on the basis of the new structure from 1 January 2001, presents net income for the year of 323 million Euro and RORAC of 17.7%.

In Other Networks, the restructuring of the central functions and branch network in course at Banque Sanpaolo in France, in line with the rationalization and cost containment policies adopted by the Group, should be noted among the principal initiatives in the quarter. At the end of 2001, the customer financial assets of the subsidiary amounted to 12.3 billion Euro, down by 5.6% compared to the end of 2000; in this context, the positive performance in asset management, which recorded a net annual flow of 310 million Euro, should be noted.

In terms of the Italian distribution networks, the following should be noted:

- the achievement, at the end of December, of an amount of 1.8 billion Euro in funds managed by CR Firenze Gestion Internationale, a company held 80% by Carifirenze and 20% by SANPAOLO IMI and operative since last April;
- the placing by the Cariforli network of 85 million Euro in SANPAOLO IMI Group products, from the end of the first half.

In total Commercial Banking, as configured in the first eight months of the year, showed in 2001 a net income of 417 million Euro, down by 33.3% against the preceding year; this reduction is principally due to lower commissions, which led to a contraction in net interest and other banking income of 8.5%. The profitability of the Area, expressed in terms of RORAC, was 18.5%.

Banco di Napoli

Banco di Napoli, which entered the SANPAOLO IMI Group in the second half of 2000, carries out retail business in the regions of southern Italy with a network of 731 branches.

In the fourth quarter of 2001 Banco di Napoli proceeded to implement the guidelines set out in the relaunch plan approved in the middle of the year, which aims to make the Banco a reference point for households and small- and medium-sized companies in South Italy through the focus on its traditional regional presence and the realiza-

tion of a efficiency program envisaging among other things the sale of all the activities not related to its chosen operations. The most important initiatives in the quarter concerned:

- the revision of the shareholding portfolio: the sale of the subsidiary Fumagalli & Soldan was concluded in November, with a capital gain of 8 million Euro; the sale contract for the shareholding in Datitalia was signed and its conclusion, at the beginning of 2002, led to a capital gain of 6 million Euro; in November, a new company, Esaban, was established to combine the tax collection businesses currently undertaken by the Banco;

Banco di Napoli

	2001	2000	Change 2001 / 2000 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	1,109	1,167	-5.0
Operating costs	-895	-908	-1.4
Operating income	214	259	-17.4
Provisions and net adjustments to loans and financial fixed assets	-98	-375	-73.9
Income before extraordinary items	116	-116	n.s.
Net extraordinary income	-37	-398	-90.7
Income before taxes	79	-514	n.s.
Income taxes for the period	-76	241	n.s.
Use of reserves for general banking risks	-	367	n.s.
Net income	3	94	-96.8
Contribution to net income of the Group (1)	-9	84	n.s.
ALLOCATED CAPITAL (€/mil)	1,358	1,286	+5.6
RATIOS (%)			
RoE	n.s.	6.5	
Cost / Income ratio	80.7	77.8	
	31/12/2001	31/12/2000	Change 31/12/01- 31/12/00 (%)
OPERATING DATA (€/mil)			
Customer financial assets	38,033	38,819	-2.0
- Direct deposits	22,759	24,606	-7.5
- Asset management	8,761	6,678	+31.2
- <i>Mutual funds and fund-based portfolio management</i>	6,255	4,719	+32.5
- <i>Portfolio management</i>	1,421	1,272	+11.7
- <i>Life technical reserves</i>	1,085	687	+57.9
- Asset administration	6,513	7,535	-13.6
Net asset management flows	2,480	-1,161	
Net loans to customers excluding NPLs and SGA loans	15,741	15,688	+0.3
OPERATING STRUCTURE			
Employees	9,643	10,641	-9.4
Financial planners	200	225	-11.1
Domestic branches	731	731	-

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

- the withdrawal from the activities undertaken by the foreign network: the Hong Kong branch has been transferred to the Corporate Area of the Parent Bank; the formal sale of the London branch to third parties, as well as the downsizing of the New York branch's business, in view of its liquidation, are in progress.

It should be noted that the Parent Bank SANPAOLO IMI approved the launch, expected in March, of a voluntary Public Offer for the savings shares of Banco di Napoli, in order to effect a complete integration with the Banco.

The operational performance of Banco di Napoli in 2001 was marked by a significant recomposition of customer financial assets towards forms of asset management: the net asset management flow in the period was 2.5 billion Euro, of which 851 million in the fourth quarter; the amounts thus rose at the end of 2001 to 8.8 billion Euro, with an increase of 31.2% on an annual basis. Direct

deposits instead recorded a reduction of 7.5% from the beginning of the year, in part due to the downsizing of the foreign network, at 22.8 billion and asset administration fell by 13.6% to 6.5 billion Euro, also following the negative stock market performance.

In loans, the Banco's policy, in line with the operational policy defined in the relaunch plan, was aimed at concentrating business towards the target customer base of households and small entrepreneurs; at the end of the year net loans, excluding non-performing loans and SGA loans, were largely unchanged on the end of 2000.

In 2001 the performance of the principal profit margins of Banco di Napoli was conditioned by the progressive withdrawal from activities, currently in course, and provisions for risks, among which should be noted those accounted for under risks and charges concerning pensions, included in extraordinary charges. Net income thus fell to 3 million Euro.

Wealth Management

Wealth Management, established in April 2001, provides asset management products and services both to the internal distribution networks of the Group (Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest) and to institutional investors and other networks. It is composed of the holding Wealth Management Sanpaolo IMI and its subsidiaries operating in mutual funds and portfolio management (Sanpaolo IMI Asset Management, Sanpaolo IMI Institutional Asset Management, Sanpaolo Gestion Internationale and Sanpaolo Fiduciaria), private banking (Sanpaolo Bank Luxembourg, Sanpaolo Bank Austria and SP Private Banking) and life insurance (Sanpaolo Vita and Sanpaolo Life).

In the fourth quarter of 2001 the Area made the following initiatives to develop the product range:

- in mutual funds, the range of Luxembourg products was redefined, with a closer relationship between

investment objectives and the performance of the reference markets;

- in insurance, the placement of four index linked tranches, destined for different distribution networks, was made and the definition of a new capitalization product dedicated to the company sector was completed.

In the quarter, in the process of rationalizing the corporate structure:

- preliminary steps were undertaken to integrate the Luxembourg companies Sanpaolo Gestion Internationale, SP Asset Management Luxembourg and Sanpaolo Services;
- the direct control of the 55% stake in Sanpaolo IMI Institutional Asset Management, previously held through Sanpaolo IMI Asset Management, was transferred to the sector parent holding.

Asset management volumes at the end of December were 73.4 billion Euro, approximately 1 billion Euro less than at

Wealth Management

	2001 pro forma	2000 pro forma	Change 2001 / 2000 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	252	261	-3.4
Operating costs	-86	-62	+38.7
Operating income	166	199	-16.6
Adjustments to goodwill and merger and consolidation differences	-7	-	n.s.
Provisions and net adjustments to loans and financial fixed assets	-17	-43	-60.5
Income before extraordinary items	142	156	-9.0
Net extraordinary income	-3	-	n.s.
Income before taxes	139	156	-10.9
Income taxes for the period	59	-26	n.s.
Change in reserves for general banking risks and income attributable to minority interests	-1	3	n.s.
Net income	197	133	+48.1
Contribution to net income of the Group (1)	213	106	+100.9
ALLOCATED CAPITAL (€/mil)	348	267	+30.3
RATIOS (%)			
RoE	61.2	39.7	
Cost / Income ratio	34.1	23.8	
	31/12/2001	31/12/2000 pro forma	Change 31/12/01-31/12/00 pro forma (%)
OPERATING DATA (€/mil)			
Asset management	73,375	74,331	-1.3
OPERATING STRUCTURE			
Employees	431	343	+25.7

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

the end of 2000 (-1.3%): the devaluation of 4.8 billion Euro registered in the stock was in fact only partially compensated for by a net flow from the distribution networks of 3.8 billion Euro.

In 2001, Wealth Management recorded net interest and other banking income of 252 million Euro, down by 3.4% on the previous year; this performance was due in particular to a reduction in net commissions of 19.1% against a significant growth in the contribution of the

insurance companies Sanpaolo Vita and Sanpaolo Life, accounted for in profits from companies carried at equity. Operating income also fell (-16.6%), because of a sustained increase in operating costs (+38.7%), related in particular to charges connected to the adoption of the new corporate structure. Lower current taxes and the posting of prepaid taxes against the recovery of prior tax losses moreover allowed the Area to improve net income by 48.1%, taking the contribution to net income of the Group to 213 million Euro.

Personal Financial Services

Banca Fideuram

Banca Fideuram, which has a network of 3,795 financial planners and 82 branches, operates using its own specialist companies dedicated to the production of asset management services.

In the fourth quarter of 2001 the principal initiatives of the bank concerned:

- the launch of the rationalization program in France through the merger of the two financial companies at the head of the Wargny group (Wargny Management and Financière Fideuram) and the incorporation of Fideuram Wargny Société de Bourse into Banque Privée Fideuram Wargny; the new structure responds better to the realization of the development plan which envisages the export of the Fideuram business model, appropriately adapted, into France;
- the restructuring of the Luxembourg subsidiaries through the concentration of the five product companies into a single corporate vehicle, Fideuram Gestions;

Banca Fideuram

	2001	2000 pro forma (1)	Change 2001 / 2000 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	577	579	-0.3
Operating costs	-279	-273	+2.2
Operating income	298	306	-2.6
Adjustments to goodwill and merger and consolidation differences	-24	-42	-42.9
Provisions and net adjustments to loans and financial fixed assets	-47	-10	n.s.
Income before extraordinary items	227	254	-10.6
Net extraordinary income	10	2	n.s.
Income before taxes	237	256	-7.4
Income taxes for the period	-11	-32	-65.6
Income attributable to minority interests	-	-2	n.s.
Net income	226	222	+1.8
Contribution to net income of the Group (2)	172	175	-1.7
ALLOCATED CAPITAL (€/mil)	612	544	+12.5
RATIOS (%)			
RoE	28.1	32.2	
Cost / Income ratio	48.4	47.2	
	31/12/2001	31/12/2000	Change 31/12/01- 31/12/00 (%)
OPERATING DATA (€/mil)			
Customer financial assets	50,414	51,073	-1.3
- Direct deposits	3,564	2,725	+30.8
- Asset management	37,477	40,613	-7.7
- Mutual funds and fund-based portfolio management	31,022	34,923	-11.2
- Life technical reserves	6,455	5,690	+13.4
- Asset administration	9,373	7,735	+21.2
Net asset management flows	339	6,150	
OPERATING STRUCTURE			
Employees	1,647	1,587	+3.8
Financial planners	3,795	3,782	+0.3
Branches	82	74	+10.8

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

(2) Related to the stake held by SANPAOLO IMI and after posting consolidation attributable to the Area.

- the establishment, in Ireland, of Fideuram Asset Management Ireland, operational from the beginning of 2002, to manage the asset management activities of the Luxembourg companies.

At the end of December 2001 customer financial assets of Banca Fideuram were 50.4 billion Euro, a little down on the end of 2000 (-1.3%); the positive dynamics in the final quarter, in which customer financial assets grew by 3.5 billion Euro, contributed to this result. During the year, the evolution of direct deposits, up by 30.8%, and asset administration, up by 21.2%, was particularly positive; these forms of investment in fact constituted for customers a temporary alternative to asset management in expectation of a market recovery. The volumes managed fell from the beginning of the year by 7.7%, wholly due to a negative performance effect; the net asset management flow, following the outflow in the first nine months of 2001, turned

positive in the final quarter, recording 339 million Euro in the year. In asset management, the insurance sector represented the most dynamic component: life technical reserves rose at the end of December 2001 to 6.5 billion Euro, with an increase of 13.4% from the beginning of the year.

Banca Fideuram was able to maintain net interest and other banking income at 577 million Euro in 2001, largely stable on the previous year; net commissions recorded a growth of 8.3%, helped by the reduction of the incentive commissions paid to the sales force. The greater charges related to investments made to strengthen operations and higher provisions to cover, in difficult market conditions, the risk of not being able to recoup provisional advance payments to the sales force, led however to a reduction in income before extraordinary items of 10.6%. Net income was 226 million Euro, up by 1.8% on 2000; RoE was 28.1%.

Banca Sanpaolo Invest

Banca Sanpaolo Invest pursued in the quarter actions to reinforce its industrial model, which envisages the distribution of Group products and those of other major institutions, through the network of 1,494 financial planners which operate with the support of the direct sales channels.

The principal initiatives in the quarter concerned:

- the widening of the product range: new unit linked policies managed by Skandia were launched, with five investment lines based on individual investors' propensity for risk; the placing of the new single premium Multinvest Alternative policy with indexed capital and

fixed maturity, was also launched; a new structured debt security, produced in collaboration with Banca IMI, whose underlying basket is based on an equity and a bond component, was marketed;

- the improvement of the commercial capacity of the distribution network: during the year approximately 250 new financial planners were taken on, while less potential resources were withdrawn;
- the strengthening of the business undertaken through the phone and Internet banking direct channels: the number of securities transactions made by phone in the year rose to 76,900, of which 31,400 in the fourth quarter; transactions through the Internet numbered 24,200 from the beginning of the year, of which 8,700 in the final three months.

Banca Sanpaolo Invest

	2001	2000	Change 2001 / 2000 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	76	69	+10.1
Operating costs	-52	-49	+6.1
Operating income	24	20	+20.0
Provisions and net adjustments to loans and financial fixed assets	-1	-	n.s.
Income before extraordinary items	23	20	+15.0
Net extraordinary income	-	6	n.s.
Income before taxes	23	26	-11.5
Income taxes for the period	-8	-10	-20.0
Change in reserves for general banking risks	2	-	n.s.
Net income	17	16	+6.3
Contribution to net income of the Group (1)	17	16	+6.3
ALLOCATED CAPITAL (€/mil)	93	89	+4.5
RATIOS (%)			
RoE	18.3	18.0	
Cost / Income ratio	68.4	71.0	
	31/12/2001	31/12/2000	Change 31/12/01- 31/12/00 (%)
OPERATING DATA (€/mil)			
Customer financial assets	9,677	10,178	-4.9
- Direct deposits	363	52	n.s.
- Asset management	8,108	9,180	-11.7
- <i>Mutual funds and fund-based portfolio management</i>	5,708	7,017	-18.7
- <i>Portfolio management</i>	524	597	-12.2
- <i>Life technical reserves</i>	1,876	1,566	+19.8
- Asset administration	1,206	946	+27.5
Net asset management flows	470	1,711	
OPERATING STRUCTURE			
Employees	210	176	+19.3
Financial planners	1,494	1,488	+0.4

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

Banca Sanpaolo Invest achieved in the fourth quarter of 2001 a positive net asset management flow, 290 million Euro, which brought the flow from the beginning of the year to 470 million Euro, of which 137 million were in mutual funds and portfolio management and 333 million in placing life policies. Assets under management, following a devaluation from the beginning of the year of 1.5 billion Euro, fell to 8.1 billion, down by 11.7% from the end of December 2000. Direct deposits at the end of 2001 amounted to 363 million Euro, against 52 million at the beginning of the year.

In 2001 the performance of the operating margins of Banca Sanpaolo Invest were positive; in particular net interest and other banking income was 76 million Euro, up by 10.1% on the previous year, and operating income showed an increase of 20%. Net income, influenced by the lack of extraordinary income compared to the previous year, was 17 million Euro against 16 million in 2000; RoE rose from 18% to 18.3%.

IMIWeb Bank

Personal Financial Services also includes the on line trading activities of IMIWeb Bank. To consolidate its position as primary on line broker in Italy, in the fourth quarter of 2001 IMIWeb Bank:

- concentrated its attention on day-traders, with the launch of targeted products; in particular it offers clients the possibility of trading on Tlx, the only electronic market in Italy;
- widened the range of foreign derivatives offered on line, including futures on the German Dax index;
- took the average daily number of executions to approximately 10,000, from 2,000 at the beginning of the year.

IMIWeb Bank recorded in 2001 revenues of 10 million Euro, a significant growth on the 6 million in 2000; however, the costs taken by the company to reinforce its position caused a total loss in the year of 37 million Euro.

IMIWeb Bank

	2001	2000	Change 2001 / 2000 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	10	6	+66.7
Operating costs	-40	-35	+14.3
Loss before extraordinary items	-30	-29	+3.4
Net extraordinary income	-7	1	-
Net loss	-37	-28	+32.1

Wholesale Banking

Corporate

Corporate is responsible for developing relations with large- and medium-sized companies and groups in lending and banking services. It is organized into two structures: one manages relations with Italian customers, while the other follows foreign companies. At the end of December 2001 the Corporate network was composed of six area offices in Italy and 11 branches and 16 representative offices abroad, as well as the subsidiary Sanpaolo IMI Bank Ireland.

In an extremely competitive context marked by considerable market uncertainty, the business has turned to selective relationships placing particular attention on the profitability of business and monitoring of risks. To achieve this, the Area has emphasized business which

guarantees significant commission revenues, developing its participation in syndicated loans where the Bank could take a leading role.

In 2001 the foreign network, centered on three regional offices (Americas, Europe and Asia) with strategic functions and control over the operating offices, was further strengthened through:

- the acquisition of the Hong Kong branch of Banco di Napoli, which began full operations on 1 October 2001;
- the opening of the representative offices in Prague and Budapest.

Loans at 31 December 2001, 32.8 billion Euro, were largely unchanged from the previous year, although there was a negative market trend particularly in the second half.

Net interest and other banking income was 334 million

Corporate

	2001	2000 pro forma	Change 2001 / 2000 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	334	298	+12.1
Operating costs	-105	-105	-
Operating income	229	193	+18.7
Provisions and net adjustments to loans and financial fixed assets	-67	-35	+91.4
Income before extraordinary items	162	158	+2.5
Net extraordinary income	2	-	n.s.
Income before taxes	164	158	+3.8
Income taxes for the period	-70	-66	+6.1
Net income	94	92	+2.2
ALLOCATED CAPITAL (€/mil)	892	804	+10.9
RATIOS (%)			
RORAC	10.5	11.5	
Cost / Income ratio	31.4	35.2	
	31/12/2001	31/12/2000 pro forma	Change 31/12/01-31/12/00 pro forma (%)
OPERATING DATA (€/mil)			
Net loans to customers excluding NPLs	24,184	24,803	-2.5
Guarantees	8,578	7,933	+8.1
Total loans and guarantees	32,762	32,736	+0.1
OPERATING STRUCTURE			
Employees	487	481	+1.2
Area offices in Italy	6	6	-
Foreign branches and representative offices	27	23	+17.4

Euro in 2001, up by 12.1% on 2000; both the increase in net interest income (+4.8%), and above all the growth in commissions, up from 76 to 100 million Euro, from syndications, contributed to this result.

The considerable rise in operating income (+18.7%) was due both to the cited increase in net interest and other banking income and to the containment of operating costs, which was reflected in an improvement in the

cost/income ratio, falling in 2001 to 31.4% against 35.2% in 2000.

The positive evolution in revenues partly compensated for the negative effects of the deterioration in the economic environment, which led to a greater absorption of capital and an increase in provisions and adjustments to loans such as to maintain a general risk reserve over the expected loss; the RORAC was thus 10.5%.

Public Works and Infrastructure

The provision of financial services to the public sector, with particular reference to the financing of investments and infrastructure, has been undertaken since July 2000 by Banca OPI, a specialist company through which the Group aims to consolidate its leading role in Italy in this sector.

During the fourth quarter of 2001 the most important initiatives of Banca OPI concerned:

- the participation in the restructuring of local energy markets by public utilities and the strengthening of postal services in Italy and abroad, as well as loans for new financings to support Regions, Provinces and Municipal Authorities;
- project financings, in particular in the Transport and Environmental Water sectors: in this context Banca OPI has been arranging the "Waste to Energy" project in

Naples, undertook consultancy work and took part in project financing transactions abroad.

In the quarter, Banca OPI agreed new contracts for more than 2 billion Euro; transactions agreed since the beginning of the year thus rose to 5.6 billion Euro, of which 3.7 billion was in mortgages, 1.6 billion in short-term or revolving financings and 0.3 billion in guarantees. Disbursements in 2001 amounted to 3 billion Euro, of which 1.5 billion in the final quarter; revolving credits worth 570 million Euro were also extended during the year. The volume of loans at the end of December was 13.3 billion Euro, showing an increase of 10.9% compared to the end of 2000.

Compared to the 2000 pro forma results, Banca OPI showed a reduction of 2.3% in net interest and other banking income in 2001, attributable to a fall of 4.8% in net interest income caused by the maturity of large loans with

Public Works and Infrastructure

	2001	2000 pro forma	Change 2001 / 2000 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	127	130	-2.3
Operating costs	-18	-15	+20.0
Operating income	109	115	-5.2
Provisions and net adjustments to loans and financial fixed assets	-66	-8	n.s.
Income before extraordinary items	43	107	-59.8
Net extraordinary income	2	2	-
Income before taxes	45	109	-58.7
Income taxes for the period	-14	-11	+27.3
Net income	31	98	-68.4
Contribution to net income of the Group (1)	68	98	-30.6
ALLOCATED CAPITAL (€/mil)	349	279	+25.1
RATIOS (%)			
RoE	19.5	35.0	
Cost / Income ratio	14.2	11.9	
	31/12/2001	31/12/2000 pro forma	Change 31/12/01-31/12/00 pro forma (%)
OPERATING DATA (€/mil)			
Net loans to customers	13,284	11,973	+10.9
Disbursements in the period	3,018	3,128	-3.5
OPERATING STRUCTURE			
Employees	114	99	+15.2

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

high spreads and their replacement with new financings at smaller margins. Net income was influenced by greater provisions, allowed by tax regulations, and did not benefit from the positive effects arising from the posting of prepaid taxes

recorded in the previous year; this thus fell to 31 million Euro, against 98 million in 2000. The contribution to net income of the Group, after the reversal of provisions made for tax purposes, was 68 million Euro; RoE was 19.5%.

Investment Banking

Investment Banking covers securities dealing both for own account and for customers, the raising of risk capital and debt for corporate clients, as well as corporate finance consultancy. Investment banking is undertaken by the Banca IMI group, except for IMIWeb Bank, which operates in on line trading.

In the fourth quarter of 2001:

- in corporate finance and capital markets, the Banca IMI group was mandated intermediary in the Public Offers of SNAM Rete Gas and Juventus and participated as guarantor in Olivetti's capital increase; in the primary debt market the bank organized the placing of several important issues, among which Società Cartolarizzazione

Immobili Pubblici, Banca Antoniana Popolare Veneta and Cassa di Risparmio di Bolzano;

- the issue of covered warrants, to be distributed through the Sanpaolo Network, in response to the needs of retail investors to have access to innovative forms of investment in terms of risk profile, was launched.

In trading, where there was a progressive reduction in volumes during the year, Banca IMI recorded a market share of 5.3% in own account and third party business in the electronic equity market, putting it at third place in the Italian ranking; in derivatives, its share in the FIB30 was 7.4%, putting the bank at third place in the general classification.

The profit results of Investment Banking recorded an improvement in the final quarter of 2001, but not suffi-

Investment Banking

	2001	2000	Change 2001 / 2000 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	198	250	-20.8
Operating costs	-165	-161	+2.5
Operating income	33	89	-62.9
Provisions and net adjustments to loans and financial fixed assets	-	1	n.s.
Income before extraordinary items	33	90	-63.3
Net extraordinary income	-1	8	n.s.
Income before taxes	32	98	-67.3
Income taxes for the period	-1	-31	-96.8
Net income	31	67	-53.7
Contribution to net income of the Group (1)	30	60	-50.0
ALLOCATED CAPITAL (€/mil)	302	356	-15.2
RATIOS (%)			
RoE	9.9	16.9	
Cost / Income ratio	83.3	64.4	
OPERATING DATA (€/mil)			
Banca IMI SpA trading volumes			
- trading	681,694	474,918	+43.5
- sales	121,814	100,060	+21.7
- repurchase agreements	1,440,015	817,939	+76.1
- placements	14,506	19,537	-25.7
	31/12/2001	31/12/2000	Change 31/12/01- 31/12/00 (%)
OPERATING STRUCTURE			
Employees	653	683	-4.4
Branches	2	2	-

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

cient to cancel the negative effects due to adverse market conditions in the previous months. Net interest and other banking income for the year was 198 million Euro, down by 20.8% on an annual basis and income before

extraordinary items fell to 33 million Euro, down by 63.3%. The contribution to net income of the Group for 2001 was 30 million Euro, against 60 million in 2000, giving a RoE of 9.9%.

Merchant Banking

NHS, the company which carries out the merchant banking activity of the Group, in the fourth quarter of 2001 performed:

- the acquisition of a stake of 6.3% in Merloni Termosanitari, a company specializing in the production of domestic heating appliances, with a total investment of 22 million Euro;
- the conversion into capital of the shareholder financing of 202 million Euro for Hutchison 3G Italia.

Also to be noted is the partial discharge, at the beginning of January 2002, worth 2 million Euro, of the commitment previously taken to invest up to 10 million Euro in Idra Partecipazioni, designed to finance the voluntary Public Offer launched by the company for Idra Presse, as well as successive capitalizations to support development plans.

Disinvestments in the fourth quarter concerned:

- the sale of the stake of 20% held in Ferrim, resulting from the property spin-off of AEFEE, with a capital gain of 0.7 million Euro;
- the agreement to sell the stake of 2.8% held in Camuzzi Gazometri to Mill Hill, the majority shareholder.

Finally, the establishment of NHS Mezzogiorno SGR in January 2002 should be noted; as its first initiative, the company will manage the “Fondo di promozione del capitale di rischio per il Mezzogiorno” (“Risk capital fund for Southern Italy”), specializing in investments in small- and medium-sized companies in Southern Italy and which will reach a size of 100 million Euro.

In 2001, merchant banking generated total net commissions and net dealing revenues of 12 million Euro; in the

Merchant Banking

	2001	2000	Change 2001 / 2000 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	12	51	-76.5
Operating costs	-11	-9	+22.2
Operating income	1	42	n.s.
Adjustments to goodwill and merger and consolidation differences	-16	-	n.s.
Provisions and net adjustments to loans and financial fixed assets	-127	-10	n.s.
Income before extraordinary items	-142	32	n.s.
Net extraordinary income	228	93	+145.2
Income before taxes	86	125	-31.2
Income taxes for the period	-30	-49	-38.8
Net income	56	76	-26.3
Contribution to net income of the Group (1)	35	33	+6.1
ALLOCATED CAPITAL (€/mil)	391	382	+2.4
RATIOS (%)			
RoE	9.0	8.6	
Cost / Income ratio	91.7	17.6	
	31/12/2001	31/12/2000	2001 net flow
OPERATING DATA (€/mil)			
Merchant banking direct investments	499	479	+20
Other shareholdings	640	460	+180
	31/12/2001	31/12/2000	Change 31/12/01- 31/12/00 (%)
OPERATING STRUCTURE			
Employees	52	52	-

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

year, the company also earned extraordinary income of 228 million Euro, attributable to the sale of the stake held in Montedison. Greater provisions and adjustments to financial fixed assets, made as a result of the deterioration

in financial markets, brought net income to 56 million Euro, down by 26.3% against 76 million Euro in 2000. The contribution to net result of the Group, for the 51% held, was 35 million Euro and RoE was 9%.

Explanatory Notes

ACCOUNTING AND VALUATION PRINCIPLES

PRESENTATION

CONSOLIDATED PRO FORMA STATEMENTS FOR 2000

CRITERIA TO CALCULATE THE PROFITABILITY OF THE BUSINESS AREAS

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group at 31 December 2001 has been prepared according to Consob Regolamento 11971 of 14 May 1999 and successive modifications and integration.

The balance sheet at 31 December 2001 and the income statement for the year 2001 have been prepared using the accounting and valuation principles used in the Annual Report of 2000 to which reference is made for further detail. Here should be noted:

- the accounting situations used for consolidation are those prepared by subsidiary companies (consolidated line by line, proportionally or at net equity) with reference to 31 December 2001, as adjusted when necessary in line with Group accounting principles;
- valuations according to the net equity method of subsidiaries subject to a significant degree of influence have been made on the basis of the information made available by them, for the income statement for the period, also with recourse to prudent estimates;
- adjustments and provisions made exclusively for tax purposes by consolidated companies are reversed;
- own shares in the Parent Bank are valued at cost and posted against net consolidated capital reserves;
- only significant intercompany transactions and balances have been eliminated.

Concerning changes in the area of line by line and proportional consolidation, the following changes with respect to 31 December 2000 should be noted:

- the exclusion of Sanpaolo Immobiliare S.p.A. and SIM Banconapoli & Fumagalli Soldan S.p.A. from line by line consolidation as a result of their disposal during the year as well as the exclusion of Datitalia S.p.A. in course of disposal;
- the inclusion in proportional consolidation of the newly established companies Centradia Holding Ltd, Centradia Limited and Centradia Services Ltd.

The quarterly balance sheet and income statement have not been independently audited.

Presentation

The balance sheet at 31 December 2001 and the income statement for the year 2001 are presented in the same reclassified form adopted from the end of the past year

which, compared to the preceding yearly comparative information, has been changed as follows:

- to allow a more efficient management presentation of Group results, the net interest income of the subholding Banca IMI is placed in the caption “profits and losses from financial transactions and dividends on shares”, in that it is strictly related to dealing in securities from an operational point of view;
- “adjustments to goodwill and merger and consolidation differences” are evidenced separately given their significance as a caption as a result of the acquisitions of shareholdings made in the past year.

As a result of these changes in presentation, the quarterly analyses for 2000, prepared for comparison, have been appropriately reclassified.

Consolidated pro forma statements for 2000

Given the significant balance sheet and income statement effects of the line by line consolidation of the Banco di Napoli group, with effect for the first time in the statement at 31 December 2000, to allow comparison with results on a consistent basis, the reclassified accounts for the previous year have been presented in a pro forma version prepared on the conventional basis of taking control of Banco di Napoli on 1 January 2000.

Furthermore, in the case of the Wargny group, although its contribution is not significant with respect to SANPAOLO IMI Group data, the presentation reflects the pro forma situations on the conventional basis of acquisition of the shareholding as from 1 January 2000 in order to provide a complete picture.

Attached to the present Explanatory Notes is the statement of reclassified consolidated pro forma statement of income for the full year 2000.

It should be noted that in preparing this pro forma reclassified consolidated income statement, the accounts published for 2000 by the SANPAOLO IMI Group (column “a” in the attached statement) and by Banco di Napoli (column “b” in the attached statement), as well as those of the Wargny group (column “c” in the attached statement), have been used. The accounts of Banco di Napoli and Wargny group have been restated according to consistent SANPAOLO IMI principles.

To reflect the effects of these extraordinary items, the accounting results have been appropriately integrated and adjusted to take account of:

- the effect of consolidation of the Banco di Napoli group companies and initial adjustments made to the net shareholders' equity of the Banco (column "d" in the attached statement). The consolidation of companies within the Neapolitan group has been made necessary in that the information published by Banco di Napoli in 2000 refers to the accounts on an individual basis. Furthermore, the initial adjustments made to the net shareholders' equity of the Banco concern changes considered in the consolidated Financial Statements of SANPAOLO IMI at 31 December 2000 to determine the differences at first consolidation. In particular, the adjustments are due to the effects of alignment to SANPAOLO IMI Group accounting principles as well as to the restructuring charges envisaged in the industrial merger plan of Banco di Napoli into the SANPAOLO IMI Group which have therefore been reversed from the statement of income of Banco di Napoli S.p.A. for the year 2000. The adjustments in question also include the presentational changes made necessary to align them to the criteria of the Parent Bank;
- the effect of the pro forma adjustments (column "e" in the attached statement) concerning the acquisition and consolidation of the Banco di Napoli group and Wargny group from 1 January 2000. In particular, the income statement reflects financial charges of funding and the amortization of the positive differences on consolidation for the full year.

Criteria to calculate the profitability of the Business Areas

The income statement by Business Areas has been prepared as follows :

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the line items of the Parent Bank attributable to the relevant Area has been effected with the income statement line items of the subsidiary companies. The attribution to individual Areas of Parent Bank line items, in particular, is made on the basis of the following principles:
 - the net interest income has been calculated using appropriate internal transfer rates;
 - in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;

- the direct costs of each Area have been calculated and, according to parameters, operating costs of the central structures other than those attributable to holding company functions, have been allocated to the Areas;
- for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interests and after the posting of consolidation attributable to the Area; amortization of goodwill consequent upon investments made directly by the Parent Bank in the Areas has thus been allocated to Central Functions.

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

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the average economic capital of the Parent Bank with that of the subsidiaries has been effected. The capital is measured according to VaR, distinguishing among the different types of risk: credit risk, market risks and operational risks;
- for those Areas whose business is carried out exclusively by subsidiaries, reference is made to the average accounting net shareholders' equity (excluding income for the year).

In allocating Parent Bank capital to the Areas particularly prudent criteria have been adopted. In particular:

- risks in the Areas have been calculated with a confidence interval of 99.95%, in line with the rating attributed to the Group;
- risks in the Areas have been wholly covered with primary capital.

Finally, the profitability of each Area has been calculated. In particular:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, profitability has been expressed in terms of RORAC (Return On Risk Adjusted Capital) reporting the Area's contribution to net income of the Group to the relative economic capital quantified according to VaR;
- for those Areas whose business is carried out exclusively by subsidiaries, profitability has been expressed in terms of RoE (Return on Equity), reporting the Area's contribution to net income of the Group to the respective average accounting net shareholders' equity (excluding income for the year), consistently with the principles adopted for the Group.

The data for the year 2000 are pro forma estimates; they have been prepared on the basis of the following assumptions as of 1/1/2000:

- the acquisition of control of Banco di Napoli and Wargny;
- the change in the customer profiles of the Commercial Banking and Corporate Areas;
- the establishment of the Wealth Management Area;
- the transfer to Banca OPI of the public works and infrastructure activities.

The 2001 data for Wealth Management, established in April 2001, are also pro forma. The income statement has been prepared on the basis of the results of individual companies belonging to the Area adjusted appropriately.

Turin, 14 February 2002

The Board of Directors

Attachment

STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA
STATEMENT OF INCOME FOR THE FULL YEAR 2000

Statement of reclassified consolidated pro forma statement of income for the full year 2000

	€/mil					
	SANPAOLO IMI Group restated (1)	Banco di Napoli S.p.A.	Wargny group	Effect of consolidation of the Banco di Napoli group companies and of adjustments to net shareholders' equity (d)	Pro forma adjustments	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(f)=(a+b+c+d+e)
NET INTEREST INCOME	2,168	788	-	3	-85	2,874
Net commissions and other net dealing revenues	2,469	312	48	23	-	2,852
Profits and losses from financial transactions and dividends on shares	255	31	5	5	-	296
Profits from companies carried at equity and dividends from shareholdings	159	8	-	-3	-17	147
NET INTEREST AND OTHER BANKING INCOME	5,051	1,139	53	28	-102	6,169
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 duties and taxes</i>	-173	-34	-	-	-	-207
Other operating income, net	187	56	-	4	-	247
Adjustments to tangible and intangible fixed assets	-237	-90	-1	-2	-	-330
OPERATING INCOME	2,349	251	8	8	-102	2,514
Adjustments to goodwill and merger and consolidation differences	-89	-	-8	-1	-78	-176
Provisions and net adjustments to loans and financial fixed assets	-454	-373	1	187	-	-639
INCOME BEFORE EXTRAORDINARY ITEMS	1,806	-122	1	194	-180	1,699
Net extraordinary income	369	-398	1	430	-	402
INCOME BEFORE TAXES	2,175	-520	2	624	-180	2,101
Income taxes for the period	-795	245	-2	-255	37	-770
Change in reserves for general banking risks	2	367	-	-367	-	2
Income attributable to minority interests	-90	-	-2	-10	-	-102
NET INCOME	1,292	92	-2	-8	-143	1,231

(1) For simplicity of presentation, the statement of reclassified consolidated pro forma statement of income for 2000 has been determined from the consolidated statement of income of SANPAOLO IMI for the year 2000 in the "restated" version. In that version, as described in the Explanatory Notes of the consolidated Financial Statements for 2000, the Banco di Napoli group has been summarily consolidated at net equity and thus the interest is reflected exclusively in the caption "Profits from companies carried at equity" (17 million Euro, reversed among the pro forma adjustments in column "e").