

SANPAOLO IMI

THIRD QUARTER – STILL GROWING

Consolidated net income Euro 1,053 million di (+29.7%)

Torino, 24 October 2000 - Third quarter results for the SANPAOLO IMI Group show continuing growth in profitability and volumes. These are the results of the report at 30 September 2000 examined today by the Board of Directors of the Parent Bank, which confirm the positive performance in the first part of the year. Consolidated net income reached Euro 1,053 million (approximately 2,039 billion Lire), an increase of 29.7% compared to the first nine months of 1999.

All profitability margins registered growth compared to the corresponding period in the previous year: net interest and other banking income by 12.9%, operating income by 22.8%, ordinary income by 32.5%. RoE, calculated on an annual base, rose to 18.8%, while the cost/income ratio, notwithstanding the considerable extraordinary expenses related to investments made to reinforce market positioning, fell in the 12 months from 57.4% to 53.7%.

The quarterly performance confirms the positive prospects for FY 2000.

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HIGHLIGHTS OF THIRD QUARTER 2000

The reinforced upward trend in net interest income contributed to reaching the positive profitability results. Its rate of growth on an annual base rose to 5.3%, against 3.8% in the first six months: this was, in particular, due to an increase in volumes.

But the positive performance was due above all to commissions from services (Euro 1.841 million), which confirmed the high rates of growth seen in the first six months of the year, with an increase on an annual base of 23.8%.

Total customer financial assets rose by 11.8%, from Euro 241.7 billion in September 1999 to Euro 270.1 billion in September 2000.

Asset management reached Euro 123.3 billion, with a rate of growth of 22.5% in the 12 months.

Mutual funds and portfolio management in funds had a net quarterly inflow of Euro 2.4 billion, which brought the cumulative inflow from the beginning of the year to approximately Euro 9.8 billion. These flows allowed further growth in the Group's market share which rose to 18.1%, from 17.5% at the end of December 1999 and from 18% at the end of June 2000. In life assurance, technical reserves of the companies operating in the sector amounted to Euro 12,391 million at the end of September, up 27.3% in the 12 months; the increase from the beginning of the year was Euro 1.891 million, of which Euro 631 million in the third quarter.

On the asset side, the SANPAOLO IMI Group registered an annual increase in customer financing, net of non-performing loans, of 11.4%, from 7.1% in June. Net non-performing loans, in particular, against total loans to customers were 1.1%, against 2.3% at the end of 1999.

INITIATIVES IN THE QUARTER

The acquisition of Banco di Napoli

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

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

The acquisition of the Wargny Group

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

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

The reinforcement of the shareholding link with Banco Santander Central Hispano

In the three months the SANPAOLO IMI Group invested Euro 245 million, taking up the increase in capital made in July by BSCH and increasing its interest from 2.8% to 3%; SANPAOLO IMI and BSCH have also signed an agreement for the distribution of their products to their respective customers in Europe and Latin America, as well announcing the creation of a joint venture, with Commerzbank, The Royal Bank of Scotland and Société Générale, to offer dedicated treasury and capital markets services to companies and institutional investors through the Internet.

The carve-out of the public sector lending business to Banca OPI

At the beginning of July, the Parent Bank SANPAOLO IMI conferred the public sector lending arm of the company to a dedicated incorporated structure, the subsidiary IMI Lease, which obtained its banking license and took the name of Banca OPI; the transaction concerned net loans of more than Euro 10 billion.

NHS takes a shareholding of 2.2% in the ordinary capital of FIAT from Compagnia di San Paolo

NHS, the merchant bank of the Group, has acquired the stake in FIAT at a market price of approximately Euro 220 million; the investment is strategic and will herald the arrival of NHS in the FIAT consultative agreement among IFI/IFIL, Generali and Deutsche Bank.

Relaunch of Sanpaolo Invest

Preparation for the quotation of Sanpaolo Invest and its business separation from the Parent Bank following the attainment of its banking licence have been continued.

Strengthening of the networks and innovative channels

Actions to strengthen the banking network of SANPAOLO IMI have been undertaken, with the opening of 17 new outlets, and the financial sales networks, which increased by approximately 100, as well as significant investments to develop innovative distribution channels.

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

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

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

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

(**) Reserves are net of own shares held by the Parent Bank: 14,962,000 with a book value of Euro 185 million at 30 September 1999, 27,431,500 with a book value of Euro 336 million at 31 December 1999 and 5,336,250 with a book value of Euro 77 million at 30 September 2000. The balance sheet data at 30/9 have not been audited.