

SANPAOLO IMI

GROUP RESULTS AT 30 JUNE 2001 CONFIRMED Six month net income 688 million Euro (– 5.6% on the first half of 2000)

Turin, 11 September 2001 – The definitive results of the SANPAOLO IMI Group at 30 June 2001 confirm those presented to the Board of Directors on 31 July: **consolidated net income** in the first six months of 2001 was 688 million Euro (– 5.6% on the *pro forma* first half of 2000) as already indicated in the second quarter report. The Parent Bank had net income of 558 million Euro.

Notwithstanding the difficult market environment, the Group revenues in the first half of 2001 were substantially at the same level as in the same period of last year: **net interest and other banking income** was 3,034 million Euro, against 3,075 million Euro a year ago.

The result was helped in part by an improvement in Group **net interest income** at 1,423 million Euro (+1.9% on the same period of 2000). The progress was made possible by growth in both customer business volumes and short-term spreads against the first half average of 2000.

It should be noticed that Group net loans, excluding non-performing loans and those to SGA (the company to which Banco di Napoli's doubtful loans were transferred), were 95.1 billion Euro, up 4.7% on an annual basis and slightly up on the end of 2000.

Financial assets of customers were 307.6 billion Euro, up by 0.5% against the end of June 2000. **Direct customer deposits** amounted to 105.1 billion Euro, up by 1.9% on the end of June 2000. In **asset management**, it should be noted that the Group achieved a net positive inflow of 2.6 billion Euro in the first six months notwithstanding the instability registered in securities markets. The fall in the markets however led to a devaluation of 3.9 billion Euro in the total stock of Group asset management, which amounted to 127.6 billion Euro in June, down by 0.7% on an annual basis. Group performance was particularly positive in **insurance**: the amount of life policies rose to 13.9 billion Euro, up by 11.7% from the beginning of the year and 25.1% from the end of June 2000.

Market performance obviously led to a reduction in commissions from asset management and trading compared to the high values which were achieved, in a very positive market context, in the first half of 2000. Net commissions in the first half thus amounted to 1,329 million Euro (-7.6% on the first six months of 2000). Despite the reduction, net Group commissions were more than enough to cover personnel costs and represent approximately three quarters of total administrative expenses.

The strong investments made last year and in the first half of this year to strengthen distribution were reflected in an increase in Group costs, in particular in amortisation. The increase in **costs** (+1.8% in administrative expenses and +36.2% in amortisation) should be placed in the context of the acceleration of the initiatives to strengthen distribution channels from the second half of the previous year. The increase in amortisation on the first half of

2000 follows higher percentages adopted by Banco di Napoli. In the second half of the year Group costs will slow down both on a consistent basis of comparison and as a result of the first effects of the cost containment actions. **Operating income** fell by 8.8% to 1,200 million Euro.

Provisions and net adjustments to loans and financial fixed assets fell in the first half of 2001 to 251 million Euro, down by 7.4% against 271 million Euro in the same period of 2000. The fall was made possible by a significant improvement in asset quality. **Doubtful loans** were 1,868 million Euro at the end of June, a fall of 32.3% on an annual basis. In particular, net non-performing loans to customers fell to 830 million Euro, down 29.8% on the 12 months and 185 million Euro against December. The ratio to net customer loans fell to 0.8% against 1% at the end of 2000 and 1.2% at 30 June 2000. The NPL coverage ratio at the end of June, also taking account of tax write-offs, was 75.9%. **Ordinary income** was 880 million Euro, against 959 in the first half of 2000.

Extraordinary income was 177 million Euro, against 310 million Euro in the first half of 2000. The 2000 result was affected by the sale of 40% of Crediop, while the revenues this year are attributable to positive surpluses from Banco di Napoli, capital gains from NHS's sale of Montedison shares prior to the Itالenergia transaction (whose capital gain of 170 million Euro will be accounted for in the second half), capital gains from the sale of 10.7% of Beni Stabili, as well as the sale of own shares to Fondazione Cassa di Risparmio di Venezia in the course of the acquisition of a stake in Banca Cardine.

The report for the half year will be subject to limited audit by PricewaterhouseCoopers.

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The results for July and the **first indications for August** still show negative rates of change in the main line items compared to the same period in the previous year, following the unfavourable performance of financial and stock markets, only partially compensated for by the slowing in the rate of growth of costs.

Given these developments, notwithstanding the further improvement in asset quality, the incisive commercial policies and the programme to rationalise and reduce costs, the possibility that the Group will achieve **year-end** ordinary results equal to those of 2000, in a particularly favourable market context, today seems conditional upon the performance of the financial markets in the coming months and the restoration of general conditions for the development of economic activity. This should be considered also in the light of today's dramatic international events whose consequences could have heavy repercussions on the markets themselves.

Giorgio Spriano	+39 011 555 2822
Dean Quinn	+39 011 555 2593
Elena Flor	+39 011 555 2639
Anna Monticelli	+39 011 555 2526
Damiano Accattoli	+39 011 555 3590
James Ball	+39 011 555 2546
Fax	+39 011 555 2989
e-mail	investor.relation@sanpaoloimi.com

Reclassified consolidated statement of income

	First half	First half	Change first	20 00	
	2001	2000 pro forma (1)	half 2001 / First half 2000 pro forma	Pro forma (1)	Financial Statement
	(€mil)	(€mil)	(%)	(€mil)	(€mil)
NET INTEREST INCOME	1,423	1,396	+1.9	2,874	2,572
Net commissions and other dealing revenues	1,329	1,438	-7.6	2,852	2,641
Profits and losses from financial transactions and dividends on shares	138	165	-16.4	296	263
Profits from companies carried at equity and dividends from shareholdings	144	76	+89.5	147	146
NET INTEREST AND OTHER BANKING INCOME	3,034	3,075	-1.3	6,169	5,622
Administrative costs	-1,784	-1,752	+1.8	-3,572	-3,076
- <i>personnel</i>	-1,116	-1,094	+2.0	-2,256	-1,929
- <i>other administrative costs</i>	-563	-555	+1.4	-1,109	-958
- <i>indirect duties and taxes</i>	-105	-103	+1.9	-207	-189
Other operating income, net	123	120	+2.5	247	213
Adjustments to tangible and intangible fixed assets	-173	-127	+36.2	-330	-299
OPERATING INCOME	1,200	1,316	-8.8	2,514	2,460
Value adjustments on goodwill, merger differences and consolidation	-69	-86	-19.8	-176	-90
Provisions and net adjustments to loans and financial fixed assets	-251	-271	-7.4	-639	-581
INCOME BEFORE EXTRAORDINARY ITEMS	880	959	-8.2	1,699	1,789
Net extraordinary income	177	310	-42.9	402	396
INCOME BEFORE TAXES	1,057	1,269	-16.7	2,101	2,185
Income taxes for the period	-315	-489	-35.6	-770	-785
Change in reserves for general banking risks	4	3	+33.3	2	2
Income attributable to minority interests	-58	-54	+7.4	-102	-94
Reversal of second half income Banco di Napoli group (2)	-	-	n.s.	-	-16
NET INCOME	688	729	-5.6	1,231	1,292

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

(2) The caption refers to the share of the net result in 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 bank into the preceding year's consolidated financial statements was reflected line by line throughout the whole of the second half.

The pro forma income statements for the first half of 2000 and for the year 2000 are not audited.

Reclassified consolidated balance sheet

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

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

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

The pro forma balance sheet data at 30/6/2000 are not audited.