

SANPAOLO IMI

FIRST NINE MONTHS 2001 CONSOLIDATED NET INCOME OF 993 MILLION EURO

Fall in net income held to 1.2% against 1,005 million Euro in the same period of 2000

Net inflow in asset management of 3 billion Euro from the beginning of the year

JP MorganChase and Goldman Sachs financial advisers for the Cardine transaction

Turin, 13 November 2001 - In a progressively deteriorating external environment, SANPAOLO IMI closed the first three quarters of 2001 with a consolidated net income of 993 million Euro, down by 1.2% against the first nine months of the previous year. The Board of Directors, meeting today in Turin to examine the accounts of the Group at 30 September, took note of these results.

Net interest income in the first nine months of 2001 was 2,091 million Euro, showing a fall of 1.1% against the same period in 2000, a reduction moreover wholly attributable to factors unconnected with ordinary operating business. Without these items, the level of net interest income would be substantially in line with that of the first three quarters of the previous year.

In direct deposits, after the falling trend seen in July and August, funding from customers recorded an incremental flow of 3.7 billion Euro in September. The total aggregate at the end of the third quarter was 103.2 billion Euro, down by 0.9% from the end of 2000 and 0.5% against the end of September 2000.

On the asset side, Group net loans to customers (excluding non-performing loans and financings to SGA, the company into which the doubtful loans of Banco di Napoli were transferred) were 92.5 billion Euro at the end of the third quarter of 2001, showing a reduction of 2.6% on the beginning of the year and an increase of 2% on an annual basis.

Lower commission income, falling to 1,952 million Euro, 7.8% down on the first nine months of 2000, had an impact on net interest and other banking income, down by 4.1%; the fall is attributable to asset management and securities dealing. The fall in equity markets, accentuated in September, had in fact a substantial impact on the Group's indirect deposits, leading to a third quarter contraction in the amounts of assets managed and administered of 16.2 billion Euro. Financial assets of customers, in total, thus fell to 289.4 billion Euro, showing a fall of 6.5% on an annual basis and 4.8% from the beginning of the year.

In particular, the total of assets under management at the end of September was 118.2 billion Euro, with a reduction of 8.3% from the end of 2000 and 10.4% over the 12 months. In the third quarter, notwithstanding the difficulties in the financial markets, the Group achieved a positive net flow in asset management, at 370 million Euro, taking to 3 billion Euro the net flow from the beginning of the year. Against that, the stock suffered a negative performance of 9.8 billion Euro in the third quarter of 2001, of which 5.1 billion were concentrated in September; the total reduction in the sector from the beginning of the year was 13.7 billion Euro.

Again in asset management, life technical reserves continued to grow, representing one of the customers' preferred forms of investment. The increase in the third quarter, 491 million Euro, brought the total to 14.4 billion Euro, with a increase of 15.7% from the beginning of the year and 22.9% on the end of September 2000.

Group administrative expenses in the first three quarters of 2001 showed a percentage change of 0.6% on the same period of 2000, falling from the 1.8% recorded in the first half of the year. This result was due to the actions for the structural containment of costs taken in the first part of the year with the objective of keeping administrative expenses in 2001 stable at the levels recorded in the previous year.

Provisions and net adjustments to loans and financial fixed assets, in first nine months of 2001, were 390 million Euro, an increase of 3.7% on the same period in 2000. At the end of September 2001 the net doubtful loans of the Group fell by 16.8% from the beginning of the year and 32.4% over the 12 months. In particular, in this context, it should be noted that the ratio of net non-performing loans to net loans to customers fell to 0.9%, against 1% at the end of 2000 and 1.2% at the end of September 2000; the coverage ratio of non-performing loans, also taking account of tax write-offs, was 75.8%.

As noted above, the first nine months of the year give an ordinary income of 1,125 million Euro, a fall of 19.3% on the same period of 2000, and extraordinary income of 348 million Euro (-3.6%); in particular, extraordinary revenues included 228 million Euro relating to the capital gain arising from the sale of the 6.2% stake held by NHS in Montedison.

No significant signs of improvement in the external environment are expected in the final months of the year. It should continue to be characterised by high volatility and a weak economic situation. Under such circumstances the developing prospects for the Group appear to be conditional upon a development in revenues which is still envisaged to be limited. Against this there will be a more positive trend in costs following the containment actions adopted.

Principal action points and initiatives in the quarter

In the third quarter of 2001 the SANPAOLO IMI Group made important progress in strengthening its competitive positioning in the Italian and European markets:

- the reaching of a proposal for the integration with the Cardine Banca Group, created from the merger of the Casse Venete and the Cassa di Risparmio di Bologna, an important banking organisation in the regions of North East Italy, where it operates through a network of 815 branches;
- the signing of a collaboration agreement with the French Group Caisse des Dépôts et Consignations, which sets out the guide lines for industrial and commercial collaboration and defines their reciprocal responsibilities in shareholding terms. On the basis of these agreements the CDC Group has already acquired a stake of 2% in SANPAOLO IMI which in turn will itself acquire a stake of around 5% in CDC Ixis, the CDC Group's investment bank, before the end of the year;
- the reaching of an agreement for the launch of a Public Offer for Banca Koper, Slovenia's number four bank by total assets, which has particular significance also in the light of the possible integration with Cardine, whose entrepreneurial customers, concentrated North East Italy, are aiming to increase commercial exchanges with the markets of Eastern Europe.

In parallel, SANPAOLO IMI has proceeded with determination in the initiatives, planned in previous months, aimed at the rationalisation of the structure and the structural containment of costs.

In the course of today's meeting, the Board of Directors also decided to mandate JP Morgan Chase and Goldman Sachs to act in support as financial advisers in the transaction between the SANPAOLO IMI Group and the Cardine Group.

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Reclassified consolidated statement of income

	First nine	First nine	Change first	20 00	
	months 2001	months 2000 pro forma (1)	months 2001 / First nine months 2000 pro forma (%)	Pro forma (1)	Financial Statement
	(€mil)	(€mil)		(€mil)	(€mil)
NET INTEREST INCOME	2,091	2,115	-1.1	2,874	2,572
Net commissions and other net dealing revenues	1,952	2,117	-7.8	2,852	2,641
Profits and losses from financial transactions and dividends on shares	173	220	-21.4	296	263
Profits from companies carried at equity and dividends from shareholdings	153	106	+44.3	147	146
NET INTEREST AND OTHER BANKING INCOME	4,369	4,558	-4.1	6,169	5,622
Administrative costs	-2,655	-2,640	+0.6	-3,572	-3,076
- <i>personnel</i>	-1,654	-1,655	-0.1	-2,256	-1,929
- <i>other administrative costs</i>	-847	-831	+1.9	-1,109	-958
- <i>indirect duties and taxes</i>	-154	-154	-	-207	-189
Other operating income, net	179	182	-1.6	247	213
Adjustments to tangible and intangible fixed assets	-273	-203	+34.5	-330	-299
OPERATING INCOME	1,620	1,897	-14.6	2,514	2,460
Adjustments to goodwill and merger and consolidation differences	-105	-127	-17.3	-176	-90
Provisions and net adjustments to loans and financial fixed assets	-390	-376	+3.7	-639	-581
INCOME BEFORE EXTRAORDINARY ITEMS	1,125	1,394	-19.3	1,699	1,789
Net extraordinary income	348	361	-3.6	402	396
INCOME BEFORE TAXES	1,473	1,755	-16.1	2,101	2,185
Income taxes for the period	-369	-673	-45.2	-770	-785
Change in reserves for general banking risks	3	3	-	2	2
Income attributable to minority interests	-114	-80	+42.5	-102	-94
Reversal of second half income Banco di Napoli group (2)	-	-	n.s.	-	-16
NET INCOME	993	1,005	-1.2	1,231	1,292

- (1) *The pro forma statement of income for the first nine months of 2000 and that for the year 2000 have been prepared, according to the criteria detailed in the Explanatory Notes of the quarterly 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 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 the income statement contribution of the Neapolitan group into the preceding year's consolidated financial statements was reflected line by line throughout the whole of the second half.*

The pro forma statements of income for the first nine months of 2000 and for the year 2000, as well as the statement of income for the first nine months of 2001, are not audited.

Analysis of quarterly consolidated statement of income

	2001				2000 pro forma (1)			
	3rd quarter	2nd quarter	1st quarter	Quarterly average	4th quarter	3rd quarter	2nd quarter	1st quarter
	(€mil)	(€mil)	(€mil)	(€mil)	(€mil)	(€mil)	(€mil)	(€mil)
NET INTEREST INCOME	668	697	726	719	759	719	709	687
Net commissions and other net dealing revenues	623	676	653	713	735	679	692	746
Profits and losses from financial transactions and dividends on shares	35	73	65	74	76	55	49	116
Profits from companies carried at equity and dividends from shareholdings	9	85	59	37	41	30	41	35
NET INTEREST AND OTHER BANKING INCOME	1,335	1,531	1,503	1,543	1,611	1,483	1,491	1,584
Administrative costs	-871	-911	-873	-893	-932	-888	-897	-855
- personnel	-538	-561	-555	-564	-601	-561	-550	-544
- other administrative costs	-284	-295	-268	-277	-278	-276	-296	-259
- indirect duties and taxes	-49	-55	-50	-52	-53	-51	-51	-52
Other operating income, net	56	69	54	62	65	62	63	57
Adjustments to tangible and intangible fixed assets	-100	-93	-80	-82	-127	-76	-66	-61
OPERATING INCOME	420	596	604	630	617	581	591	725
Adjustments to goodwill and merger and consolidation differences	-36	-36	-33	-44	-49	-41	-44	-42
Provisions and net adjustments to loans and financial fixed assets	-139	-150	-101	-160	-263	-105	-159	-112
INCOME BEFORE EXTRAORDINARY ITEMS	245	410	470	426	305	435	388	571
Net extraordinary income	171	104	73	100	41	51	201	109
INCOME BEFORE TAXES	416	514	543	526	346	486	589	680
Income taxes for the period	-54	-120	-195	-193	-97	-184	-200	-289
Change in reserves for general banking risks	-1	2	2	1	-1	-	3	-
Income attributable to minority interests	-56	-35	-23	-26	-22	-26	-29	-25
NET INCOME	305	361	327	308	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 of the quarterly 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.

The pro forma quarterly statements of income for 2000 and the quarterly statements of income for 2001 are not audited.

Reclassified consolidated balance sheet

ASSETS	30/9/2001	30/9/2000 pro forma (1)	Change 30/9/01- 30/9/00 pro forma	31/12/2000
	(€mil)	(€mil)	(%)	(€mil)
Cash and deposits with central banks and post offices	505	676	-25.3	708
Loans	114,999	118,220	-2.7	117,825
- due from banks	19,261	23,028	-16.4	19,119
- loans to customers	95,738	95,192	+0.6	98,706
Dealing securities	17,869	18,601	-3.9	18,329
Fixed assets	10,813	12,415	-12.9	12,396
- investment securities	4,321	7,103	-39.2	6,671
- equity investments	4,383	3,199	+37.0	3,573
- intangible fixed assets	368	335	+9.9	359
- tangible fixed assets	1,741	1,778	-2.1	1,793
Differences arising on consolidation and on application of the equity method	1,068	907	+17.8	989
Other assets	21,665	21,518	+0.7	21,854
Total assets	166,919	172,337	-3.1	172,101
LIABILITIES	30/9/2001	30/9/2000 pro forma (1)	Change 30/9/01- 30/9/00 pro forma	31/12/2000
	(€mil)	(€mil)	(%)	(€mil)
Payables	130,537	135,093	-3.4	133,740
- due to banks	27,359	31,380	-12.8	29,596
- customer deposits and securities issued	103,178	103,713	-0.5	104,144
Provisions	3,012	4,204	-28.4	4,601
- for taxation	793	1,147	-30.9	1,230
- for termination indemnities	745	743	+0.3	743
- for risks and charges	1,433	1,132	+26.6	1,500
- for pensions and similar	41	1,182	-96.5	1,128
Other liabilities	19,213	20,937	-8.2	20,534
Subordinated liabilities	5,400	3,803	+42.0	5,158
Minority interests	787	755	+4.2	715
Shareholders' equity (2)	7,970	7,545	+5.6	7,353
Total liabilities	166,919	172,337	-3.1	172,101

(1) The pro forma balance sheet data at 30/9/2000 have been prepared, according to the criteria detailed in the Explanatory Notes of the quarterly report, on the basis of the acquisition of control of Banco di Napoli and Wargny from 1/1/2000.

(2) Reserves are net of own shares held by the Parent Bank, 5,336,250 at a book value of 77 million Euro at 30 September 2000, 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 30 September 2001.

The pro forma balance sheet data at 30/9/2000 and those at 30/9/2001 are not audited.