

# SANPAOLO IMI

## THE BOARD OF DIRECTORS EXAMINES THE QUARTERLY RESULTS TO 31 DECEMBER 1999 AND LAUNCHES THREE-YEAR PLAN 2000-2002

Consolidated net income of 1,049 million Euro (+15.4%) - Proposed dividend of 1,000 lire (Euro 0.5164) – Objective for the next three years: increased profits and greater investments in operating growth and technological innovation.

**Turin, 8 February 2000** - Consolidated net income of Euro 1,049 million (2,031 billion lire), an annual increase of 15.4%, and a RoE of 14% compared with 11.3% in 1998 are among the key financial results for 1999 examined today by the Board of Directors of SANPAOLO IMI S.p.A.. The Board has decided to propose to the Shareholders' Meeting a dividend of L. 1,000 (Euro 0.5164) per share (ex dividend 22 May 2000, payment 29 May).

The financial statements at the end of December 1999 show ordinary income of Euro 1,510 million (+9.9% compared with 31 December 1998), determined principally by higher net commissions (+18.9%) and by a further considerable reduction in value adjustments to loans and financial fixed assets (-32.2%), which have substantially covered the fall in net interest income (-15.9%) and profits from financial transactions (-20.9%).

Net extraordinary income, Euro 298 million, comes almost wholly from the realisation, in the first half, of the shareholdings in Crediop and Telecom.

The reduction in margins in the traditional banking business, a general phenomenon in the Italian banking system, has been accompanied by constant growth in net commissions from services (Euro 2,074 million) chiefly following the progressive development of the managed savings business, which at the end of 1999 exceeded Euro 110,000 million (+31.6%) and registered an annual inflow of more than Euro 26,400 million.

Within this sector mutual funds and portfolios managed in funds reached more than Euro 93,700 million, with an increase of 34.1% and a domestic market share of 17.5%, while the technical reserves of the Group's insurance companies exceeded Euro 10,300 million, with an inflow during the year of more than Euro 2,600 million and an estimated market share in terms of premia of more than 8%. In the insurance sector it should also be noted that in the course of 1999 Sanpaolo Vita has registered an accounting profit of 23 million Euro, while the increase in the company's embedded value amounted to approximately Euro 100 million.

In total, financial assets of customers, approximately Euro 260,000 million, registered an annual increase of 11.2%, corresponding to an inflow of more than Euro 26,100 million.

Net administrative expenses and amortisation & depreciation, together amounting to Euro 2,584 million, are at the same levels as in the previous year. Lower operating expenses at the Parent Bank, thanks to initiatives aimed at rationalisation and the improvement in efficiency realised during the year, have in fact been compensated by the greater charges connected to projects at Parent Bank level and in those companies operating in sectors with greater growth potential, in particular in the areas of managed savings and on-line trading.

The improvement in asset quality was reflected in a significant reduction in writedowns to loans and financial fixed assets which fell to Euro 473 million (-32.2%). Net non-performing loans fell to Euro 1,696 million (-15.4%), while problem and restructured loans fell to Euro 1,176 million (-27.6%).

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The Board of Directors has furthermore approved the new Three-Year Plan for 2000-2002, which proposes a combination of improved profitability with a programme of significant investments focused on operating growth and, in particular, on technological innovation.

The profit objective for the three years is to bring the Group's RoE from its current 14% to more than 17% on a stand-alone basis thanks to a further increase in commission income and renewed growth in net interest income. This objective does not thus take account of possible future acquisitions, which could further improve the RoE of the Group.

In terms of investments, the Group has launched a programme of technological innovation and of operational development which is particularly aimed at enhancing retail business and new distribution channels.

The most ambitious project concerns "Branch 2000", intended to revolutionise traditional bank branches reducing administrative functions, improving customer service and allowing full integration of all distribution channels, from telephones to the Internet, from credit and debit cards to direct contact with the customer at the till. This new branch environment will be completed with the installation of workstations dedicated to financial advice and asset management for customers, as well as a training programme for approximately 4,000 personal consultants, already launched through SANPAOLO IMI's investment desks. Together with the new branch model – more flexible and technologically advanced – new small branches focused on managed savings and based on a more comprehensive coverage of the country will be opened.

The plan approved also envisages the further strengthening of @IMIWEB, specifically to target on-line trading and Internet banking, through the extension of services and products offered and technological and marketing partnership agreements.

The action points for the next three years envisage the further reinforcement of the Group companies operating in the personal financial services sector. These include Banca Fideuram, whose management has recently set out and presented to the market an ambitious programme of development, and Sanpaolo Invest, for which a relaunch plan has been introduced. This envisages the conversion to banking status, a greater operational and management autonomy from SANPAOLO IMI, substantial investments in technology and stock exchange quotation within a relatively short space of time. In this regard, appropriate forms of collaboration with @IMIWEB will be evaluated.

*This announcement contains certain forward looking statements including words and phrases such as "ambitious" and "objective". These statements are based upon assumptions of future market circumstances and of the Group's strategy in a period of increased competition and rapid technological change. SANPAOLO IMI assumes no responsibility to update such forward looking statements.*

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	31/12/1999	31/12/1998	31/12/1998	Change	31/12/1999
	(Euro/mil)	(Euro/mil)	(Euro/mil)	'99-'98	(L/bln)
				pro forma	
				(%)	
<b>CONSOLIDATED STATEMENT OF INCOME</b>					
	<b>2,038</b>	2,423	2,651	<b>-15.9</b>	3,947
Net interest income	<b>2,074</b>	1,744	1,738	<b>+18.9</b>	4,015
Net commissions and other dealing revenues	<b>-2,465</b>	-2,466	-2,495	<b>-</b>	-4,774
Administrative costs	<b>-473</b>	-698	-723	<b>-32.2</b>	-918
Provisions and net adjustments to loans and financial investments	<b>1,510</b>	1,374	1,481	<b>+9.9</b>	2,921
Income before extraordinary items	<b>298</b>	120	159	<b>+148.3</b>	578
Extraordinary income	<b>1,049</b>	909	909	<b>+15.4</b>	2,031
Group net income					
<b>CONSOLIDATED BALANCE SHEET</b>					
	<b>140,144</b>	141,524	158,289	<b>-1.0</b>	271,357
Total assets	<b>73,324</b>	72,968	86,889	<b>+0.5</b>	141,976
Loans to customers	<b>18,853</b>	23,906	25,727	<b>-21.1</b>	36,504
Securities	<b>3,362</b>	1,672	1,321	<b>+101.1</b>	6,509
Equity investments	<b>79,345</b>	84,499	97,397	<b>-6.1</b>	153,634
Customer deposits and securities issued	<b>1,509</b>	1,382	1,511	<b>+9.2</b>	2,921
Subordinated liabilities	<b>8,031</b>	8,668	8,668	<b>-7.3</b>	15,550
Group shareholders' equity					
<b>FINANCIAL ASSETS OF CUSTOMERS</b>					
Total customer assets	<b>259,992</b>	233,816	241,250	<b>+11.2</b>	503,416
- Direct deposits	<b>79,345</b>	84,499	97,397	<b>-6.1</b>	153,634
- Indirect deposits	<b>180,647</b>	149,317	143,853	<b>+21.0</b>	349,782
- Asset administration	<b>70,570</b>	65,700	60,545	<b>+7.4</b>	136,643
- Asset management	<b>110,077</b>	83,617	83,308	<b>+31.6</b>	213,139
- Mutual funds	<b>75,874</b>	59,412	59,359	<b>+27.7</b>	146,912
- Portfolio management and in funds	<b>17,887</b>	10,467	10,467	<b>+70.9</b>	34,634
- Asset portfolio management	<b>5,984</b>	6,069	5,814	<b>-1.4</b>	11,587
- Life assurance	<b>10,332</b>	7,669	7,669	<b>+34.7</b>	20,006
<b>PROFITABILITY RATIOS (%)</b>					
Annualized RoE (Net income/Shareholders' equity excluding current net income)	<b>14.0</b>	11.3	11.3		14.0
Cost / Income ratio	<b>56.6</b>	55.5	54.3		56.6
Net commissions/Administrative costs	<b>84.1</b>	70.7	69.6		84.1
<b>LENDING RISK RATIOS (%)</b>					
Net non-performing loans/Total customer loans	<b>2.3</b>	2.7	2.3		2.3
Net problem and restructured loans/Total customer loans	<b>1.6</b>	2.2	1.9		1.6
<b>CAPITAL ADEQUACY RATIOS (%)</b>					
Tier 1 capital/Weighted assets	<b>9,7 (*)</b>	n.d.	9.7		9,7 (*)
Total capital/Weighted assets	<b>10,6 (*)</b>	n.d.	11.1		10,6 (*)
<b>SANPAOLO IMI SHARES</b>					
Number of shares (millions)	<b>1,402</b>	1,402	1,402	<b>-</b>	1,402
- number of shares in circulation	<b>1,375</b>	1,402	1,402	<b>-1.9</b>	1,375
- number of own shares	<b>27</b>	-	-	<b>n.s.</b>	27
Price (euro; lire)					
- average	<b>13.19</b>	12.43	12.43	<b>+6.2</b>	25,541
- low	<b>11.10</b>	8.65	8.65	<b>+28.3</b>	21,496
- high	<b>16.04</b>	16.10	16.10	<b>-0.4</b>	31,049
Earnings per share in circulation (euro; lire)	<b>0.76</b>	0.65	0.65	<b>+17.6</b>	1,477
Dividend per share in circulation (euro; lire)	<b>n.d.</b>	0.46	0.46	<b>n.d.</b>	n.d.
Dividend / average annual price (%)	<b>n.d.</b>	3.60	3.60	<b>n.d.</b>	n.d.
Shareholders' equity per share in circulation (euro; lire)	<b>5.84</b>	6.18	6.18	<b>-5.5</b>	11,309
<b>OPERATING STRUCTURE</b>					
Employees	<b>24,133</b>	24,299	24,527	<b>-0.7</b>	24,133
Domestic branches	<b>1,356</b>	1,346	1,346	<b>+0.7</b>	1,356
Foreign branches and representative offices	<b>77</b>	75	75	<b>+2.7</b>	77
Financial planners	<b>4,865</b>	4,497	4,497	<b>+8.2</b>	4,865

	<b>1999</b>	1998 pro forma	1998	<b>Change '99/'98 pro forma</b>	1999
	<b>(Euro/mil)</b>	(Euro/mil)	(Euro/mil)	<b>(%)</b>	<b>(Lit/bln)</b>
<b>NET INTEREST INCOME</b>	<b>2,038</b>	2,423	2,651	<b>-15.9</b>	3,947
Net commissions and other dealing revenues	<b>2,074</b>	1,744	1,738	<b>+18.9</b>	4,015
Profits and losses from financial transactions and dividends	<b>250</b>	316	324	<b>-20.9</b>	486
Profits of companies carried at equity and dividends from shareholdings	<b>205</b>	173	108	<b>+18.5</b>	396
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>4,567</b>	4,656	4,821	<b>-1.9</b>	8,844
Administrative costs	<b>-2,465</b>	-2,466	-2,495	<b>-0.0</b>	-4,774
- <i>personnel</i>	<b>-1,531</b>	-1,526	-1,543	<b>+0.3</b>	-2,966
- <i>other administrative costs</i>	<b>-767</b>	-769	-780	<b>-0.3</b>	-1,485
- <i>indirect taxes and others</i>	<b>-167</b>	-171	-172	<b>-2.3</b>	-323
Other operating income, net	<b>173</b>	184	185	<b>-6.0</b>	335
Adjustments to tangible and intangible fixed assets	<b>-292</b>	-302	-307	<b>-3.3</b>	-566
<b>OPERATING INCOME</b>	<b>1,983</b>	2,072	2,204	<b>-4.3</b>	3,839
Net adjustments to loans and provisions	<b>-381</b>	-631	-656	<b>-39.6</b>	-739
Net adjustments to financial fixed assets	<b>-92</b>	-67	-67	<b>+37.3</b>	-179
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,510</b>	1,374	1,481	<b>+9.9</b>	2,921
Net extraordinary income	<b>298</b>	120	159	<b>+148.3</b>	578
<b>INCOME BEFORE TAXES</b>	<b>1,808</b>	1,494	1,640	<b>+21.0</b>	3,499
Income taxes	<b>-695</b>	-534	-630	<b>+30.1</b>	-1,345
Change in reserve for general banking risks	<b>-1</b>	-8	-8	<b>-87.5</b>	-1
Net income attributable to minority interests	<b>-63</b>	-43	-93	<b>+46.5</b>	-122
<b>NET INCOME</b>	<b>1,049</b>	909	909	<b>+15.4</b>	2,031

	1999				1998			
	IV Q. 1999	III Q. 1999	II Q. 1999	I Q. 1999	IV Q. 1998	III Q. 1998	II Q. 1998	I Q. 1998
	(Euro/mil)	(Euro/mil)	(Euro/mil)	pro forma (Euro/mil)	pro forma (Euro/mil)	pro forma (Euro/mil)	pro forma (Euro/mil)	pro forma (Euro/mil)
NET INTEREST INCOME	507	499	520	512	583	583	633	624
Net commissions and other dealing revenues	587	522	491	474	445	428	468	403
Profits and losses from financial transactions and dividends	79	27	53	91	41	39	95	141
Profits of companies carried at equity and dividends from shareholdings	84	52	36	33	46	47	45	35
NET INTEREST AND OTHER BANKING INCOME	1257	1,100	1,100	1,110	1,115	1,097	1,241	1,203
Administrative costs	-644	-610	-617	-594	-615	-613	-633	-605
- <i>personnel</i>	-384	-382	-386	-379	-379	-380	-382	-385
- <i>other administrative costs</i>	-221	-183	-189	-174	-196	-193	-203	-177
- <i>indirect taxes and others</i>	-39	-45	-42	-41	-40	-40	-48	-43
Other operating income, net	48	40	43	42	45	43	50	46
Adjustments to tangible and intangible fixed assets	-87	-71	-64	-70	-88	-74	-72	-68
OPERATING INCOME	574	459	462	488	457	453	586	576
Net adjustments to loans and provisions	-90	-90	-97	-104	-93	-127	-216	-195
Net adjustments to financial fixed assets	-57	-9	-26	-	-30	-	-11	-26
INCOME BEFORE EXTRAORDINARY ITEMS	427	360	339	384	334	326	359	355
Net extraordinary income	-1	-2	297	4	92	6	14	8
INCOME BEFORE TAXES	426	358	636	388	426	332	373	363
Income taxes	-169	-128	-248	-150	-160	-112	-137	-125
Change in reserve for general banking risks	-1	-	-	-	-1	-4	-2	-1
Net income attributable to minority interests	-19	-23	-11	-10	-8	-14	-8	-13
NET INCOME	237	207	377	228	257	202	226	224

<b>ASSETS</b>	<b>31/12/1999</b>	31/12/1998	31/12/1998	<b>Change</b>	31/12/1999
	<b>(Euro/mil)</b>	(Euro/mil)	(Euro/mil)	<b>'99/'98</b>	(L/bln)
		pro forma		<b>pro forma</b>	
				<b>(%)</b>	
Cash and deposits with central banks and post offices	<b>538</b>	421	421	<b>27.8</b>	1,042
Loans	<b>95,306</b>	95,426	109,982	<b>-0.1</b>	184,538
- due from banks	<b>21,982</b>	22,458	23,093	<b>-2.1</b>	42,562
- loans to customers	<b>73,324</b>	72,968	86,889	<b>0.5</b>	141,976
Delaing securities	<b>17,094</b>	21,565	23,385	<b>-20.7</b>	33,098
Fixed assets	<b>6,670</b>	5,915	5,634	<b>12.8</b>	12,916
- investment securities	<b>1,759</b>	2,341	2,342	<b>-24.9</b>	3,406
- equity investments	<b>3,362</b>	1,672	1,321	<b>101.1</b>	6,509
- intangible fixed assets	<b>256</b>	296	302	<b>-13.5</b>	498
- tangible fixed assets	<b>1,293</b>	1,606	1,669	<b>-19.5</b>	2,503
Differences arising on consolidation and on application of the equity method	<b>31</b>	59	59	<b>-47.5</b>	60
Other assets	<b>20,505</b>	18,138	18,808	<b>13.0</b>	39,703
<b>Total assets</b>	<b>140,144</b>	141,524	158,289	<b>-1.0</b>	271,357

<b>LIABILITIES</b>	<b>31/12/1999</b>	31/12/1998	31/12/1998	<b>Change</b>	31/12/1999
	<b>(Euro/mil)</b>	(Euro/mil)	(Euro/mil)	<b>'99/'98</b>	(L/bln)
		pro forma		<b>pro forma</b>	
				<b>(%)</b>	
Payables	<b>107,199</b>	109,640	125,160	<b>-2.2</b>	207,567
- due to banks	<b>27,854</b>	25,141	27,763	<b>10.8</b>	53,933
- due to customers and securities issued	<b>79,345</b>	84,499	97,397	<b>-6.1</b>	153,634
Reserves:	<b>1,945</b>	2,069	2,241	<b>-6.0</b>	3,767
- for taxation	<b>1,028</b>	1,178	1,320	<b>-12.7</b>	1,990
- for termination indemnities	<b>437</b>	431	436	<b>1.4</b>	847
- for risks and charges	<b>419</b>	394	419	<b>6.3</b>	811
- for pensions and similar commitments	<b>61</b>	66	66	<b>-7.6</b>	119
Other liabilities	<b>20,888</b>	19,620	20,315	<b>6.5</b>	40,444
Subordinated liabilities	<b>1,509</b>	1,382	1,511	<b>9.2</b>	2,921
Minority interests	<b>572</b>	145	394	<b>294.5</b>	1,108
Shareholders' equity	<b>8,031</b>	8,668	8,668	<b>-7.3</b>	15,550
- capital	<b>3,926</b>	4,345	4,345	<b>-9.6</b>	7,602
- reserves (*)	<b>3,056</b>	3,414	3,414	<b>-10.5</b>	5,917
- net income	<b>1,049</b>	909	909	<b>15.4</b>	2,031
<b>Total liabilities</b>	<b>140,144</b>	141,524	158,289	<b>-1.0</b>	271,357