

SANPAOLO IMI

FIRST HALF REPORT CONFIRMS RESULTS AT 30 JUNE 2002

Net income 601 million Euro (- 25.2% on the first half of 2001)

Turin, 24 September 2002 - The consolidated results of the SANPAOLO IMI Group at 30 June 2002, with respect to those presented to the Board of Directors on 30 July on the occasion of the quarterly results and communicated at the same time to the market, are confirmed.

As noted at the time, the improvement seen in the course of the second quarter was not sufficient to return the profit results of the Group to the levels of the same period in the previous year, marked by very different macroeconomic backgrounds. Comparisons between the first half of 2002 and the same period of 2001 (*pro forma*) in fact still show negative changes:

- **net interest income:** 1,877 million euro (-6.1%)
- **net interest and other banking income:** 3,656 million euro (-5.5%);
- **operating income:** 1,308 million euro (-14.8%);
- **income before extraordinary items:** 911 million euro (-15.9%);
- **net income:** 601 million euro (-25.2%).

The Parent Bank had net income of 200 million euro, against 267 million euro *pro forma* (-25.1%) for the first half of 2001 (taking account of the Cardine merger and the modified accounting treatment of dividends).

The first half performance of the Group in profit and volume terms is summed up in the tables of consolidated statement of income and balance sheet attached to this note.

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Performance in July and August

In customer financial assets, the development in July and August was largely influenced by the significant net flow in insurance products, which led to a flow in **asset management** of more than 1 billion euro in the two months; the net flow from the beginning of the year went to 2.5 billion euro. This progress was thus in contrast with the further reduction in value of the stocks, which at the end of August were substantially in line with the values at half year. The trend in direct customer deposits confirmed the rates of growth recorded in the first half.

Net loans to customers showed a slight decline during the two months but, at the end of August, they showed an increase on an annual basis of more than 2%.

In economic terms in the two months, the rates of change in operating margins were not substantially different compared to those recorded in the first six months of the year. It should be noted that, on the basis of stock market performance following the closure of the first half, the value of the quoted minority shareholdings held by the SANPAOLO IMI Group showed a marked decline compared to the first half; the investment in Santander Central Hispano was particularly hit, because of its exposure to Latin American countries in crisis.

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Prospects

The Group's prospects in the remaining part of the year will still be strongly conditioned by market developments which make a recovery in operating revenues seem improbable. Furthermore, the performance of financial markets could lead to extraordinary impacts to safeguard the quality of financial assets in the balance sheet items. Against this difficult economic and financial scenario, the Sanpaolo IMI Group can however place the quality of its own loan portfolio, a strict provisioning policy which has allowed it to achieve high risk coverage levels (70.8% of non-performing loans and 25.6% of problem and restructured loans) and to accumulate a general reserve of 900 million euro, 0.74% of the performing loan portfolio, as well as capital strength, with a Tier 1 ratio of 7.2% and a total capital adequacy ratio of 10%.

Furthermore, in this context SANPAOLO IMI is intensifying its effort directed to actions which will allow it to improve operating efficiency working both on areas of potential development in revenues, and in terms of further cost savings. Particular attention is being dedicated to examining all the possible areas of rationalisation within Group.

This press release contains forward-looking statements which reflect management's current views on certain future events and financial performance. Actual results may differ materially from those projected or implied in the forward-looking statements. Furthermore, certain forward-looking statements are based upon assumptions of events which may not prove to be accurate. The following could cause actual results to differ materially from those projected or implied in any forward-looking statements: competitive conditions or unexpected changes in the markets served by Sanpaolo IMI, fiscal policy or plans in Italy or the European Union, unexpected turbulence in interest rates, foreign exchange rates or equity prices, regional or general changes in asset valuations, the business and financial condition of the company or its customers, Italian and foreign laws, regulations and taxes and the adequacy of loss reserves and general economic conditions in Italy and in other countries where Sanpaolo IMI conducts its business. These factors should not be considered as exhaustive. Because of such uncertainties and risks, readers should not place undue reliance on such forward-looking statements, which speak only as of the date of this press release. Sanpaolo IMI assumes no responsibility to update any such forward-looking statements.

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Reclassified consolidated statement of income

	First half 2002 (€/mil)	First half 2001 pro forma (1) (€/mil)	Change first half 2002 / First half 2001 pro forma (%)	2001 pro forma (1) (€/mil)
NET INTEREST INCOME	1,877	2,002	-6.2	3,959
Net commissions and other net dealing revenues	1,386	1,554	-10.8	3,056
Profits and losses from financial transactions and dividends on shares	209	153	+36.6	300
Profits from companies carried at equity and dividends from shareholdings	184	161	+14.3	228
NET INTEREST AND OTHER BANKING INCOME	3,656	3,870	-5.5	7,543
Administrative costs	-2,296	-2,308	-0.5	-4,647
- <i>personnel</i>	-1,420	-1,452	-2.2	-2,862
- <i>other administrative costs</i>	-743	-717	+3.6	-1,519
- <i>indirect duties and taxes</i>	-133	-139	-4.3	-266
Other operating income, net	171	186	-8.1	353
Adjustments to tangible and intangible fixed assets	-223	-213	+4.7	-479
OPERATING INCOME	1,308	1,535	-14.8	2,770
Adjustments to goodwill and merger and consolidation differences	-85	-80	+6.3	-172
Provisions and net adjustments to loans and financial fixed assets	-312	-372	-16.1	-1,007
INCOME BEFORE EXTRAORDINARY ITEMS	911	1,083	-15.9	1,591
Net extraordinary income	136	209	-34.9	414
INCOME BEFORE TAXES	1,047	1,292	-19.0	2,005
Income taxes for the period	-415	-430	-3.5	-517
Change in reserves for general banking risks	-2	1	n.s.	-6
Income attributable to minority interests	-29	-60	-51.7	-106
NET INCOME	601	803	-25.2	1,376

(1) The pro forma statements of income have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine and the acquisition of the interest in Banka Koper as of 1/1/2001.

The pro forma statements of income for the first half of 2001 and for 2001 are unaudited.

Reclassified consolidated balance sheet

ASSETS	30/6/2002 (€/mil)	30/6/2001 pro forma (1) (€/mil)	Change 30/6/02-31/12/2001 pro 30/6/01 pro forma (%)	31/12/2001 pro forma (1) (€/mil)
Cash and deposits with central banks and post offices	1,029	688	+49.6	1,172
Loans	146,607	145,957	+0.4	151,346
- due from banks	22,735	21,340	+6.5	26,436
- loans to customers	123,872	124,617	-0.6	124,910
Dealing securities	25,100	28,029	-10.4	24,557
Fixed assets	10,660	12,750	-16.4	11,889
- investment securities	3,642	5,286	-31.1	3,986
- equity investments	4,120	4,433	-7.1	4,898
- intangible fixed assets	407	449	-9.4	444
- tangible fixed assets	2,491	2,582	-3.5	2,561
Differences arising on consolidation and on application of the equity method	1,141	1,260	-9.4	1,243
Other assets	22,995	24,871	-7.5	23,220
Total assets	207,532	213,555	-2.8	213,427
LIABILITIES				
Payables	166,657	169,456	-1.7	171,285
- due to banks	30,201	38,629	-21.8	36,482
- due to customers and securities issued	136,456	130,827	+4.3	134,803
Provisions	4,159	5,108	-18.6	4,278
- for taxation	1,058	1,029	+2.8	1,219
- for termination indemnities	989	979	+1.0	955
- for risks and charges	1,769	1,700	+4.1	1,761
- for pensions and similar	343	1,400	-75.5	343
Other liabilities	19,755	22,414	-11.9	20,309
Subordinated liabilities	6,155	5,401	+14.0	5,829
Minority interests	437	831	-47.4	793
Shareholders' equity (2)	10,369	10,345	+0.2	10,933
Total liabilities	207,532	213,555	-2.8	213,427
GUARANTEES AND COMMITMENTS				
Guarantees given	16,557	16,918	-2.1	17,833
Commitments	25,576	32,409	-21.1	26,424

(1) The pro forma balance sheet figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine and the acquisition of Banka Koper as of 1/1/2001.

(2) Reserves are net of own shares held by the Parent Bank.

The pro forma balance sheet figures at 30/6/2001 and 31/12/2001 are unaudited.

Reclassified statement of income (Parent Bank)

	First half 2002 (€/mil)	First half 2001 (€/mil)	First half 2001 pro forma (1) (€/mil)	Change first half pro forma '02/'01 %
NET INTEREST INCOME	732	801	823	-11.1
Net commissions and other net dealing revenues	586	638	635	-7.7
Profits and losses from financial transactions and dividends on shares	42	47	47	-10.6
Profits from companies carried at equity and dividends from shareholdings	144	494	81	77.8
NET INTEREST AND OTHER BANKING INCOME	1,504	1,980	1,586	-5.2
Administrative costs	-1,059	-974	-1,032	2.6
<i>of which:</i>				
- personnel	-645	-632	-635	1.6
- other administrative costs	-350	-276	-331	5.7
- indirect duties and taxes	-64	-66	-66	-3.0
Other operating income, net	118	76	128	-7.8
Adjustments to fixed assets	-100	-75	-89	12.4
OPERATING INCOME	463	1,007	593	-21.9
Adjustments to goodwill and merger differences	-14	-14	-14	0.0
Provisions for risks and charges	-44	-59	-78	-43.6
Net adjustments to loans and provisions for risks and charges	-49	-66	-66	-25.8
Net adjustments to financial fixed assets	-52	-6	-6	n.s.
INCOME BEFORE EXTRAORDINARY ITEMS	304	862	429	-29.1
Net extraordinary income	91	38	72	26.4
INCOME BEFORE TAXES	395	900	501	-21.2
Income taxes for the period	-195	-342	-234	-16.7
NET INCOME	200	558	267	-25.1
			Adjustment to align to net income	609
			Aggregate net income (SPIMI+Cardine)	876

(1) The pro forma figures are determined on the basis of the criteria detailed in the explanatory notes to the Half Year Report.

The pro forma statement of income for the first six months of 2001 is unaudited.

Reclassified balance sheet (Parent Bank)

ASSETS	30/6/02	30/6/01	31/12/01	31/12/01	Change
	(€/mil)	(€/mil)	(€/mil)	pro forma (1)	30/6/02 - 31/12/01 pro forma %
Cash and deposits with central banks and post offices	459	311	570	570	-19.5
Loans	77,505	73,184	72,220	78,965	-1.8
- due from banks	19,254	13,716	12,648	17,746	8.5
- loans to customers	58,251	59,468	59,572	61,219	-4.8
Dealing securities	10,410	6,140	8,508	13,593	-23.4
Fixed assets	13,218	9,818	10,448	13,864	-4.7
- investment securities	953	552	725	1,283	-25.7
- equity investments	11,215	8,230	8,687	11,467	-2.2
- intangible fixed assets	151	166	177	179	-15.6
- tangible fixed assets	899	870	859	935	-3.9
Other assets	9,664	7,839	8,881	9,630	0.4
Total assets	111,256	97,292	100,627	116,622	-4.6
LIABILITIES	30/6/02	30/6/01	31/12/01	31/12/01	Change
	(€/mil)	(€/mil)	(€/mil)	pro forma (1)	30/6/02 - 31/12/01 pro forma %
Payables	86,147	76,072	79,263	91,543	-5.9
- due to banks	31,564	22,833	23,254	34,527	-8.6
- due to customers and securities issued	54,583	53,239	56,009	57,016	-4.3
Provisions	2,634	1,642	1,649	1,753	50.3
- for taxation	1,608	678	696	741	117.0
- for termination indemnities	434	421	417	417	4.1
- for risks and charges	551	501	493	552	-0.2
- for pensions and similar	41	42	43	43	-4.7
Other liabilities	7,346	7,839	6,904	7,214	1.8
Subordinated liabilities	5,351	4,553	5,004	5,004	6.9
Shareholders' equity	9,778	7,186	7,807	11,108	-12.0
of which:					
· capital	5,144	3,932	3,932	5,144	-
· reserves (*)	4,434	2,696	2,691	4,368	1.5
· net income for the period	200	558	1,184	1,045	-80.9
· adjustment to align income				-551	-
Total liabilities	111,256	97,292	100,627	116,622	-4.6
GUARANTEES AND COMMITMENTS	30/6/02	30/6/01	31/12/01	31/12/01	Change
	(€/mil)	(€/mil)	(€/mil)	pro forma (1)	30/6/02 - 31/12/01 pro forma %
Guarantees given	27,644	23,713	24,720	25,270	9.4
Commitments	12,201	14,344	12,315	12,800	-4.7

(1) The pro forma figures are determined on the basis of the criteria detailed in the explanatory notes to the Half Year Report.

(*) Reserves are net of 17,080,403 own shares at a book value of Euro 294 million at 31 December 2001.

The pro forma balance sheet at 31 December 2001 is unaudited.