

SANPAOLO IMI



JOINT PRESS RELEASE
(pursuant to art. 114 D.Leg. 58/1998)

THE BOARDS OF DIRECTORS
APPROVE THE MERGER PROJECT

10 October 2002 - The Boards of Directors of SANPAOLO IMI and Banco di Napoli approved today the merger project which envisages the incorporation of Banco di Napoli into SANPAOLO IMI.

The Boards have decided to place before their respective Extraordinary Shareholders' Meetings, to be called for the end of November, an exchange ratio of one ordinary share of SANPAOLO IMI for six savings shares of the Banco di Napoli.

TERMS OF THE INTEGRATION

Acceleration and leap of quality in the processes of integration in course

In the course of the past three years the SANPAOLO IMI Group has put in motion significant growth operations externally aimed at both expansion in Italy, and reinforcement of its strategic positioning and mix of business. With the acquisition of the Banco di Napoli, completed in 2000, and the merger with the Cardine Banca Group, realised in the first six months of 2002, the Group achieved:

- ❑ the completion of a strong branch distribution network throughout Italy;
- ❑ the reinforcement, within the Group, of the commercial bank with a strong retail mission and significant local roots;
- ❑ the achievement of economies of scale sufficient to obtain levels of operative efficiency and competitiveness, both in production and distribution, and set the basis therefore for balanced endogenous and sustainable growth in the medium term.

These two operations were accompanied by industrial plans aimed at the integration of the distribution networks to safeguard the respective brand values in their reference markets, rationalisation of the operational support structures and central office, sharing specialist individual skills and product units and the realisation of strong governance, with the centralising of strategic direction and control in both risks and management. This has also led to a redefinition of the market mission and the focus of the Banco di Napoli and Cardine bank networks.

The industrial plan prepared at the time of the acquisition of the Banco di Napoli envisaged, as is known, the specialisation of the Banco in its core business represented by the retail market, SMEs and relationships with the local businesses, local bodies and in its firm roots in the South.

The activation of the plan has therefore led to the simultaneous actuation of two types of actions: certain aimed at focusing the Banco's operations through the rationalisation or sale of companies or areas of business not within the new core business; others aimed to strengthen commercially and

technologically the network of branches and all the products and services to households and businesses in the South.

The results of these actions have been evident in the development of a cost structure which, both at the end of 2001 and in the first six months of 2002, showed significant reductions, above all in personnel costs. From the end of 2000, also considering the sales, the employees of the Banco di Napoli were reduced by approximately 1,500 and a further approximately 900 were reallocated within the Group.

The commercial relaunch actions have also allowed the Banco to realise important successes in sales of mutual funds, life policies and services to companies. The size of such and their impact in economic terms were however strongly reduced and conditioned by the developments in financial markets and interest rates.

These results were not however sufficient to deal with the productivity gap, in terms of net interest and other banking income per employee, between the branches of the Banco and those of Sanpaolo in the same areas; this alignment was at the basis of the hypotheses of the industrial plan, thus suggesting the definition of organisational methods to allow a more rapid transfer of experiences, products and commercial techniques among the network of Sanpaolo and Banco di Napoli. Furthermore the simultaneous presence in the same reference territory of two branch networks and two brands limits the commercial strength of the Group and creates strong limits to the single management of human resources and technological and property structures.

These critical elements, together with a market environment where there are still no signs of significant recovery, make necessary a leap of quality which allows the Banco to accelerate the stages of the integration process and innovatively position itself in the market, closer to the needs of the various customer segments, as already experimented by the Sanpaolo network. This is a leap of quality which signifies a move from the viewpoint of integrating individual banks to a Group total vision, derived from the changed market needs and aimed at a complete enhancement, for all the distribution networks of the Group, of the level of commercial effectiveness and operating efficiency.

Lines to realise a project based on a new model of business for the banking networks of the Group

International experience shows clearly how the market places a premium on an approach aimed at customer macro-segments, which allows the bank to better and more effectively respond to the various needs of households and companies, while maintaining territorial co-ordination among the specialised networks. The experience of the Sanpaolo network confirms the effectiveness of divisionalisation by segment and a specialisation of the network, with branches dedicated to companies and branches dedicated to private customers, which must necessarily be different from those dedicated to retail customers and small business customers.

This structure of the bank networks will be carried out quickly but gradually, to reconcile the needs of operating efficiency with the necessity not to penalise customer service and the traditional level of confidence. The timetable is also determined by the state of progress in the current integration of the IT structures.

Merger by incorporation of the Banco di Napoli in Sanpaolo IMI, to be realised before the end of 2002. This will be followed by integration of the territorial structures and successive establishment of a Direzione Territoriale (South) of the activities and of the retail and POE branches of the Banco and the Sanpaolo network operating in the South. The activities of the Banco in public works will instead be conferred to Banca OPI.

Spin-off of the Direzione Territoriale South in the new Banco di Napoli, with head office in Naples, which will be the Group's only bank operating in the retail and POE market in the regions

of Campania, Puglia, Calabria and Basilicata. The operation will be realised at the beginning of July 2003, on completion of the IT systems unification.

Acceleration of the integration of Cardine Finanziaria, through the centralisation within the Parent Bank in 2003 in particular of the support (MOI and Logistics) functions of Cardine Finanziaria, to achieve from the beginning the necessary benefits in terms of economy of scale and scope. As soon as the integration of the IT system is completed, the staff of Cardine Finanziaria will fall from the current 1,300 approximately to approximately 300. The other functions of commercial co-ordination and operational support undertaken for the bank network will then be centralised according to the operational effectiveness of the individual banks. To this end, for the sake of efficiency and logic, the activities to be transferred to both the Parent Bank and the network Banks will be evaluated.

Integration of the distribution networks of the Group

The bank distribution networks of the Group Sanpaolo IMI operating in Italy - the Sanpaolo, Banco di Napoli and Cardine networks - have 3,140 branches, with a market share of approximately 10%, spread consistently throughout the country.

The network of Sanpaolo has completed the process of customer segmentation. It has also achieved the specialisation of the distribution structures, separating the company branches from the retail and POE branches, and launching a process to create branches dedicated to private customer management. Today there are 130 active branches and 61 specialist “detached teams” dedicated to business with companies and 1,383 branches for retail and POE customers. In private client business, the Sanpaolo network, which up to today has 16 specialised branches, is undertaking a project which envisages the creation of new branches, as well as the establishment in the retail and POE branches of specialist forms aimed at households with high-worth capacity.

The process of segmentation and specialisation has recently been launched by Banco di Napoli and the Cardine banks. The Banco di Napoli, although it does not yet have exact customer segmentation, has 47 branches available for customers which previously undertook Parent Bank activities for branches operating in the area; the branches are being rationalised and will have to be reduced to approximately 20. The Cardine banks do not currently have branches specialised in service to various customer segments.

In total the Group’s distribution networks serve approximately 5 million private, retail and POE customers and 130,000 companies.

The project represents a development consistent with the process of customer segmentation and consequent specialisation of the distribution structures under completion by the Sanpaolo network and being launched by the Banco di Napoli and Cardine networks. The integration of the Sanpaolo, Banco di Napoli and Cardine networks will lead to the completion of a distribution model, in line with customer needs, specialised by segment: Companies, Private, Retail and POE. This accompanies the evident benefits connected to the rationalisation of the support structures and corporate centre and elimination of commercial overlaps.

The project will be realised through single distribution structures at national level, under the Parent Bank SANPAOLO IMI, for the Company and Private segments. The Company Market will in fact be served throughout Italy by a single network which, starting from the current 130 branches and 61 “detached teams” of Sanpaolo and with the contribution of the structures being formed in Banco di Napoli and Cardine, will arrive at 200-250 branches. The Private Market will also be served in Italy by a single network, starting with the current 16 private branches of Sanpaolo; the structure will be duly strengthened in terms of number of branches and resources and will be aimed at a perimeter to be defined which includes customer with high net worth and income capacity. The Company and Private networks will adopt throughout Italy consistent customer service and in line

with best market standards. The adoption of the single Sanpaolo brand throughout the country will accompany this commercial approach.

The Retail and POE segment will be managed locally by the networks of Sanpaolo, Banco di Napoli and the Cardine banks, each active in its traditional territory. In particular:

- ❑ the **network of Sanpaolo**, with approximately 1,300 branches, will be responsible for the North West and the regions of the Tyrrhenian coast (Piemonte, Valle d'Aosta, Liguria, Lombardia, Toscana, Umbria and Lazio) and the major Islands (Sicilia and Sardegna). The network will include, in addition to the Sanpaolo branches, the Banco di Napoli and Cardine branches, present in these zones, operating in the retail and POE market;
- ❑ the **network of Banco di Napoli**, with approximately 680 branches, will be responsible for the regions of the South (Campania, Puglia, Calabria and Basilicata). The network of Banco di Napoli will include the branches of the Sanpaolo and Banco di Napoli present in these zones, operating in the retail and POE market;
- ❑ the **networks of the Cardine banks**, with approximately 950 branches, will be responsible for the regions of the North East and of the Adriatic coast (Triveneto, Emilia Romagna, Marche, Abruzzo and Molise). The branches of Sanpaolo, and Banco di Napoli, as well as those of Cardine, present in these zones, operating in the retail and POE market, will join in the networks of the Cardine banks.

The solution adopted for the retail and POE segment will allow the best use of the competitive advantage connected to local knowledge, which is imperative for these activities. The retail and POE networks will operate using their historical brands, expressing their local roots, social presence and economic environment. The networks will be co-ordinated at national level in commercial terms and will use common IT systems, procedures and products.

Activities in public works and infrastructure and tax collection

Another important market segment is represented by the public sector, which includes financing and advisory services to local bodies, former local authority companies and for the realisation of infrastructure. This segment presents good market perspectives especially because of the infrastructural gaps which mark the Italian economy, above all in the South. The SANPAOLO IMI Group is a leader in Italy in this sector through its subsidiary Banca OPI; similar activity is undertaken by Banco di Napoli and the Cardine banks, which joined the Group in the past two years. All the activity of the Group in the sector will be centralised into Banca OPI, to avoid overlaps and dispersions. Thanks to the projected operation the competitive positioning of the Sanpaolo IMI Group in this sector will be reinforced. The retail networks, and in particular the new Banco di Napoli which in this sector has historical roots, will maintain their current relationships and service base with decentralised local authorities (*Comuni* and *Comunità Montane*), thus guaranteeing and developing the origination of transactions and the services offered by Banca OPI.

The project envisages finally the integration of the tax collection activities of the Group. The activity in this sector will in fact be concentrated in a single company which, given the weight which the business has in the region, will have its office and management in Naples.

The New Banco di Napoli

The new Banco di Napoli, in Naples, will be the only Group bank operating in the retail and POE market in Campania, Puglia, Calabria and Basilicata. It will have a network of approximately 680 branches and approximately 5,500 employees; in operating terms, as of June 2002, it will be able to count on direct deposits of approximately 11 billion euro, customer loans of more than 6 billion euro, assets under management of almost 10 billion euro and more than 5.5 billion in assets under administration.

The new Banco di Napoli will be marked by a lean management structure. The management structure will be deputed to co-ordinate the 5-6 territorial areas in which the network of the branches is organised. The activities necessary for the operational functioning of the new bank will be outsourced to the Parent Bank.

The branches of the new Banco di Napoli will use their traditional brands. The branches of the Banco will thus maintain the name of Banco di Napoli, obviously showing the membership of the SANPAOLO IMI Group. The Sanpaolo brand will also continue to be used for its branches.

Operating advantages and economic synergies

The new arrangement of the branch networks will produce benefits, in terms of operating efficiency and commercial effectiveness, for all the Group's banks, thanks to a more direct approach aimed at the client, single structure in the area and alignment of productivity to best practice in each customer segment.

The New Banco di Napoli, a leader in the retail and POE market in the South, will have as its aim the alignment of the operating efficiency and the level of service provided by the branches of the former Banco di Napoli to those of the Sanpaolo branches, which will be the internal benchmark.

The Sanpaolo Network will benefit from a stronger rooted presence in the retail market in Lazio, Abruzzo and Molise, thanks to the branches of the former Banco di Napoli, which, on one side, will allow greater commercial penetration and, on the other, the pursuit of alignment of operating efficiency to the standards of the Sanpaolo Network.

In addition, the development in the South of corporate branches with the means, products and skills already experimented at Sanpaolo in the regions of the centre-north will enable the development in both loans and net interest income, and commissions from services with medium-sized companies in these areas

The specialisation of certain operating points in private banking in the South will allow Sanpaolo to better serve this numerically limited, but more sophisticated, customer segment and to take full opportunity to develop also in the South significant individual asset portfolios and personalised advisory services, with related commission flows.

The operations above will make possible a progressive alignment to the standards of the Sanpaolo network of the net interest and other income per employee of the branches of the Banco. In addition, the merger of the Banco di Napoli and the successive spin-off of the new Banco di Napoli will allow the further rationalisation of the central and area structures. In total, the actions described above will allow the realisation of **synergies estimated at 130/150 million euro**.

LEGAL PROFILE AND METHOD OF ASSIGNMENT OF THE SHARES

1. Features of the merger

The merger by incorporation of the Banco di Napoli into SANPAOLO IMI will be realised in conformity with articles 2501 and seq. of the Italian Civil Code and according to the methods and conditions contained in the merger project.

In connection with, or on the occasion of the merger, changes to the Articles of the incorporating company are not expected in that the merger will take place through exchange of the savings shares of the Banco di Napoli with ordinary shares of SANPAOLO IMI.

The balance sheet situation referring to the two companies in the merger, prepared pursuant to art.2501 *ter* Italian Civil Code, is at 30 June 2002.

2. The ratio of exchange

Pursuant to article 2504 *ter* Italian Civil Code, shares of the incorporating company will not be assigned in substitution of those of the company to be incorporated held by the companies participating in the merger.

Therefore, since SANPAOLO IMI holds a total of 1,864,097,491 ordinary shares of the Banco di Napoli, there will not be an exchange of the ordinary shares of the company to be incorporated.

The merger will be at the following ratio:

**1 ordinary share of SANPAOLO IMI
for
6 savings shares of BANCO DI NAPOLI**

Considered that SANPAOLO IMI holds 111,765,709 savings shares of the company to be incorporated, and that the Banco di Napoli does not hold own shares, this ratio will lead to the assignment of a maximum of 2,718,609 SANPAOLO IMI ordinary shares in exchange and substitution of the 16,311,650 savings shares of Banco di Napoli not held by the incorporating company.

The assignment will be made without issue of new securities, through the use of own shares held in portfolio by the incorporating company and thus without increase in capital of the incorporating company.

Shareholders of the company to be incorporated will be able to use a service for the treatment of the resulting fractions of shares generated on the application of the ratio of exchange, at market prices, without charges and commissions.

The ordinary shares of SANPAOLO IMI assigned in exchange will have regular rights.

The Boards of Directors of SANPAOLO IMI and Banco di Napoli arrived at the determination of the ratio of exchange following an evaluation process of the interested companies in the operation of integration which involved, as advisers to the Boards, JP Morgan for SANPAOLO IMI and Prof Enrico Nuzzo for Banco di Napoli.

The methodology adopted and the conclusions reached at the end of this activity are given by the advisors in the report delivered and placed before the respective Boards, which agreed the assumptions and choice of valuation criteria, as well as verified by current results, plus a common determination of the values and ratio of exchange.

The exchange of the savings shares of the company to be incorporated with ordinary shares of the incorporating company will widen the participative rights of the shareholders of Banco di Napoli and not further change the capital structure – through the creation of a new category of preference shares, for a certain countervalue – when the market appreciates the simplification.

The assignment of ordinary shares also offers shareholders of the company to be incorporated the opportunity to take a security traded on the regulated market and widely liquid for one which, although quoted, presents – in volumes currently traded – is relatively illiquid.

Given the type of exchange, the company to be incorporated will call a special Meeting of savings shareholders.

3. Effects of the merger

The date of the legal effects of the merger will be fixed in the act of merger. It may also be following the date of the final registration envisaged under art.2504 Italian Civil Code.

The operations of the company to be incorporated will be placed in the financial statements of the incorporating company, also for tax purposes from 1 January of the year in course at the moment of the date of the legal effects of the merger.

From the date of legal effectiveness of the merger the incorporating company will take on the activities, the rights and the obligations of the company to be incorporated.

Cautionary Statement for Purposes of the “Safe Harbor” Provision of the United States Private Securities Litigation Reform Act of 1995. The Private Securities Litigation reform Act of 1995 provides a “safe harbor” for forward-looking statements. The Press Release included in this Form 6-K contains certain forward looking statements and forecasts reflecting management’s current views with respect to certain future events. Sanpaolo IMI Group’s ability to achieve its projected results is dependant on many factors which are outside of management’s control. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and are based on certain key assumptions.

The following important factors could cause the Group’s actual results to differ materially from those projected or implied in any forward-looking statements:

- the impact of regulatory decisions and changes in the regulatory environment;
- the impact of political and economic developments in Italy and other countries in which the Group operates;
- the impact of fluctuations in currency exchange and interest rates;
- the Group’s ability to successfully integrate the employees, products, services and systems of recent mergers and acquisitions; and
- the Group’s ability to achieve the expected return on the investments and capital expenditures it has made in Italy and in foreign countries.

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. Accordingly, there can be no assurance that the Group will achieve its projected results.

Dean Quinn	+39 011 555 2593
Damiano Accattoli	+39 011 555 3590
Anna Monticelli	+39 011 555 2546
Alessia Allemani	+39 011 555 3590
Fax	+39 011 555 2989
e-mail	investor.relations@sanpaoloimi.com