

# Quarterly Report 30 September 2001

---



SANPAOLO IMI S.p.A.

---

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY OFFICE: VIALE DELL'ARTE 25, ROME, ITALY

COMPANY REGISTER OF TURIN 06210280019

SHARE CAPITAL EURO 3,932,435,119.2 FULLY PAID

---

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

---



# Contents

---

<b>4</b>	<b>Key figures</b>
<b>5</b>	<b>Group structure</b>
<b>7</b>	<b>Reclassified consolidated financial statements</b>
8	Reclassified consolidated statement of income
9	Quarterly analysis of the reclassified consolidated statement of income
10	Reclassified consolidated balance sheet
11	Quarterly analysis of the reclassified consolidated balance sheet
<b>13</b>	<b>Report on Group Operations</b>
14	Action points and initiatives in the quarter
18	Consolidated results
27	Capital and reserves
28	Financial risk management
30	Supplementary information
30	• Performance of share prices
31	• Shareholders of SANPAOLO IMI
31	• Ratings
32	Group Business Areas
<b>53</b>	<b>Explanatory Notes</b>
<b>57</b>	<b>Attachments</b>
58	Statement of reclassified consolidated pro forma statement of income for the first nine months of 2000
59	Statement of reclassified consolidated pro forma balance sheet at 30/9/2000
60	Statement of reclassified consolidated pro forma statement of income for the full year 2000

# Key figures

	First nine months 2001	First nine months 2000 pro forma (1)	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000	
				Pro forma (1)	Financial Statement
<b>CONSOLIDATED STATEMENT OF INCOME (€/mil)</b>					
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
Administrative costs	-2,655	-2,640	+0.6	-3,572	-3,076
Operating income	1,620	1,897	-14.6	2,514	2,460
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
Net income	993	1,005	-1.2	1,231	1,292
<b>CONSOLIDATED BALANCE SHEET (€/mil)</b>					
Total assets	166,919	172,337	-3.1	172,101	172,101
Loans to customers (excluding net NPLs and SGA loans)	92,522	90,686	+2.0	94,953	94,953
Securities	22,190	25,704	-13.7	25,000	25,000
Equity investments	4,383	3,199	+37.0	3,573	3,573
Customer deposits and securities issued	103,178	103,713	-0.5	104,144	104,144
Subordinated liabilities	5,400	3,803	+42.0	5,158	5,158
Shareholders' equity	7,970	7,545	+5.6	7,353	7,353
<b>CUSTOMER FINANCIAL ASSETS (€/mil)</b>					
Customer financial assets	289,426	309,482	-6.5	304,141	304,141
- Direct deposits	103,178	103,713	-0.5	104,144	104,144
- Indirect deposits	186,248	205,769	-9.5	199,997	199,997
- Asset administration	68,087	73,850	-7.8	71,084	71,084
- Asset management	118,161	131,919	-10.4	128,913	128,913
- Group products	113,823	127,856	-11.0	124,907	124,907
- Other products	4,338	4,063	+6.8	4,006	4,006
<b>PROFITABILITY RATIOS (%)</b>					
Annualized RoE (2)	18.3	19.7		18.5	18.1
Cost / Income ratio (3)	62.9	58.4		59.2	56.2
Net commissions / Administrative costs	73.5	80.2		79.8	85.9
<b>CREDIT RISK RATIOS (%)</b>					
Net non-performing loans / Net loans to customers	0.9	1.2		1.0	1.0
Net problem loans and loans in restructuring / Net loans to customers	0.9	1.3		1.0	1.0
<b>CAPITAL ADEQUACY RATIOS (%) (4)</b>					
Tier 1 capital / Weighted assets	7.4	n.a.		6.6	6.6
Total capital / Weighted assets	9.5	n.a.		9.1	9.1
<b>SANPAOLO IMI SHARES</b>					
Number of shares (millions)	1,404	1,403	+0.1	1,404	1,404
- number of shares in circulation	1,387	1,398	-0.8	1,365	1,365
- number of own shares held by the Parent Bank	17	5	n.s.	39	39
Quoted price per share (€; reference prices)					
- average	15.155	16.121	-6.0	16.612	16.612
- low	8.764	11.483	-23.7	11.483	11.483
- high	18.893	20.800	-9.2	20.800	20.800
Earnings per average number of shares in circulation (€)	0.72	0.72	-	0.93	0.93
Dividend per share (€)				0.57	0.57
Dividend / Average annual price (%)				3.42	3.42
Shareholders' equity per share in circulation (€)	5.75	5.40	+6.5	5.39	5.39
<b>OPERATING STRUCTURE</b>					
Employees	35,517	35,938	-1.2	35,729	35,729
Domestic branches	2,179	2,129	+2.3	2,137	2,137
Foreign branches and representative offices	96	89	+7.9	91	91
Financial planners	5,538	5,315	+4.2	5,495	5,495

(1) The pro forma figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000. This provides a more consistent comparison with 2001.

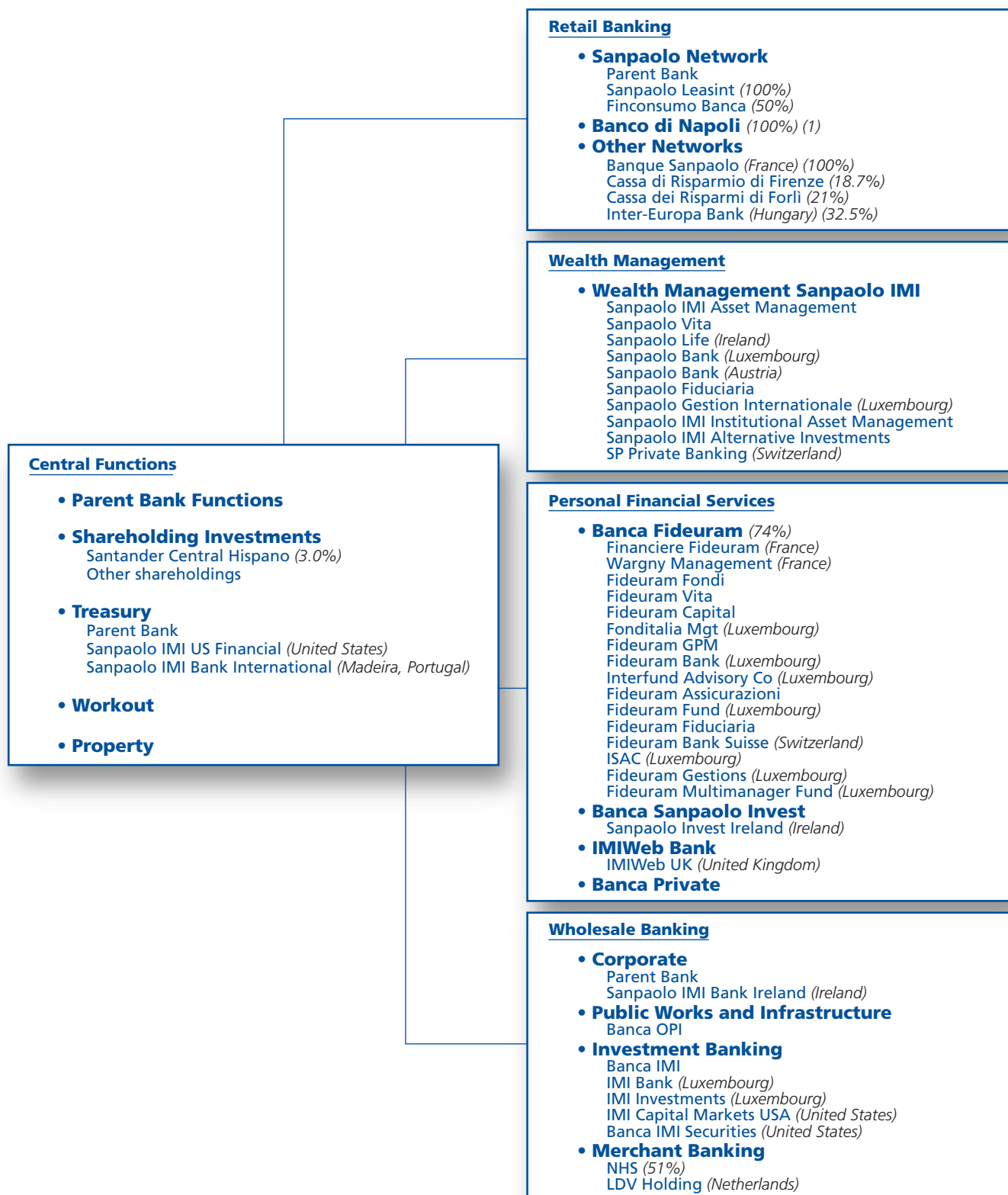
(2) Annualized net income / Average net shareholders' equity excluding income for the period.

(3) Administrative costs (net of recoveries) and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income.

(4) The figures at 30/9/2001 are estimated. The ratios reflect the Bank of Italy's regulatory clarifications made in its technical note of 3 August 2001.

The pro forma figures for the first nine months of 2000 and for the year 2000, as well as the figures for the first nine months of 2001, are unaudited.

# Group structure



(1) Shareholding in ordinary capital.

The above breakdown by Business Areas shows the new structure of the Group, with operational effect from 1 September 2001.



# Reclassified consolidated financial statements

---

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

---

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

---

RECLASSIFIED CONSOLIDATED BALANCE SHEET

---

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED BALANCE SHEET

---

## Reclassified consolidated statement of income

	First nine months 2001 (€/mil)	First nine months 2000 pro forma (1) (€/mil)	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000	
				Pro forma (1) (€/mil)	Financial Statement (€/mil)
<b>NET INTEREST INCOME</b>	<b>2,091</b>	<b>2,115</b>	<b>-1.1</b>	<b>2,874</b>	<b>2,572</b>
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
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>4,369</b>	<b>4,558</b>	<b>-4.1</b>	<b>6,169</b>	<b>5,622</b>
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
<b>OPERATING INCOME</b>	<b>1,620</b>	<b>1,897</b>	<b>-14.6</b>	<b>2,514</b>	<b>2,460</b>
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
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,125</b>	<b>1,394</b>	<b>-19.3</b>	<b>1,699</b>	<b>1,789</b>
Net extraordinary income	348	361	-3.6	402	396
<b>INCOME BEFORE TAXES</b>	<b>1,473</b>	<b>1,755</b>	<b>-16.1</b>	<b>2,101</b>	<b>2,185</b>
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
<b>NET INCOME</b>	<b>993</b>	<b>1,005</b>	<b>-1.2</b>	<b>1,231</b>	<b>1,292</b>

(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, assuming control of Banco di Napoli and Wargny from 1/1/2000. This provides a more consistent comparison with 2001.

(2) This caption refers to the portion 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 that the income statement contribution of the Neapolitan group to last 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 unaudited.



## Quarterly analysis of the reclassified consolidated statement of income

	2001				2000 pro forma (1)			
	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)	Quarterly average (€/mil)	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)
<b>NET INTEREST INCOME</b>	<b>668</b>	<b>697</b>	<b>726</b>	<b>719</b>	<b>759</b>	<b>719</b>	<b>709</b>	<b>687</b>
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
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>1,335</b>	<b>1,531</b>	<b>1,503</b>	<b>1,543</b>	<b>1,611</b>	<b>1,483</b>	<b>1,491</b>	<b>1,584</b>
Administrative costs	-871	-911	-873	-893	-932	-888	-897	-855
- <i>personnel</i>	-538	-561	-555	-564	-601	-561	-550	-544
- <i>other administrative costs</i>	-284	-295	-268	-277	-278	-276	-296	-259
- <i>indirect duties and taxes</i>	-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
<b>OPERATING INCOME</b>	<b>420</b>	<b>596</b>	<b>604</b>	<b>630</b>	<b>617</b>	<b>581</b>	<b>591</b>	<b>725</b>
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
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>245</b>	<b>410</b>	<b>470</b>	<b>426</b>	<b>305</b>	<b>435</b>	<b>388</b>	<b>571</b>
Net extraordinary income	171	104	73	100	41	51	201	109
<b>INCOME BEFORE TAXES</b>	<b>416</b>	<b>514</b>	<b>543</b>	<b>526</b>	<b>346</b>	<b>486</b>	<b>589</b>	<b>680</b>
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
<b>NET INCOME</b>	<b>305</b>	<b>361</b>	<b>327</b>	<b>308</b>	<b>226</b>	<b>276</b>	<b>363</b>	<b>366</b>

(1) The pro forma quarterly statements of income for 2000 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000. This provides a more consistent comparison with 2001.

The pro forma quarterly statements of income for 2000 as well as the quarterly statements of income for 2001 are unaudited.

## Reclassified consolidated balance sheet

	30/9/2001 (€/mil)	30/9/2000 pro forma (1) (€/mil)	Change 30/9/01 - 30/9/00 pro forma (%)	31/12/2000 (€/mil)
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>166,919</b>	<b>172,337</b>	<b>-3.1</b>	<b>172,101</b>
<b>LIABILITIES</b>				
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
<b>Total liabilities</b>	<b>166,919</b>	<b>172,337</b>	<b>-3.1</b>	<b>172,101</b>

(1) The pro forma balance sheet figures at 30/9/2000 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming 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 figures at 30/9/2000 and those at 30/9/2001 are unaudited.

## Quarterly analysis of the reclassified consolidated balance sheet

	2001			2000			
	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)	31/12 (€/mil)	30/9 pro forma (1) (€/mil)	30/6 pro forma (1) (€/mil)	31/3 pro forma (1) (€/mil)
<b>ASSETS</b>							
Cash and deposits with central banks and post offices	505	478	507	708	676	617	514
Loans	114,999	117,097	117,966	117,825	118,220	121,247	118,771
- due from banks	19,261	18,717	21,382	19,119	23,028	25,852	24,752
- loans to customers	95,738	98,380	96,584	98,706	95,192	95,395	94,019
Dealing securities	17,869	21,777	19,283	18,329	18,601	20,929	18,557
Fixed assets	10,813	11,000	12,197	12,396	12,415	12,164	11,955
- investment securities	4,321	4,615	5,746	6,671	7,103	7,120	6,635
- equity investments	4,383	4,240	4,313	3,573	3,199	2,917	3,224
- intangible fixed assets	368	377	356	359	335	335	326
- tangible fixed assets	1,741	1,768	1,782	1,793	1,778	1,792	1,770
Differences arising on consolidation and on application of the equity method	1,068	1,064	966	989	907	941	918
Other assets	21,665	22,626	23,452	21,854	21,518	22,003	23,660
<b>Total assets</b>	<b>166,919</b>	<b>174,042</b>	<b>174,371</b>	<b>172,101</b>	<b>172,337</b>	<b>177,901</b>	<b>174,375</b>
<b>LIABILITIES</b>							
Payables	130,537	136,156	135,464	133,740	135,093	138,250	134,402
- due to banks	27,359	31,032	30,679	29,596	31,380	35,115	30,529
- customer deposits and securities issued	103,178	105,124	104,785	104,144	103,713	103,135	103,873
Provisions	3,012	4,241	4,857	4,601	4,204	4,035	4,194
- for taxation	793	864	1,432	1,230	1,147	999	1,352
- for termination indemnities	745	758	753	743	743	740	739
- for risks and charges	1,433	1,509	1,553	1,500	1,132	1,105	903
- for pensions and similar	41	1,110	1,119	1,128	1,182	1,191	1,200
Other liabilities	19,213	20,062	20,077	20,534	20,937	23,844	23,595
Subordinated liabilities	5,400	5,178	5,148	5,158	3,803	3,760	3,906
Minority interests	787	737	736	715	755	730	699
Shareholders' equity (2)	7,970	7,668	8,089	7,353	7,545	7,282	7,579
<b>Total liabilities</b>	<b>166,919</b>	<b>174,042</b>	<b>174,371</b>	<b>172,101</b>	<b>172,337</b>	<b>177,901</b>	<b>174,375</b>

(1) The pro forma balance sheet figures at 31/3/2000, 30/6/2000 and 30/9/2000 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming control of Banco di Napoli and Wargny from 1/1/2000.

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

The pro forma balance sheet figures at 31/3/2000, 30/6/2000 and 30/9/2000 as well as the balance sheet figures at 31/3/2001 and 30/9/2001 are unaudited.



# Report on Group Operations

---

---

ACTION POINTS AND INITIATIVES IN THE QUARTER

---

CONSOLIDATED RESULTS

---

CAPITAL AND RESERVES

---

FINANCIAL RISK MANAGEMENT

---

SUPPLEMENTARY INFORMATION

Performance of share prices

Shareholders of SANPAOLO IMI

Ratings

---

GROUP BUSINESS AREAS

---

## 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; in particular, the definition of a hypothesis of integration with the Cardine Banca Group, a banking institution of primary importance operating in the regions of the North East should be noted, as well as the signing of a collaboration agreement with the French Group Caisse des Dépôts et Consignations; furthermore, development actions aimed at customer segments and selected foreign markets with the greatest potential for growth were taken: among these was the important agreement reached at the end of October to launch a Public Offer for Banka Koper, Slovenia's number four bank. At the same time, against a further deterioration in the external environment, SANPAOLO IMI has proceeded with determination in the initiatives, planned in previous months, aimed at the rationalization of the structure and the structural containment of costs.

### The Cardine Banca integration project

On 19 October 2001, the principle lines of the integration project between the SANPAOLO IMI Group and the Cardine Banca Group were presented to the Bank of Italy. The Cardine Group, created from the merger of the Casse Venete and the Cassa di Risparmio di Bologna, represents an important banking organization in the regions of North East Italy, where its branch network, made up of 815 branches in total, is concentrated.

The integration hypothesis under consideration envisages the merger by incorporation of Cardine into SANPAOLO IMI and the simultaneous reestablishment, by means of spin-off, of Cardine Banca as an autonomous operating structure with head office in Padua, where the coordination of the subsidiary banks will be undertaken and the development of business towards the markets of Central Eastern Europe will be concentrated, while important units such as private equity and financial services for families and small- and medium-sized companies will be located in Bologna.

The combination of SANPAOLO IMI and Cardine will lead to the creation of a banking institution of substantial dimensions: on the basis of the figures for the end of

2000, total assets were estimated at 211 billion Euro and customer financial assets would exceed 350 billion Euro. In addition to these dimensions, the industrial potential of the transaction assumes particular importance. First of all, the combination of SANPAOLO IMI and Cardine Banca is based on the strong geographical complementary of the two Groups: the new entity will in fact be able to count on the in-depth presence of Sanpaolo Network in the North West, Banco di Napoli's position of leadership in the southern regions and Cardine's roots in the North East, one of the country's most wealthy areas in industrial and financial terms. Furthermore, the new aggregation will be able not only to add value to the existing regional connections but also to reach important economies of scale in Italy and abroad, above all in Eastern Europe.

The shareholding structure is particularly innovative: the Compagnia di San Paolo, which holds 16.1% of SANPAOLO IMI, and the Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione Cassa di Risparmio di Bologna, which hold shares of respectively 40.2% and 28.6% in Cardine Banca, have agreed to limit their voting rights in ordinary shareholders' meetings of SANPAOLO IMI after the merger to 15%. This objective will be achieved through a structure which envisages the assignment of this stake into a special purpose vehicle, which will be formed of two equal stakes, one of 7.5% of the capital of the company post merger by the Compagnia di San Paolo and the other, of equal size, by the two foundations in proportion to their current shareholdings in Cardine Banca. The remaining shares, not assigned to the new vehicle, will be converted into preferred shares, in turn convertible, on request, into ordinary shares after a period of 10 years or in case of transfer.

### Alliances and commercial agreements

Among the most important initiatives made by SANPAOLO IMI in the course of the quarter the collaboration agreements with the French Group Caisse des Dépôts et Consignations (CDC) should also be noted; at the beginning of October the two Groups formally signed a "Protocol of Agreement" which sets out the guidelines concerning the envisaged industrial and commercial collaboration and defines their reciprocal commitments in shareholding terms.

The agreement envisages that the two Groups will work to identify, indicatively before the end of the year, those initiatives through which to develop operating agreements;

in particular:

- in asset management, where the two Groups are among the leaders in their respective domestic markets, the agreements will cover both marketing, on a reciprocal basis, and the creation and development of new lines of innovative and specialist products, exploiting their respective management experiences;
- in private equity, where the two Groups are already collaborating on the basis of the agreement concluded last year between NHS and CDC Partecipazione, joint investment opportunities in France and Italy, as well as possible investments, on a reciprocal basis, in specialist funds will be researched;
- in capital markets, Banca IMI and CDC Ixis Capital Market will assess the possibility of operating agreements, in particular in debt and equity markets;
- in lending, extending to the financing of projects and infrastructure, ways to participate jointly in pool financings in the various sectors of interest will be examined.

The collaboration between the two Groups may be extended to other operating areas such as retail banking, e-banking, life insurance, custody services, property management and financial guarantees.

As envisaged in the agreement, the CDC Group acquired in October a stake of 2% in SANPAOLO IMI; before the end of the year SANPAOLO IMI will in turn acquire a stake of a corresponding amount in CDC Ixis, the CDC Group's investment bank.

Again in the context of alliances and commercial agreements, in the domestic market the quarter saw a further strengthening of the relationships with the Cassa di Risparmio di Firenze and the Cassa dei Risparmi di Forlì. SANPAOLO IMI and Cassa di Risparmio di Firenze, after closing in June the purchase from Fondazione Cassa dei Risparmi di Forlì of a share of respectively 15% and 5% of the homonymous bank, for a total amount of 163 million Euro, jointly launched a Public Offer in the middle of July to purchase a share of 8% of Cassa dei Risparmi di Forlì.

The Offer, previously envisaged in the agreements set out in November 2000 with the Fondazione Cassa dei Risparmi di Forlì, was made at a price of 41.413 Euro per ordinary share and 42.246 Euro per preferred share and achieved full acceptance, with a total outlay of 62 million Euro; following the transaction, the stake held by SANPAOLO IMI rose to 21% and that of Cassa di Risparmio di Firenze to 7%.

## Development initiatives abroad

In the third quarter of 2001, SANPAOLO IMI also undertook actions aimed at strengthening its operations in foreign countries with high development opportunities, in particular in Central Eastern Europe.

Following the positive conclusion, at the end of July, of the due diligence on Banka Koper, an agreement was signed with the principal shareholders of the bank on 30 October 2001. This agreement envisages that SANPAOLO IMI will launch, within the following 30 days, a full Public Offer for the shares of the bank; the price per share has been set at approximately 470 Euro, valuing Banka Koper at 244 million Euro in total, or around twice net shareholders' equity as estimated at the end of 2001. The controlling shareholders will sell a stake of at least 52% of the bank and will be able to exercise a five-year put option at the same price as the Offer price plus interest and net of dividends; the conclusion of the transaction, taking account of the technical calendar to obtain the necessary authorizations, is envisaged for the beginning of the coming year.

Banka Koper is Slovenia's number four bank by total assets and operates through a network of 37 branches concentrated around Ljubljana; the bank, which operates principally in retail customer deposits and corporate lending, is also one of the main Slovenian issuers of debit and credit cards and is active in trading and fund management. It has a share of approximately 7% of the Slovenian market, which has close commercial ties with Italy and is among the most interesting in the area in terms of macro-economic indicators and growth prospects.

For the SANPAOLO IMI Group, which intends to preserve the identity and autonomy of the Slovenian bank strengthening its commercial and product capacity through the transfer of its know how, the transaction has particular importance also in the light of the coming merger with Cardine Banca, whose entrepreneurial customers, concentrated in North East Italy, are aiming to increase commercial exchanges towards the markets of Eastern Europe. In this context, Banka Koper will be able to constitute, as well as a solid presence in the Slovenian market, also an important point of development towards neighboring countries.

Among the other initiatives abroad it should be noted that, in July, Sanpaolo Vita signed a letter of intent to create a new bancassurance company in a joint venture with Agrotiki Life & Health, the Greek insurance company con-

trolled by the Agricultural Bank of Greece, the country's number two bank, which has a network of more than 440 branches. The new company, which will begin operations in the first months of next year, will progressively extend its range of action from Greece into the Balkan region, opening for Sanpaolo Vita interesting opportunities for development in countries where the market for life policies offers growth prospects in terms of bringing them up to the levels of the other more financially developed markets of the European Union.

Further initiatives, aimed at strengthening the Group's position in the corporate sector and widening the presence of the foreign network of the Parent Bank, are in progress in Central Eastern Europe and Asia. In particular:

- in Eastern Europe, the representative office in Prague became operational from 1 October 2001 and a representative office in Budapest is to be opened. The latter will operate alongside Inter-Europa Bank, held 32.5% by SANPAOLO IMI and 10% by Santander Central Hispano;
- in Asia, the Hong Kong branch of Banco di Napoli was transferred to the Parent Bank's Corporate Area and the formal process for the transformation of the representative office in Shanghai into a branch was started.

### The new Group structure

In the context of the initiatives aimed at strengthening the competitive capacity of SANPAOLO IMI, a reorganization of the Group took place with effect from 1 September 2001, intended to bring about a more modern and efficient governance, further strengthening the functions of strategic direction, coordination and operational support of the Group, as well as to optimize customer service capacity, strengthening the production and distribution of financial services.

The new structure of the Group has led to the establishment of a Central Management, made up of the heads of the principal Business Areas, with functions of strategic direction and coordination. In terms of the various operating sectors:

- in Retail Banking the following were established as autonomous Business Areas: the Sanpaolo Network, operating in Italy through the 1,368 branches of the Parent Bank SANPAOLO IMI and the Internet, phone and mobile banking direct channels; the Banco di Napoli, with 731 branches concentrated in the South of the country; the Other Networks, which include, in Italy,

the distribution networks of Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì and, abroad, the French subsidiary Banque Sanpaolo and the Hungarian Inter-Europa Bank;

- the establishment of an autonomous Business Area specializing in private banking, with a presence throughout Italy, is envisaged.

It should be noted that, in the current Quarterly Report, the accounting of the economic and operating results of the Business Areas has been presented with reference to the preceding structure, as the Group operated in the first eight months of the year.

### Other rationalization and structural cost containment actions

In the third quarter of 2001, the difficulties in the external environment and the consequent expected negative impact on revenues have confirmed the importance of the strict prosecution of the program of rationalization and structural containment of costs launched by SANPAOLO IMI at the end of the first half. In this context, the establishment of an integrated operating vehicle ("macchina operativa integrata" or MOI) between the Parent Bank SANPAOLO IMI and Banco di Napoli in IT systems, auxiliary activities and back office assumes particular importance.

The MOI project envisages the unification into a single organizational structure of the IT and support functions of the Parent Bank and Banco di Napoli. The two commercial banks of the Group, thanks to a common IT platform and the same operating system, will be able to optimize investments in new technologies and personnel; when this is ready, expected for 2003, SANPAOLO IMI will be able to make use of a structure and IT platform extendible in future to other banks, inside or outside the Group.

During the quarter, on the basis of the plan set out in the previous months, specific working groups have been set up, which have identified the means and timetable for the project, with particular reference to the joint SANPAOLO IMI and Banco di Napoli data centers at Settimo/Moncalieri, the arrangement of human resources in the back office and the transfer of the branch operations of the Banco into the new IT structure.

In terms of the integration and rationalization of the corporate structure of the Group, a project to simplify the



shareholding structure of Banco di Napoli was launched, based on the closure of BNH which, following the entry of Banco di Napoli within the SANPAOLO IMI Group, has lost its functional role and will thus be put in liquidation.

Also, at the end of September the shareholding held by the Group in the ordinary capital of Banco di Napoli was taken

to 100%. SANPAOLO IMI, which at the end of last May took to 99.7% its participation in the Banco through a residual Public Purchase Offer, exercised its right to acquire the remaining ordinary shares of the Neapolitan bank; the transaction concerned 6.3 million shares at a price of 1.549 Euro per share, set by an expert nominated by the President of the Naples Court, with an outlay of 9.8 million Euro.

# Consolidated results

## Summary of results

The difficulties in the external environment which characterized the first half of the year were aggravated in the course of the third quarter of 2001, becoming particularly acute following the tragic events of 11 September; the impact on banking results was significant. In this context, the SANPAOLO IMI Group recorded a general reduction in the principal profit margins, only in part attenuated by the slowing down in the rate of growth of operating costs made possible by the cost containment initiatives started in the previous months, as well as benefits achieved through actions to optimize the tax charge.

In particular, net interest and other banking income in the first nine months of 2001 was 4,369 million Euro, 4.1% down on the first three quarters of 2000, principally as a result of lower commission income and reduced profits from financial transactions; operating income fell by 14.6% to 1,620 million Euro and income before extraordinary items was 1,125 million Euro, showing a reduction of 19.3% on the same period in the previous year.

The reduction in tax charges allowed the fall in Group net income to be contained to 1.2%. Net income was

993 million Euro, against 1,005 million in the first three quarters of 2000.

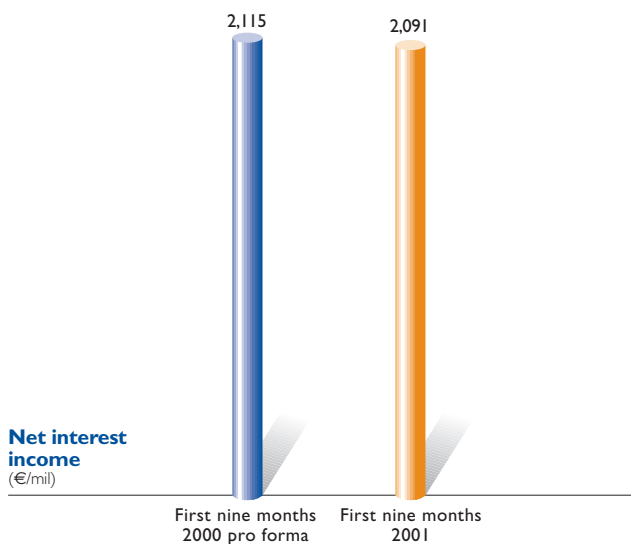
In the final months of the year in course no significant signs of improvement in the environment are expected. It should continue to be characterized by high volatility and a weak economic situation. Under such circumstances, the developing profit prospects for the Group appear to be conditional upon a development in revenues which is still envisaged to be limited on one side and, on the other, a more positive trend in costs, following the containment actions implemented.

## Net interest income

Group net interest income, in the first nine months of 2001, was 2,091 million Euro, showing a reduction of 1.1% against the same period of 2000; this reduction is moreover entirely due to factors unrelated to ordinary operating business:

- mortgage interest of 12 million Euro not posted to the financial statements according to decree law 394/2000 converted into law 24/2001;
- higher interest payable, 10 million Euro, disbursed by Banco di Napoli for the liquidity of the supplementary employee pension fund which was spun off from the company in July.

Without these items, the level of net interest income would be substantially in line with that recorded in the first nine months of the previous year.



The development of Group net interest income was largely conditioned by the continuing phase of reduction in market rates and spreads from the end of the previous year; these factors were translated into a progressive slowing of the growth trend in net interest income.

In the first three quarters of 2001 the average amounts of interest-earning assets of the Group fell by 1.5% on the same period of 2000; in this context, the average amounts of loans to customers, excluding repurchase agreements, moreover recorded an increase of 3%. On the liability side, there was a reduction of 2.2% in average volumes of direct customer deposits, net of repurchase agreements, led by a reduction of 6% of securities issued.

In terms of interest rates, it should be noted that three-month Euribor fell by almost one percentage point from the end of 2000, standing at 4.04% at the end of September 2001; the progressive average from the begin-

ning of the year, 4.55%, was 38 basis points higher than in the same period of the previous year.

In the first nine months of 2001 the yield on interest-earning assets of the Group was 6.10%, 8 basis points higher than in the first three quarters of 2000; the cost of interest-bearing liabilities showed an equal increase, passing from 4.02% to 4.10%. In customer business, the spread on deposit and lending volumes, as an average for the first nine months of this year, was 2.80% against the 2.76% recorded in the same period of 2000.

Progress in operating volumes, after the seasonal fall in July and August, showed signs of recovery in September, but not enough to take them back to the levels of the half of the year.

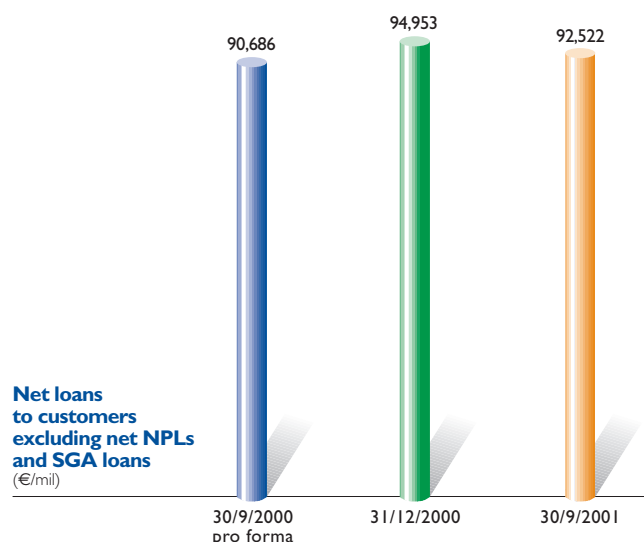
In greater detail, net loans to Group customers, excluding non-performing loans and SGA loans, the company into

#### Analysis of average amounts and interest rates

	First nine months 2001		First nine months 2000 pro forma		Change first nine months 2001 / First nine months 2000 pro forma	
	Average amount	Annualized average rate	Average amount	Annualized average rate	Change in average amount (%)	Difference in annualized rate (% points)
	(€/mil)	(%)	(€/mil)	(%)		
Interest-earning assets	124,954	6.10	126,851	6.02	-1.5	+0.08
<i>of which:</i>						
- loans to customers	89,073	6.55	86,496	6.43	+3.0	+0.12
- securities	14,467	5.32	15,861	5.44	-8.8	-0.12
- other interest-earning assets	21,414	4.79	24,494	4.94	-12.6	-0.15
Non interest-earning assets (1)	46,863		46,920		-0.1	
<b>Total assets</b>	<b>171,817</b>		<b>173,771</b>		<b>-1.1</b>	
Interest-bearing liabilities	118,055	4.10	119,716	4.02	-1.4	+0.08
<i>of which:</i>						
- direct customer deposits	88,494	3.75	90,476	3.67	-2.2	+0.08
- due to customers	52,077	2.66	51,721	2.37	+0.7	+0.29
- securities issued	36,417	5.31	38,755	5.40	-6.0	-0.09
- other interest-bearing liabilities	29,561	5.15	29,240	5.11	+1.1	+0.04
Non interest-bearing liabilities (1)	46,513		47,246		-1.6	
Shareholders' equity	7,249		6,809		+6.5	
<b>Total liabilities and shareholders' equity</b>	<b>171,817</b>		<b>173,771</b>		<b>-1.1</b>	

(1) This figure includes Banca IMI's group average volumes, in line with the reclassification of the related interest income and expense, which have been included in the caption "Profits and losses from financial transactions and dividends on shares" as they are more closely related to securities dealing.

which Banco di Napoli's doubtful loans were transferred, were 92.5 billion Euro at the end of the third quarter of 2001, down by 2.6 billion Euro in the quarter; they showed a reduction of 2.6% on the beginning of the year and an



increase of 2% on an annual basis. Within this total, medium- and long-term loans were the most active component, showing growth of 7.3% over 12 months, against a reduction of 4.9% in short-term financings.

In medium- and long-term loans, good progress in lending to the retail sector continued: net mortgage disbursements to households from the Sanpaolo Network were, in the first nine months of 2001, 1,261 million Euro, up by 7.7% on the same period in 2000.

In customer deposits, after the slowdown in the summer months, September presented an inflow of 3.7 billion Euro; the total aggregate was 103.2 billion Euro at the end of the third quarter, down by 0.9% from the end of 2000 and 0.5% against the end of September 2000. Customer preferences in the face of considerable market uncertainty were directed in particular towards sight deposits: by type, current accounts and deposits showed the most dynamic performance, rising to 55.2 billion Euro, up by 3.4% from the beginning of the year and 6.4% over 12 months. Withdrawals from longer term funding continued: bonds

### Loans to customers

	30/9/2001		30/9/2000 pro forma		Change 30/9/01-30/9/00 pro forma (%)	31/12/2000	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Short-term loans	37,152	38.8	39,081	41.1	-4.9	41,438	42.0
Medium- and long-term loans	55,370	57.8	51,605	54.2	+7.3	53,515	54.2
<b>Loans to customers excluding net NPLs and SGA loans</b>	<b>92,522</b>	<b>96.6</b>	<b>90,686</b>	<b>95.3</b>	<b>+2.0</b>	<b>94,953</b>	<b>96.2</b>
Net non-performing loans	834	0.9	1,186	1.2	-29.7	1,015	1.0
SGA loans	2,382	2.5	3,320	3.5	-28.3	2,738	2.8
<b>Loans to customers</b>	<b>95,738</b>	<b>100.0</b>	<b>95,192</b>	<b>100.0</b>	<b>+0.6</b>	<b>98,706</b>	<b>100.0</b>

### Direct customer deposits

	30/9/2001		30/9/2000 pro forma		Change 30/9/01-30/9/00 pro forma (%)	31/12/2000	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Current accounts and deposits	55,204	53.5	51,864	50.0	+6.4	53,396	51.3
Certificates of deposit	6,381	6.2	8,960	8.6	-28.8	8,888	8.5
Bonds	26,863	26.0	28,108	27.1	-4.4	26,589	25.5
Commercial paper	3,993	3.9	3,864	3.7	+3.3	3,107	3.0
Repurchase agreements and securities lending	7,392	7.2	7,632	7.4	-3.1	7,944	7.6
Other deposits	3,345	3.2	3,285	3.2	+1.8	4,220	4.1
<b>Direct customer deposits</b>	<b>103,178</b>	<b>100.0</b>	<b>103,713</b>	<b>100.0</b>	<b>-0.5</b>	<b>104,144</b>	<b>100.0</b>

fell by 4.4% on annual basis and certificates of deposit reduced by 28.8% against the end of September 2000.

At the end of the third quarter of 2001 the Group's domestic market shares were respectively 8.6% in loans to customers and 8.2% in direct customer deposits.

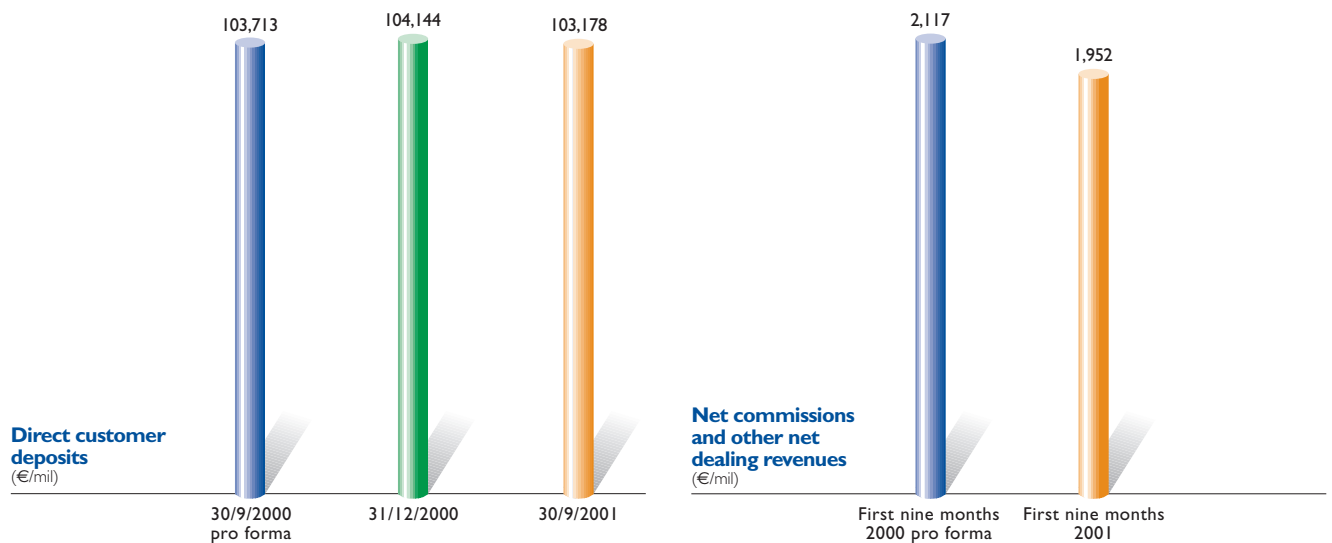
### Net commissions and other net dealing revenues

Group net commissions in the first nine months of 2001 were 1,952 million Euro, down by 7.8% on the same period for 2000; the third quarter recorded the smallest contribution from commissions from the beginning of the year, at 623 million Euro, against 653 and 676 million Euro respectively in the first and second quarters of 2001. The reduction in commissions was mainly in asset management and securities trading, whose smaller contribution was

only in part compensated for by the growth in revenues from deposits and current accounts services as well as collection and payment services.

The fall in equity prices, accentuated in September, had in fact a substantial impact on the value of asset management and asset administration, leading to a third quarter contraction in amounts of 16.2 billion Euro; customer financial assets, 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 stock of asset management was 118.2 billion Euro at the end of September, with a reduction of 8.3% from the end of 2000 and 10.4% over the 12 months. In the course of the third quarter, notwithstanding the difficulties in the financial markets, the Group recorded a positive net flow in asset management, at 370



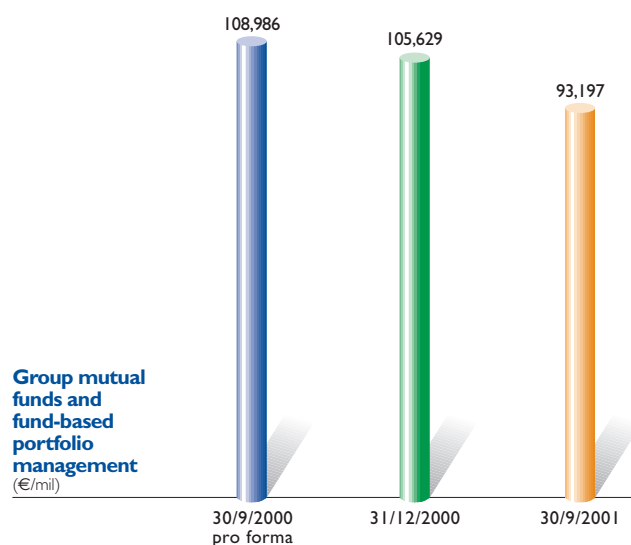
### Customer financial assets

	30/9/2001		30/9/2000 pro forma		Change 30/9/01- 30/9/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Asset management	118,161	40.9	131,919	42.6	-10.4	128,913	42.4
Asset administration	68,087	23.5	73,850	23.9	-7.8	71,084	23.4
Direct deposits	103,178	35.6	103,713	33.5	-0.5	104,144	34.2
<b>Customer financial assets</b>	<b>289,426</b>	<b>100.0</b>	<b>309,482</b>	<b>100.0</b>	<b>-6.5</b>	<b>304,141</b>	<b>100.0</b>

million Euro, taking to 3 billion Euro the net flow from the beginning of the year. Against that, the stock suffered in the third quarter of 2001 its most substantial negative performance, 9.8 billion Euro, of which 5.1 billion was concentrated in September; the total devaluation in the sector from the beginning of the year was 13.7 billion Euro.

In asset management:

- the amounts in mutual funds and fund-based portfolio management managed by Group companies, particularly hit by the negative performance in equities, showed a reduction of 12.4 billion Euro from the beginning of the year, a fall of 11.8% from December 2000 and 14.5% over the 12 months. The weight of equity funds was 30.1% at the end of September, against 38.8% at the end of 2000;



### Asset management

	30/9/2001		30/9/2000 pro forma		Change 30/9/01- 30/9/00 pro forma (%)	31/12/2000	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Group products	113,823	96.3	127,856	96.9	-11.0	124,907	96.9
- Mutual funds and fund-based portfolio management	93,197	78.9	108,986	82.6	-14.5	105,629	82.0
- Portfolio management	6,260	5.3	7,184	5.4	-12.9	6,860	5.3
- Life technical reserves	14,366	12.1	11,686	8.9	+22.9	12,418	9.6
Other products	4,338	3.7	4,063	3.1	+6.8	4,006	3.1
<b>Asset management</b>	<b>118,161</b>	<b>100.0</b>	<b>131,919</b>	<b>100.0</b>	<b>-10.4</b>	<b>128,913</b>	<b>100.0</b>

### Net asset management flows

	First nine months 2001 (€mil)	First nine months 2000 pro forma (€mil)	2000 (€mil)
Group products	2,366	11,539	14,846
Other products	617	270	267
<b>Net asset management flows</b>	<b>2,983</b>	<b>11,809</b>	<b>15,113</b>

### Mutual funds by type

	30/9/2001 (%)	30/9/2000 pro forma (%)	31/12/2000 (%)
Equity	30.1	39.2	38.8
Balanced	15.8	18.6	19.0
Bond	54.1	42.2	42.2
<b>Total Group mutual funds</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

- life technical reserves, notwithstanding the falls in funds connected to Sanpaolo Life's unit linked products, instead continued to grow, representing one of the preferred forms of investment by customers; the increase in the third quarter, 491 million Euro, brought the stock to 14.4 billion Euro, with an increase of 15.7% from the beginning of the year and 22.9% on the end of September 2000;
- third party products distributed by the Group's networks rose to 4.3 billion Euro, with a growth of 8.3% from the end of 2000 and 6.8% on an annual basis.

The Group's domestic market share in asset management was largely unchanged in the past three months at around 14%; in particular, at the end of September the share in mutual funds was 18.9% and in life policies estimated at around 8%.

On the basis of the first data available to October 2001, it appears that the Group has recorded in Italy a net flow of mutual funds, including investments in funds from fund-based portfolio management and life policies, of 562 million Euro; the net worth of funds managed by the Group increased by 2.9% against the end of September.

### Profits from financial transactions, profits from companies carried at equity and dividends

Profits from financial transactions and dividends on shares held by the Group were, in the first nine months of 2001, 173 million Euro, showing a reduction of 21.4% on the

same period in the previous year; the performance was influenced both by the difficult external environment, which further compressed in the past quarter the contribution of this income line item, and by the comparison with 2000, in that the first part of 2000 benefited from high revenues deriving from sales of substantial equity stakes held for dealing.

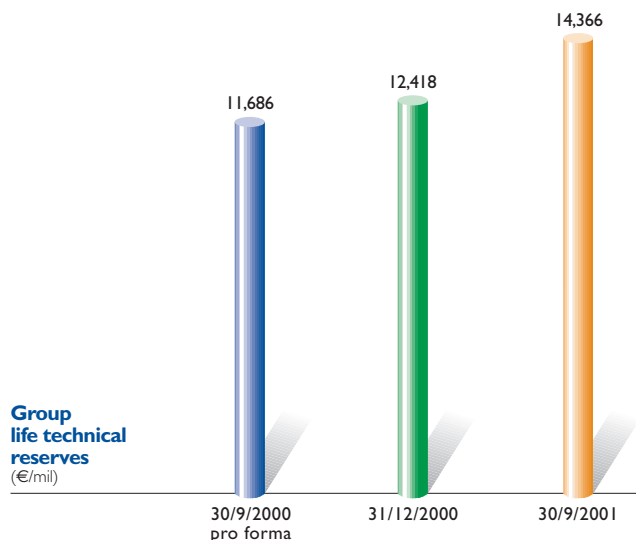
Profits from companies carried at equity and dividends from shareholdings, 153 million Euro in the first nine months of 2001, showed a growth of 44.3% on the first three quarters of 2000. The increase was attributable to the considerable increase in dividends distributed by non-Group companies, rising to 111 million Euro against 46 million in the first nine months of the previous year, also as a result of the widening of the shareholding portfolio; dividends include 29 million Euro distributed by Santander Central Hispano, 27 million from the stake of 10.9% in Cardine Banca and 24 million Euro in total from shareholdings held by the Group's merchant bank, NHS.

In the third quarter of 2001 profits from companies carried at equity and dividends from shareholdings recorded an incremental flow of 9 million Euro, against 85 million in the second quarter and 59 million in the first quarter of the year in course; the reduction, in part connected to the normal seasonality linked to the distribution of dividends, was also influenced by the smaller contribution from the profits of companies carried at equity following the devaluations in the securities portfolios of the insurance companies Fideuram Vita, Sanpaolo Vita and Sanpaolo Life.

### Costs

Group administrative costs in the first three quarters of 2001 showed a rate of change of 0.6% on the same period in 2000, falling from the 1.8% recorded in the first half of the year in course; in particular, this progress followed from the structural cost containment actions launched in the first part of the year, with the objective of keeping administrative costs for 2001 at the same levels recorded in the previous year. Administrative costs in the third quarter, 871 million Euro, were lower than those of the first and second quarters of 2001, respectively 873 and 911 million Euro, and also lower than the 2000 quarterly average of 893 million Euro.

The slowdown recorded in personnel costs was particularly significant. For the first three quarters of 2001 these



were slightly less than those of the same period in 2000, against the growth of 2% registered in the first half of the year; a partial contribution to this came from the spin-off, mentioned earlier, of the supplementary fund for the personnel of Banco di Napoli, carried out in July, which led to lower personnel charges (10 million Euro less), against the posting of greater interest payable of an equal amount. The rate of change in other administrative costs in the first nine months of the current year was 1.9%; in this context, it should be noted that the growth at the Parent Bank was held to 1% and that Banco di Napoli recorded a reduction of approximately 6%.

Adjustments to tangible and intangible fixed assets in the first nine months of 2001 rose by 34.5% compared to the same period in 2000; the increase was due to the acceleration, in the second part of the previous year, of investments to strengthen the distribution channels, and also to the higher percentages adopted by Banco di Napoli.

Adjustments to goodwill and merger and consolidation differences were, in the first nine months of 2001, 105 million Euro, down by 17.3% compared to the same period in 2000; this item includes 64 million Euro related to goodwill amortization of Banco di Napoli.

### Provisions and adjustments

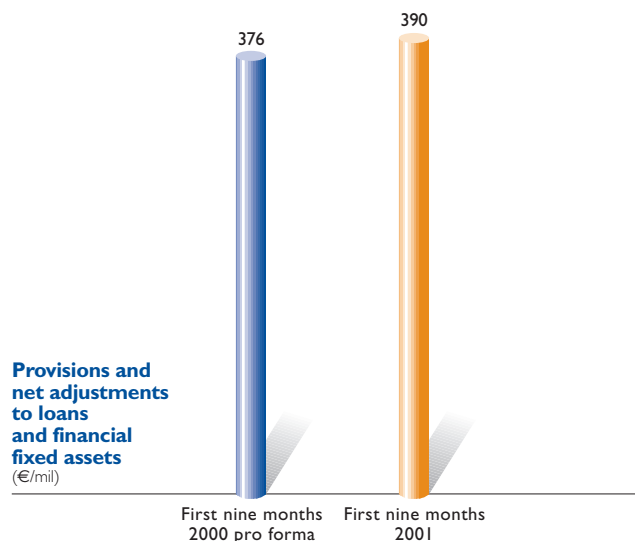
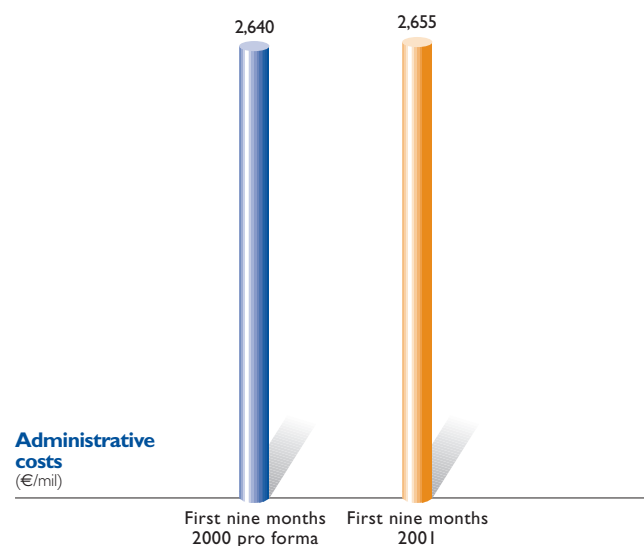
Provisions and net adjustments to loans and financial fixed assets were, in the first nine months of 2001, 390 million

Euro, with an increase of 3.7% compared to the same period in 2000.

The flow in the third quarter, 139 million Euro, incorporates two opposite tendencies: on the one hand the greater provisions for credit and financial risks, prudently posted in view of the deterioration in the economic environment, and on the other a reduction in provisions against the effects of the possible renegotiation of subsidized and building mortgages, in view of the new considerations which are emerging concerning the substitute interest rate.

In the first three quarters of 2001 the net doubtful loans of the Group fell to 1,795 million Euro against 2,157 million at the end of 2000; these registered a fall of 16.8% from the beginning of the year and 32.4% over the 12 months. This performance was also helped by the completion in May of a non-recourse sale of non-performing loans, with a book value of 111 million Euro and, in July, the sale of 100% of Sanpaolo Immobiliare, a company dedicated to the management of non-performing mortgage loans acquired without recourse from the Parent Bank in 1994, which led to a reduction in net non-performing loans of 45 million Euro. In particular, in loans to customers:

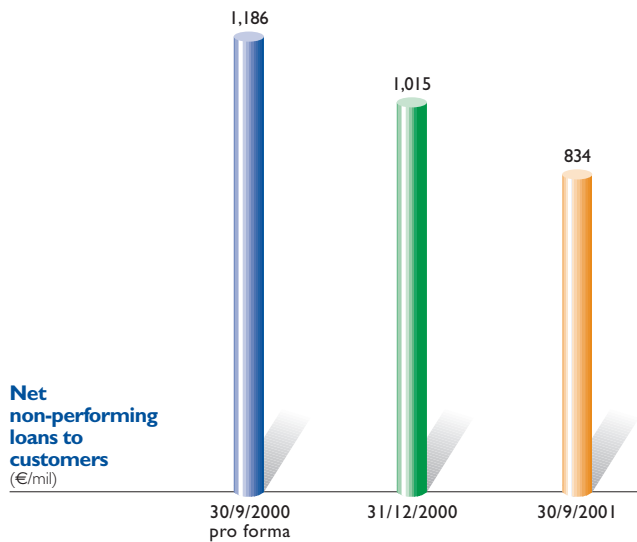
- net non-performing loans, 834 million Euro at the end of September, fell by 181 million Euro from the start of the year; the ratio of net non-performing loans / net loans to customers fell to 0.9%, against the 1% recorded at the end of 2000 and 1.2% at the end of





September 2000. The non-performing loans of the Group at the end of September had a coverage ratio, also taking account of tax write-offs, of 75.8%;

- problem, restructured and in course of restructuring loans at the end of September amounted to 834 million Euro, down by 148 million from the beginning of the year; the coverage ratio, also taking account of tax write-offs, was 35.6%;
- non-guaranteed loans to customers in countries subject to country risk fell from the 106 million recorded at the end of 2000 to 64 million Euro at the end of September 2001.



## Extraordinary income and taxes

Group net extraordinary income in the first three quarters of 2001 amounted to 348 million Euro, with a fall of 3.6% compared to the same period in 2000.

The incremental flow in the third quarter, 171 million Euro, is almost wholly attributable to the capital gain of 170 million Euro from the sale to Itالenergia by NHS of its remaining stake of 4.4% in Montedison; since the beginning of the year the sale of the total stake of 6.2% held in the company by NHS has led to capital gains of 228 million Euro.

Net extraordinary income for the first nine months of 2001 also includes:

- 50 million Euro in capital gains from the sale of a stake of 10.7% in Beni Stabili;
- 39 million Euro in positive surplus from Banco di Napoli, as a result of the positive conclusion of two disputes, net of extraordinary provisions for social security;
- 30 million Euro in capital gains realized from the sale of own shares to Fondazione Carivenezia in the context of the acquisition of 10.9% in Cardine Banca.

Among extraordinary income a positive surplus of 1.3 million Euro related to the SIR case is included. This refers to the sentence, pronounced by the Court of Appeal of Rome on 11 September 2001, which required the Consorzio Bancario SIR, now in liquidation, to reimburse to SANPAOLO IMI the amount of 506 million Euro (in addition to legal interest payments) which had been paid by IMI to the heirs of Nino Rovelli in damages. Without

## Analysis of loan portfolio

	30/9/2001		30/9/2000 pro forma		Change 30/9/01-30/9/00 pro forma (%)	31/12/2000	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Non-performing loans	834	0.9	1,186	1.2	-29.7	1,015	1.0
Problem, restructured and in course of restructuring loans	834	0.9	1,250	1.3	-33.3	982	1.0
Loans to countries at risk - customers	64	-	142	0.2	-54.9	106	0.1
Performing loans	94,006	98.2	92,614	97.3	+1.5	96,603	97.9
<b>Total loans to customers</b>	<b>95,738</b>	<b>100.0</b>	<b>95,192</b>	<b>100.0</b>	<b>+0.6</b>	<b>98,706</b>	<b>100.0</b>
Non-performing and problem loans - banks	1		2		-50.0	1	
Loans to countries at risk - banks	62		75		-17.3	53	

prejudice to any defense of the interests of the Bank, on the basis of currently available valuations, SANPAOLO IMI considers the presumable realizable value at 1.3 million Euro, corresponding to the net worth of the Consorzio, and has posted this amount to positive surplus; at the same time, the shareholding held in the Consorzio was wholly written down for an amount of 0.5 million Euro.

In the first nine months of 2001 the tax rate of the Group was 25.1%, compared to the 38.3% in the same period of

2000. This is essentially due to the recovery by subsidiaries of prior tax losses for which the corresponding prepaid taxes were not posted, in the absence of a stable reinstatement of profit capacity.

Finally it should be noted that the taxes for the first three quarters of 2001 have been calculated without taking account of the incentives envisaged by the Legge Ciampi for the merger between San Paolo and IMI and the acquisition of Banco di Napoli.

# Capital and reserves

## Net shareholders' equity

Group shareholders' equity at 30 September 2001 was 7,970 million Euro net of own shares held by the Parent Bank. Movements in the first nine months were as follows:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
<b>Net shareholders' equity at 1 January 2001</b>	<b>7,353</b>
<b>Decreases</b>	<b>-790</b>
- Dividends	-787
- Use of reserve for general banking risks	-3
<b>Increases</b>	<b>1,407</b>
- Capital	1
- Share premium reserve	4
- Exchange and other adjustments	6
- Decrease in own shares held by the Parent Bank	403
- Net income for the period	993
<b>Net shareholders' equity at 30 September 2001</b>	<b>7,970</b>

The increase of 1 million Euro in equity capital and of 4 million Euro in the share premium reserve followed the subscription of 422,916 shares, at a unit price of 12.396 Euro, by Group senior managers, as part of the stock option plan described in the 2000 Annual Report.

Own shares held by the Group at 30 September 2001 were 17,693,500, or 1.26% of the equity capital, and were written into the balance sheet at 301 million Euro. The Parent Bank, in particular, held 17,080,403 shares at the end of September, with a book value, carried at cost, of 294 million Euro (17.2 Euro per share). The decrease against the end of 2000 is largely attributable to the sale to Fondazione Cassa di Risparmio di Venezia of approximately 27.5 million shares, or 1.96% of the capital of SANPAOLO IMI, in the context of the acquisition of a shareholding of 10.9% in Cardine Group.

## Regulatory capital and capital adequacy

At the end of September 2001 the ratio of regulatory capital to total weighted assets against credit and market risks was estimated at 9.5%; the ratio of Group primary capital to total weighted assets was estimated at 7.4%.

# Financial risk management

## Financial risks from lending business

Market risk generated by the lending activities of the Group in the first nine months remained contained. The change in the market value of the banking book, measured in terms of shift sensitivity, as an upward, parallel and uniform movement of 100 basis points in the interest rate curve, had an average negative value of 152 million Euro in the nine months. In the course of the third quarter, the shift sensitivity grew progressively to reach a negative value of 203 million Euro at the end of September; this followed from the Group's decision to increase its fixed income positioning in expectation of a fall in interest rates.

The Value at Risk (VaR) of the banking book, calculated as the maximum unexpected potential loss of the market value of the portfolio which could occur in the 10 following working days with a statistical confidence interval of 99%, fluctuated in the nine months at an average value of

94 million Euro, slightly below the 102 million Euro registered in the first half of the year; VaR at the end of September was 89 million Euro.

## Equity investments in non-Group listed companies

The market value of equity investments held in quoted companies not consolidated line by line or at net equity amounted to 1,950 million Euro at the end of September, of which 390 million was held by the merchant bank NHS, 51% held by SANPAOLO IMI.

The market value of equity investments, according to the end of September prices, showed a potential net capital loss against book value of 228 million Euro, after the deduction of minority interests relative to NHS. The capital loss related mostly to the stake in Santander Central Hispano.

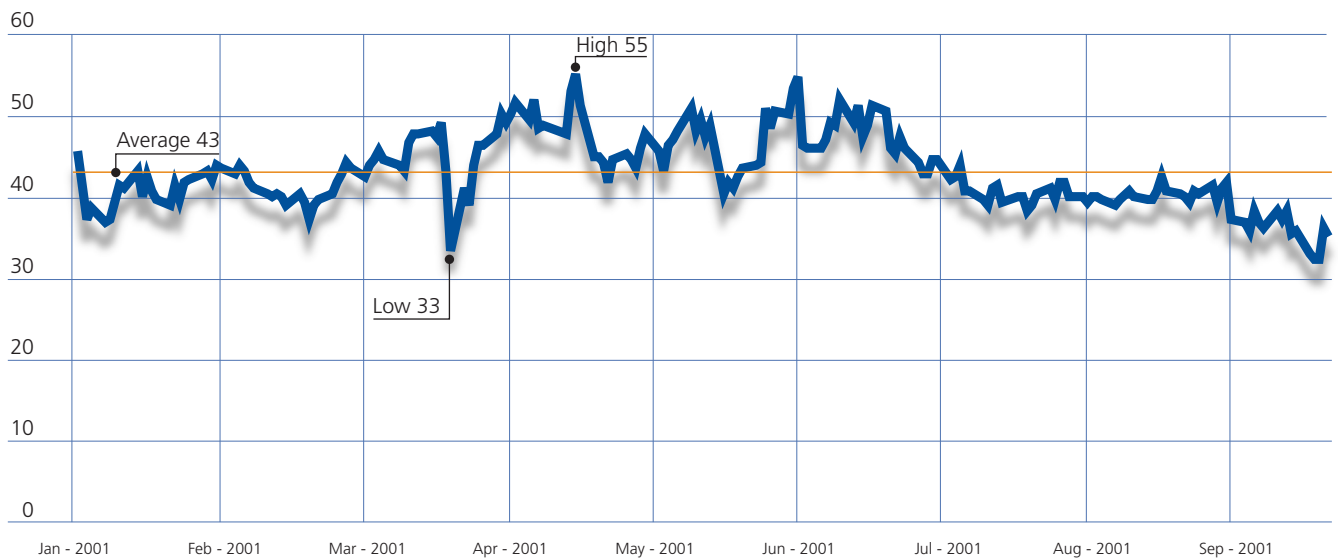
It should be noted that the figure at 9 November 2001 fell to 72 million Euro.

The VaR for minority equity investments in quoted companies was 283 million Euro at the end of September, net of minority interests relative to NHS.

### Trading activities

Financial risk generated by the trading activities of the Group, concentrated in the subsidiary Banca IMI, had an average value in terms of VaR of 6 million Euro in the third quarter. VaR at the end of September was 5.3 million Euro, lower than the average of 8.2 million Euro from the beginning of the year.

In addition to VaR, Worst Case Scenario methodology is also used to monitor the impact of potential losses due to trading that could occur in extreme conditions. The development of the maximum potential daily loss in the third quarter was largely stable in terms of potential risks, always oscillating around the average annual value, at 43 million Euro.



Maximum potential daily loss in trading (€/mil)

## Supplementary information

### Performance of share prices

At the end of September 2001 the price of SANPAOLO IMI shares was 11.472 Euro, a fall of 33.6% from the begin-

ning of the year against a reduction of 36.8% in the MIB bancario. On the same date SANPAOLO IMI traded on a price/book value of 2.1 and a price/earnings, calculated on consensus earnings for 2002, of 11.

On 9 November 2001 the price was 11.968 Euro, with a fall of 30.7% from the beginning of the year.

### Market comparison

	9/11/2001	28/9/2001	29/9/2000	Change 28/9/01 - 29/9/00 (%)
SANPAOLO IMI share price (€) (1)	11.968	11.472	18.298	-37.3
Banking index (historical MIB bancario)	2,239	2,178	3,560	-38.8

### SANPAOLO IMI share price (1)

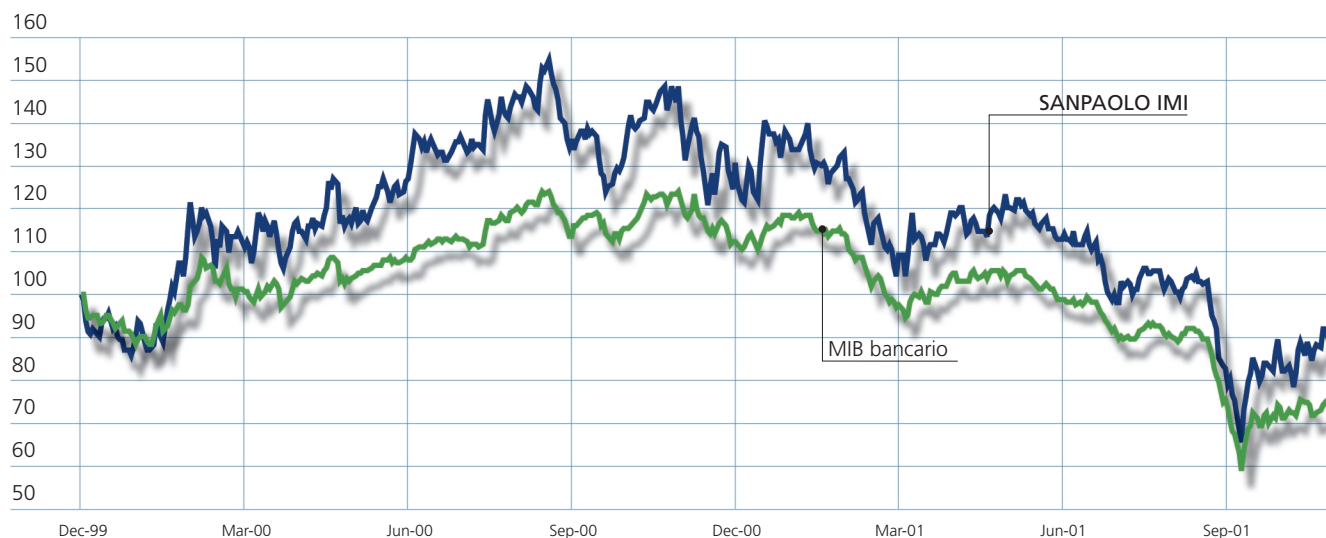
Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001 (until 9/11/2001)	18.893	8.764	14.655

### SANPAOLO IMI market indices

	28/9/2001	29/9/2000
Price/book value	2.1	3.1
Price/earnings on consensus earnings (2)	11.0	19.3

(1) Reference prices. Share prices before 2 November 1999 have been adjusted for the real estate spin-off.

(2) Calculated on consensus earnings 2002 for 28/9/2001 and on consensus earnings 2001 for 29/9/2000.



## Shareholders of SANPAOLO IMI

At 30 September 2001, the shareholder structure of SANPAOLO IMI, based on available information, was as follows:

<i>Shareholders of SANPAOLO IMI</i>	%
Compagnia di San Paolo	16.13
Santander Central Hispano	6.48
Monte dei Paschi di Siena	6.15
IFI / IFIL	4.98
Fondazione Cariplo	2.77
Ente Cassa di Risparmio di Firenze	2.57
Società Reale Mutua di Assicurazioni	2.06
Fondazione Cassa di Risparmio di Venezia	1.96
Other shareholders (1)	56.90
<b>Total</b>	<b>100.00</b>

(1) Includes own shares held by the Group.

With respect to the end of September, the arrival as a SANPAOLO IMI shareholder of Caisse des Dépôts et Consignations should be noted. On 3 October 2001, the company took a stake of 2.04% in the equity capital of the Bank.

## Ratings

There were no changes in the ratings assigned to SANPAOLO IMI's debt in the third quarter of 2001.

### SANPAOLO IMI debt ratings

Rating agency	Type of rating	Rating
Fitch	• Short-term debt	F1+
	• Medium/long-term debt (senior)	AA-
Rating and Investment Information (Japan)	• Medium/long-term debt (senior)	AA
Moody's Investors Service	• Short-term debt	P-1
	• Medium/long-term debt (senior)	Aa3
Standard & Poor's	• Short-term debt	A-1
	• Medium/long-term debt (senior)	A+ with outlook positive

### Other SANPAOLO IMI ratings

Rating agency	Type of rating	Rating
Moody's Investors Service	Bank Financial Strength	B
Fitch	Individual	B/C
Fitch	Legal	2

### Rating of subsidiary company debt

Group company	Rating agency	Short-term rating	Medium/long-term rating (senior)
Banco di Napoli	Fitch	F1	A+
	Rating and Investment Information (Japan)	-	A+
	Moody's Investors Service	P-1	A1
	Standard & Poor's	A-1	A
Banca OPI	Moody's Investors Service	P-1	Aa3
	Standard & Poor's	A-1	A+
Banque Sanpaolo	Fitch	F1	A+
	Moody's Investors Service	P-1	A2
Banca Fideuram	Standard & Poor's	A-1	A+
Sanpaolo IMI Bank International	Moody's Investors Service	P-1	Aa3
	Standard & Poor's	A-1	A+
Sanpaolo US Financial	Moody's Investors Service	P-1	-
	Standard & Poor's	A-1	-

## Group Business Areas

### Organization by Business Areas

From 1 September 2001, as described earlier, a restructuring of the Group was effected in order to focus better its Business Areas in their respective markets and allow more efficient customer management. The new structure of the Group is as follows:

- **Retail Banking:** oversees business with households and small- and medium-sized companies; includes the Sanpaolo Network, established as an autonomous Business Area, operating in Italy through the 1,368 branches of the Parent Bank SANPAOLO IMI and the Internet, phone and mobile banking direct channels; the Banco di Napoli, with 731 branches concentrated in the South of the country; the Other Networks, which include, in Italy, the distribution networks of Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì and, abroad, the French subsidiary Banque Sanpaolo and the Hungarian Inter-Europa Bank;
- **Wealth Management:** the Area, established in April 2001, provides asset management products and services both to the Group's internal distribution structures of the Sanpaolo Network, Banco di Napoli and Banca

Sanpaolo Invest, and to external networks and institutional investors;

- **Personal Financial Services:** includes the distribution of financial services to households with medium to high savings potential through the networks of financial planners of Banca Fideuram and Banca Sanpaolo Invest, as well as on line trading service as developed by IMIWeb Bank; also in Personal Financial Services the establishment of a specialist structure in private banking is envisaged, with an autonomous network throughout Italy;
- **Wholesale Banking:** includes the activities carried out by Corporate, Public Works and Infrastructure, Investment Banking and Merchant Banking.

The Group also has Central Functions, carrying out holding, treasury, loan recovery, property and investment management activities.

The accounting of the economic and operating results of the Business Areas has been presented with reference to the preceding structure, as the Group operated in the first eight months of the year.

The criteria to determine the profitability of the Business Areas are detailed in the Explanatory Notes.



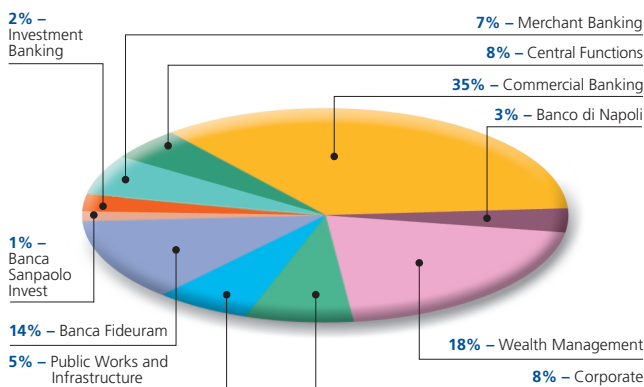
## Results of the Business Areas

The results of the Group's Business Areas are, in summary, the following:

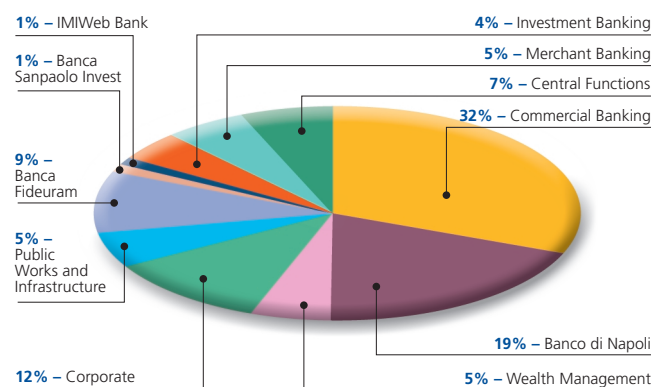
Business Area	Contribution to net income of the Group				Average capital			Annualized profitability		
	First nine months 2001	First nine months 2000 pro forma	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000 pro forma (1) (€/mil)	First nine months 2001 (€/mil)	First nine months 2000 pro forma (1) (€/mil)	2000 pro forma (1) (€/mil)	First nine months 2001 (%)	First nine months 2000 pro forma (1) (%)	2000 pro forma (1) (%)
<b>RETAIL BANKING</b>										
Commercial Banking	349	435	-19.8	625	2,285	2,443	2,417	20.4	23.7	25.9
Banco di Napoli	34	60	-43.3	84	1,358	1,291	1,286	3.3	6.2	6.5
<b>WEALTH MANAGEMENT (2)</b>										
	180	86	+109.3	106	352	276	267	68.2	41.5	39.7
<b>PERSONAL FINANCIAL SERVICES</b>										
Banca Fideuram	136	130	+4.6	175	650	551	544	27.9	31.5	32.2
Banca Sanpaolo Invest	11	13	-15.4	16	95	89	89	15.4	19.5	18.0
IMIWeb Bank	-20	-17	+17.6	-28	84	32	41	n.s.	n.s.	n.s.
<b>WHOLESALE BANKING</b>										
Corporate	79	74	+6.8	92	898	796	804	11.7	12.4	11.5
Public Works and Infrastructure	54	73	-26.0	98	349	279	279	20.6	34.9	35.0
Investment Banking	17	44	-61.4	60	306	371	356	7.4	15.8	16.9
Merchant Banking	70	28	+150.0	33	394	383	382	23.7	9.7	8.6
<b>CENTRAL FUNCTIONS</b>										
	83	79	+5.1	-30	478	298	182	n.s.	n.s.	n.s.
<b>GROUP TOTAL</b>										
	993	1,005	-1.2	1,231	7,249	6,809	6,647	18.3	19.7	18.5

(1) The figures for the first nine months of 2000 and for the year 2000 are pro forma; they have been prepared to provide a consistent comparison with 2001, according to the methods indicated in the Explanatory Notes.

(2) The figures for the first nine months of 2001 are pro forma in that the Area was set up in April 2001. It should be noted that the net result for the first nine months of 2001 has benefited from lower current taxes and the posting of prepaid taxes against the recovery of prior tax losses.



First nine months 2001 net income by Business Area



First nine months 2001 allocated capital by Business Area

## Retail Banking

### Commercial Banking

In the new Group structure, operational from 1 September 2001, replacing the former Commercial Banking Area, are two autonomous Business Areas:

- the Sanpaolo Network, operating in Italy through the 1,368 banking branches of the Parent Bank, as well as the Internet, phone and mobile banking direct channels; the

Network is structured in two Divisions, the first dedicated to private customers and small entrepreneurs, the second to companies with turnover of less than 500 billion Lire;

- the Other Networks, which include the French subsidiary Banque Sanpaolo and the Hungarian Inter-Europa Bank, formerly belonging to Commercial Banking; the Italian distribution networks of Cassa di Risparmio di Firenze, where the Group has a stake of 18.7%, and Cassa dei Risparmi di Forlì, with a stake of 21%, also belong to this Area.

	Commercial Banking				of which: Italian Branch Network			
	First nine months 2001	First nine months 2000 pro forma	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000 pro forma	First nine months 2001	First nine months 2000 pro forma	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>								
Net interest and other banking income	2,255	2,459	-8.3	3,294	2,017	2,221	-9.2	2,973
Operating costs	-1,453	-1,395	+4.2	-1,904	-1,296	-1,256	+3.2	-1,717
Operating income	802	1,064	-24.6	1,390	721	965	-25.3	1,256
Provisions and net adjustments to loans and financial fixed assets	-145	-230	-37.0	-222	-129	-217	-40.6	-197
Income before extraordinary items	657	834	-21.2	1,168	592	748	-20.9	1,059
Net extraordinary income	-	-	-	12	-3	-2	+50.0	1
Income before taxes	657	834	-21.2	1,180	589	746	-21.0	1,060
Income taxes for the period	-308	-399	-22.8	-555	-279	-358	-22.1	-505
Net income	349	435	-19.8	625	310	388	-20.1	555
<b>ALLOCATED CAPITAL (€/mil)</b>	2,285	2,443	-6.5	2,417	1,849	2,041	-9.4	2,004
<b>RATIOS (%)</b>								
Annualized RORAC	20.4	23.7		25.9	22.4	25.3		27.7
Cost / Income ratio	64.4	56.7		57.8	64.3	56.6		57.8
	30/9/2001	30/9/2000 pro forma	Change 30/9/01-30/9/00 pro forma (%)	31/12/2000 pro forma	30/9/2001	30/9/2000 pro forma	Change 30/9/01-30/9/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>								
Customer financial assets	152,640	164,780	-7.4	160,185	139,782	151,223	-7.6	146,955
- Direct deposits	34,768	34,426	+1.0	33,747	29,884	28,789	+3.8	28,945
- Asset management	65,580	71,877	-8.8	71,125	60,960	66,551	-8.4	65,424
of which: Group products	64,064	70,057	-8.6	69,396	60,960	66,551	-8.4	65,424
- Mutual funds and fund-based portfolio management	52,811	59,493	-11.2	58,610	50,047	56,594	-11.6	55,237
- Portfolio management	4,298	5,037	-14.7	4,848	3,958	4,430	-10.7	4,249
- Life technical reserves	6,955	5,527	+25.8	5,938	6,955	5,527	+25.8	5,938
of which: Other products	1,516	1,820	-16.7	1,729	-	-	-	-
- Asset administration	52,292	58,477	-10.6	55,313	48,938	55,883	-12.4	52,586
Net asset management flows	1,231	5,303		7,674	1,151	4,424		6,204
Net loans to customers excluding NPLs	37,896	37,465	+1.2	38,304	33,658	32,695	+2.9	34,431
<b>OPERATING STRUCTURE</b>								
Employees	17,997	17,814	+1.0	17,750	16,213	16,169	+0.3	16,046
Branches	1,431	1,386	+3.2	1,393	1,368	1,326	+3.2	1,332

In the third quarter of 2001 the Sanpaolo Network continued the initiatives begun in the first half of the year, aimed primarily at a greater focus on business by customer segment and the development of new direct distribution channels. In particular, the following should be noted:

- the new network organizational model, which will lead to the specialization of each operating point on its main customer segment: private customers, small entrepreneurs and companies. Following the experimental phase launched in the first part of the year, six new business centers were opened in the third quarter, bringing to 11 the branches dedicated to entrepreneurs;
- the development of direct channels: activities to target specific customer segments towards Internet, phone and mobile banking continued, bringing together quality and timely service with cost containment; at the end of September there were 107,000 contracts allowing private customers to operate in an integrated way through the traditional and direct channels. The availability of the Internet channel was also extended to companies and small entrepreneurs and the remote light service was launched;
- the strengthening of the relationship between the bank and its customers. The initiatives aimed at improving private customer services continued: the process to provide all the personal consultants with IT workstations to analyze customers' requirements has been completed; ongoing training courses for client account managers have been structured; the product range has been widened and renewed, with particular attention to capital protected products. Work has been undertaken to improve the commercial relationship and risk management with companies through a greater specialization of resources and a strengthening of management systems and technological support;
- the search for new distribution channels: agreements with on line brokers for the sale of the Network's retail mortgages have been concluded.

In operating terms, the Sanpaolo Network delivered in the third quarter a net inflow of customer financial assets of 853 million Euro; the flow from the beginning of the year was 5.6 billion Euro, of which 3.5 billion was attributable to asset administration and 1.2 billion to asset management. The total amounts, following the fall in equity markets, fell at the

end of September 2001 to 139.8 billion Euro, a reduction of 5.8% from the middle of the year and 4.9% from the end of 2000. Loans to customers at the end of September were 33.7 billion Euro, with an increase during the 12 months of 2.9%; in this connection the growth in the weight of mortgages to households should be noted, thanks to 1,261 million Euro in disbursements from the beginning of the year, of which 397 million in the third quarter.

In terms of Other Networks, among the principal initiatives in the quarter the restructuring of central functions and branch network launched by the French Banque Sanpaolo should be noted; this is aimed at the improvement in efficiency and productivity of the bank; in particular the bank is putting a greater specialization into its branches, concentrating its attention on high net worth private customers and companies.

Banque Sanpaolo recorded in the first nine months of 2001 a net asset management flow of 80 million Euro; the devaluation caused by stock exchange performance reduced to 4.6 billion Euro the assets under management, which showed a reduction of 9.5% from the beginning of the year and 13.3% during the 12 months.

In terms of the Italian distribution networks, it should be noted:

- the achievement, at the end of September, of a total of 1.5 billion Euro in funds managed by CR Firenze Gestion Internationale, a company held 80% by Carifirenze and 20% by SANPAOLO IMI and operational from last April;
- the placing by the Cariforli network, starting from the end of the first half, of life policies from Sanpaolo Vita and Sanpaolo Life worth a total of 46 million Euro and fund-based portfolio management from Wealth Management for 28 million Euro.

In total, Commercial Banking, as configured in the first eight months of the current year, generated in the first three quarters of 2001 net income of 349 million Euro, down by 19.8% against the same period in 2000; this reduction is principally due to lower commissions, which led to a contraction in net interest and other banking income of 8.3%. The profitability of the Area, expressed in terms of annualized RORAC, was 20.4%.

*Banco di Napoli*

Banco di Napoli, which became part of the SANPAOLO IMI Group in the second half of 2000, operates in retail business in the regions of southern Italy through its network of 731 branches.

In the third quarter of 2001, Banco di Napoli proceeded to implement the guidelines indicated in the relaunch plan approved in the middle of the year, which aims to make the

Banco a point of excellence for banking and financial services in South Italy through the focus on its traditional regional presence and the household and small- and medium-sized business segments, the realization of a strict efficiency program aimed at the optimization of the cost structure and the sale of all the activities not related to its chosen operations. The most important initiatives in the quarter concerned:

- the launch of preliminary activities to use working methods and technological support in common with the Parent Bank SANPAOLO IMI;

*Banco di Napoli*

	First nine months 2001	First nine months 2000	Change first nine months 2001 / First nine months 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	834	859	-2.9	1,167
Operating costs	-681	-684	-0.4	-908
Operating income	153	175	-12.6	259
Provisions and net adjustments to loans and financial fixed assets	-93	-80	+16.3	-375
Income before extraordinary items	60	95	-36.8	-116
Net extraordinary income	28	-67	n.s.	-398
Income before taxes	88	28	n.s.	-514
Income taxes for the period	-50	14	n.s.	241
Use of reserves for general banking risks	-	44	n.s.	367
Net income	38	86	-55.8	94
Contribution to net income of the Group (1)	34	60	-43.3	84
<b>ALLOCATED CAPITAL (€/mil)</b>	1,358	1,291	+5.2	1,286
<b>RATIOS (%)</b>				
Annualized RoE	3.3	6.2		6.5
Cost / Income ratio	81.7	79.6		77.8
	30/9/2001	30/9/2000	Change 30/9/01-30/9/00 (%)	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	36,321	39,040	-7.0	38,819
- Direct deposits	22,016	24,214	-9.1	24,606
- Asset management	7,935	6,975	+13.8	6,678
of which: Group products	7,394	6,337	+16.7	6,111
- Mutual funds and fund-based portfolio management	5,518	5,042	+9.4	4,719
- Portfolio management	1,443	1,291	+11.8	1,272
- Life technical reserves	433	4	n.s.	120
of which: Other products	541	638	-15.2	567
- Asset administration	6,370	7,851	-18.9	7,535
Net asset management flows	1,629	-771		-1,161
Net loans to customers excluding NPLs and SGA loans	14,382	14,472	-0.6	15,688
<b>OPERATING STRUCTURE</b>				
Employees	10,084	10,901	-7.5	10,641
Financial planners	194	222	-12.6	225
Domestic branches	731	731	-	731

(1) After the posting of consolidation attributable to the Area.

- the revision of the shareholding portfolio, through the signing of the contract for the sale of the subsidiary Datitalia; the transaction will lead, on completion, to a capital gain of approximately 5 million Euro. This follows the contract, signed in May, concerning the sale of the subsidiary Fumagalli & Soldan, for which authorizations from the regulatory authorities have been received; the transaction will be concluded by the end of the year;
- the withdrawal from the activities undertaken by the foreign network, with the transfer of the Hong Kong branch to the Corporate Area of the Parent Bank, the formal sale of the London branch to third parties, expected for the end of the year, as well as the downsizing of the New York branch's business, which led in particular to the sale of a significant stake of its investment portfolio.

Among the other initiatives realized in the quarter should be noted the establishment as a foundation, at the end of July, of a new entity to manage the supplementary pension fund for the employees of Banco di Napoli, to which the fund previously accounted for among the balance sheet items of the Banco were transferred. The economic effects of this change are substantially neutral for the current year, in that the higher interest charges are compensated for by an equal reduction in provisions to the supplementary pension fund, previously included in personnel costs.

In operating terms, in the third quarter customer financial assets of Banco di Napoli continued to be subject to a significant recomposition towards asset management: the net asset management flow in the period, 566 million Euro, took the total flow from the beginning of the year to 1.6 billion Euro; the amounts rose to 7.9 billion Euro, up by 18.8% from the beginning of the year and 13.8% during the 12 months. Direct deposits instead showed a reduction of 10.5% from the beginning of the year, 2.6 billion Euro, at 22 billion and asset administration fell to 6.4 billion Euro, down by 15.5% against 7.5 billion at the end of 2000.

In terms of loans, in line with the operating lines defined by the relaunch plan, the Banco has concentrated its business on its core customer base of households and small entrepreneurs; net loans, excluding non-performing loans and SGA loans, were lower, falling to 14.4 billion Euro, 8.3% down on December 2000.

Net income of Banco di Napoli in the first nine months of 2001 was 38 million Euro, against the 86 million in the same period of 2000, which included tax benefits connected to the posting of prepaid taxes. Income before taxes was instead increased, at 88 million Euro, in that the higher amortization and provisions made in the first three quarters of 2001 were more than compensated by the considerable reduction in administrative expenses, approximately 6%, and the increase in extraordinary income. The annualized RoE was 3.3%.

## Wealth Management

Wealth Management, established in April 2001, provides asset management products and services to both the internal distribution networks of the Group, the Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest, and to external networks and institutional investors. It is composed of the holding Wealth Management Sanpaolo IMI and its subsidiaries operating in mutual funds and portfolio management (Sanpaolo IMI Asset Management, Sanpaolo IMI Institutional Asset Management, Sanpaolo Gestion Internationale and Sanpaolo Fiduciaria), private banking (Sanpaolo Bank Lussemburgo, Sanpaolo Bank Austria and SP Private Banking) and life insurance (Sanpaolo Vita and Sanpaolo Life).

The Area made in the third quarter of 2001 the following initiatives to develop the product range:

- in mutual funds, the distribution of six new equity funds within Sanpaolo International Fund, specialized by geographical areas, was launched;

- fund-based portfolio management was reinforced by a new multimanager line, which includes three asset allocation products and two global equity products, aimed at affluent clients;
- in insurance, a new unit linked policy has been created with dynamic capital protection and the range of traditional products distributed by the Cassa dei Risparmi di Forlì network has been expanded.

In the quarter, in the context of integrating Banco di Napoli into the SANPAOLO IMI Group, preliminary actions were taken to transfer Banco Napoli Asset Management into Wealth Management; moreover Sanpaolo IMI Alternative Investments, a hedge fund manager, received authorization to operate from the Bank of Italy.

The amount of assets under management at the end of September was 68.9 billion Euro, with a reduction of 7.3% from the end of 2000 and 9.2% during the 12 months.

### Wealth Management

	First nine months 2001 pro forma	First nine months 2000 pro forma	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	196	190	+3.2	261
Operating costs	-50	-43	+16.3	-62
Operating income	146	147	-0.7	199
Adjustments to goodwill and merger and consolidation differences	-6	-	n.s.	-
Provisions and net adjustments to loans and financial fixed assets	-17	-8	+112.5	-43
Income before extraordinary items	123	139	-11.5	156
Income before taxes	123	139	-11.5	156
Income taxes for the period	46	-35	n.s.	-26
Change in reserves for general banking risks and income attributable to minority interests	-	3	n.s.	3
Net income	169	107	+57.9	133
Contribution to net income of the Group (1)	180	86	+109.3	106
<b>ALLOCATED CAPITAL (€/mil)</b>	352	276	+27.5	267
<b>RATIOS (%)</b>				
Annualized RoE	68.2	41.5		39.7
Cost / Income ratio	25.5	22.6		23.8
	30/9/2001	30/9/2000 pro forma	Change 30/9/01-30/9/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>				
Asset management	68,873	75,849	-9.2	74,331
<b>OPERATING STRUCTURE</b>				
Employees	428	322	+32.9	343

(1) After the posting of consolidation attributable to the Area.

Compared to the beginning of the year the volumes were reduced by 5.5 billion Euro: the devaluation registered in the stock in the first nine months of 2001 – 7.4 billion Euro, of which 5.1 billion in the third quarter – was in fact only partially compensated for by a net flow of 1.9 billion Euro from the distribution networks.

In the first nine months of 2001, Wealth Management had operating income of 146 million Euro, substantially in line with the same period of the previous year; net income, 169 million Euro, showed an increase of 57.9%, thanks above all to lower current taxes and posting of prepaid taxes against the recovery of prior tax losses.

## Personal Financial Services

### Banca Fideuram

Banca Fideuram, which has a network of 3,794 financial planners and 80 branches, operates using its own specialist companies dedicated to the production of asset management services.

In the third quarter of 2001 the principal initiatives of the Bank concerned:

- the establishment of a new annual plan, made in the light of the developing reference market context, which envisages specific initiatives aimed at safeguarding the assets administered for customers and to support the sales force;
- the development of operations in France by Group Wargny; at the end of July Banque Privée Fideuram Wargny was authorized to undertake banking business and launched its asset management services following the model used in Italy. At the same time the structural corporate rationalization plan of the French group was started.

### Banca Fideuram

	First nine months 2001	First nine months 2000 pro forma (1)	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000 pro forma (1)
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	432	423	+2.1	579
Operating costs	-208	-196	+6.1	-273
Operating income	224	227	-1.3	306
Adjustments to goodwill and merger and consolidation differences	-18	-28	-35.7	-42
Provisions and net adjustments to loans and financial fixed assets	-18	-9	+100.0	-10
Income before extraordinary items	188	190	-1.1	254
Net extraordinary income	4	4	-	2
Income before taxes	192	194	-1.0	256
Income taxes for the period	-22	-27	-18.5	-32
Income attributable to minority interests	-	-1	n.s.	-2
Net income	170	166	+2.4	222
Contribution to net income of the Group (2)	136	130	+4.6	175
<b>ALLOCATED CAPITAL (€/mil)</b>	650	551	+18.0	544
<b>RATIOS (%)</b>				
Annualized RoE	27.9	31.5		32.2
Cost / Income ratio	48.1	46.3		47.2
	30/9/2001	30/9/2000 pro forma (1)	Change 30/9/01-30/9/00 pro forma (%)	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	46,924	51,182	-8.3	51,073
- Direct deposits	3,300	2,266	+45.6	2,725
- Asset management	35,472	41,561	-14.7	40,613
- Mutual funds and fund-based portfolio management	29,366	36,000	-18.4	34,923
- Life technical reserves	6,106	5,561	+9.8	5,690
- Asset administration	8,152	7,355	+10.8	7,735
Net asset management flows	-344	5,638		6,150
<b>OPERATING STRUCTURE</b>				
Employees	1,639	1,564	+4.8	1,587
Financial planners	3,794	3,678	+3.2	3,782
Branches	80	72	+11.1	74

(1) The pro forma figures are prepared on the basis of the acquisition of the Wargny group from 1/1/2000.

(2) Relates to the 74% held by SANPAOLO IMI and after posting consolidation attributable to the Area.



At the end of September 2001 customer financial assets of Banca Fideuram were 46.9 billion Euro, down by 8.1% compared to the end of 2000 and 8.3% during the 12 months. In this context, assets under management fell to 35.5 billion Euro, against 40.6 billion at the end of 2000, principally following the devaluation of 4.8 billion Euro recorded in the stock. In the quarter the good performance in insurance went on: technical reserves rose to 6.1 billion Euro at the end of September 2001, with an increase of 7.3% from the beginning of the year and 9.8% on an annual basis. Equally positive was the development of direct deposits, up by 21.1% from the beginning of the year and 45.6% on the 12 months, and asset administration, up by 5.4% on the end of 2000 and 10.8% on the end of September 2000; these forms of investment repre-

sented for customers a temporary alternative to asset management in expectation of a market recovery.

In the first nine months of 2001, Banca Fideuram made net interest and other banking income of 432 million Euro, up by 2.1% on the same period of 2000; this increase partially compensated for the increased charges connected to investments made to strengthen operations, keeping the fall in operating income to 1.3%. Net income was 170 million Euro, up by 2.4% against the first three quarters of 2000; the contribution to Group net income, for the 74% held by SANPAOLO IMI and after the posting of consolidation, was 136 million Euro against the 130 million for the first nine months of 2000. Banca Fideuram had an annualized RoE of 27.9%.

*Banca Sanpaolo Invest*

Banca Sanpaolo Invest continued in the quarter the actions to strengthen its industrial model, which envisages the distribution of Group products and those of other major companies, through the network of 1,533 financial planners which operates with the support of the direct sales channels.

The principal initiatives in the period concerned:

- the increase in the product range: the second tranche of the Multimanager Invest Bond, a capital guaranteed bond managed by Credit Suisse First Boston was placed;

new fund-based portfolio management of Invesco were marketed and the distribution of Irish law funds from Sanpaolo Invest Ireland continued;

- the strengthening of activities through phone and Internet banking direct channels: the number of phone securities transactions in the first nine months of 2001 rose to 45,500, of which 25,600 were in the third quarter; Internet trades were 15,500 from the beginning of the year, of which 9,200 in the past three months;
- the updating of the operating and IT systems of the bank to handle the introduction of the Euro; in parallel, a campaign to inform and get customers ready was carried out.

*Banca Sanpaolo Invest*

	First nine months 2001	First nine months 2000	Change first nine months 2001 / First nine months 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	53	53	-	69
Operating costs	-38	-35	+8.6	-49
Operating income	15	18	-16.7	20
Provisions and net adjustments to loans and financial fixed assets	-1	-	n.s.	-
Income before extraordinary items	14	18	-22.2	20
Net extraordinary income	-	6	n.s.	6
Income before taxes	14	24	-41.7	26
Income taxes for the period	-6	-11	-45.5	-10
Change in reserves for general banking risks	3	-	n.s.	-
Net income	11	13	-15.4	16
Contribution to net income of the Group (1)	11	13	-15.4	16
<b>ALLOCATED CAPITAL (€/mil)</b>	95	89	+6.7	89
<b>RATIOS (%)</b>				
Annualized RoE	15.4	19.5		18.0
Cost / Income ratio	71.7	66.0		71.0
	30/9/2001	30/9/2000	Change 30/9/01-30/9/00 (%)	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	8,919	10,494	-15.0	10,178
- Direct deposits	269	22	n.s.	52
- Asset management	7,750	9,469	-18.2	9,180
of which: Group products	5,479	7,864	-30.3	7,469
- Mutual funds and fund-based portfolio management	4,818	7,204	-33.1	6,733
- Portfolio management	181	217	-16.6	270
- Life technical reserves	480	443	+8.4	466
of which: Other products	2,271	1,605	+41.5	1,711
- Asset administration	900	1,003	-10.3	946
Net asset management flows	180	1,238		1,711
<b>OPERATING STRUCTURE</b>				
Employees	207	168	+23.2	176
Financial planners	1,533	1,415	+8.3	1,488

(1) After the posting of consolidation attributable to the Area.

Banca Sanpaolo Invest achieved in the third quarter of 2001 a positive net asset management flow of 68 million Euro, which brought the flow from the beginning of the year to 180 million Euro; the good performance in placing life policies, both of the Group and of others, in fact more than compensated for the outflow in mutual funds. Assets under management, following a devaluation from the beginning of the year of 1.6 billion Euro, fell to 7.8 billion, down by 15.6% from the end of December 2000 and 18.2% during the 12 months; third party products rose to 29.3% of the total. Performance in the third quarter was also marked by continued positive progress in direct deposits; at the end of September 2001 these amounted to 269 million Euro, against 52 million at the beginning of the year.

In the first nine months of 2001 Banca Sanpaolo Invest showed net interest and other banking income of 53 million Euro, in line with that of the same period of 2000; the greater costs connected with the operational development of the bank and the lack of extraordinary income booked in the first three quarters of the previous year penalized income before taxes, 41.7% lower to 14 million Euro. Net income was 11 million Euro against 13 million in the first nine months of 2000; the annualized RoE was 15.4%.

### IMIWeb Bank

The on line trading business of IMIWeb Bank and its English subsidiary IMIWeb UK is also included in Personal Financial Services. In the third quarter of 2001, IMIWeb Bank, in order to consolidate its leading position as an on line broker in Italy:

- completed the planned centralization of customer accounts from Banca IMI, made possible by the acquisition of its banking license at the beginning of the year;
- continued its business in derivatives, launched in the previous months, and strengthened its operations through the RealTick III platform, with particular reference to short selling;
- brought to 17,000 the number of active clients, up by approximately 60% on the beginning of the year; customer financial assets, made up of liquidity and securities, rose to 390 million Euro, with a growth of 46% from the end of December 2000.

IMIWeb Bank recorded in the first three quarters of 2001 higher revenues compared to the same period of 2000; however, they were still not sufficient to cover the costs incurred by the company in the strengthening of its competitive position, giving rise to a total loss in the period of 20 million Euro.

### IMIWeb Bank

	First nine months 2001	First nine months 2000	Change first nine months 2001 / First nine months 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	6	3	+100.0	6
Operating costs	-26	-20	+30.0	-35
Loss before extraordinary items	-20	-17	+17.6	-29
Net extraordinary income	-	-	-	1
Net loss	-20	-17	+17.6	-28

## Wholesale Banking

### Corporate

Corporate is responsible for developing relations with large- and medium-sized companies and groups in lending and banking services. It is organized into two structures: one manages relations with Italian customers, while the other follows foreign companies. At the end of September 2001 the Corporate network was composed of six area offices in Italy and 10 branches and 14 representative offices abroad, as well as the subsidiary Sanpaolo IMI Bank Ireland.

In an extremely competitive market characterized by a depressive trend, the Area has emphasized selective relationships placing particular attention on the profitability of business and monitoring of risks. To achieve this:

- participation in syndicated loans in which the Bank could take a leading role, with consequent significant commission income;
- the risk/return analysis for individual transactions was given priority.

In organizational terms:

- the Hong Kong branch of Banco di Napoli was acquired and began full operations on 1 October 2001; at the same time, the plan to rationalize and centralize IT in Asia was effected;
- on 1 October, the new representative office in Prague was opened and a new representative office in Budapest is to be opened.

Net loans at the end of September 2001 were 25 billion Euro, up by 4.3% during the 12 months and 0.8% from

### Corporate

	First nine months 2001	First nine months 2000 pro forma	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	237	224	+5.8	298
Operating costs	-74	-71	+4.2	-105
Operating income	163	153	+6.5	193
Provisions and net adjustments to loans and financial fixed assets	-29	-27	+7.4	-35
Income before extraordinary items	134	126	+6.3	158
Net extraordinary income	2	-	n.s.	-
Income before taxes	136	126	+7.9	158
Income taxes for the period	-57	-52	+9.6	-66
Net income	79	74	+6.8	92
<b>ALLOCATED CAPITAL (€/mil)</b>	898	796	+12.8	804
<b>RATIOS (%)</b>				
Annualized RORAC	11.7	12.4		11.5
Cost / Income ratio	31.2	31.7		35.2
	30/9/2001	30/9/2000 pro forma	Change 30/9/01-30/9/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>				
Net loans to customers excluding NPLs	25,006	23,981	+4.3	24,803
Guarantees	8,805	7,240	+21.6	7,933
Total loans and guarantees	33,811	31,221	+8.3	32,736
<b>OPERATING STRUCTURE</b>				
Employees	485	477	+1.7	481
Area offices in Italy	6	6	-	6
Foreign branches and representative offices	24	22	+9.1	23

the beginning of the year, on a consistent operational basis. Guarantees rose to 8.8 billion Euro, with an increase of 21.6% against the end of September 2000 and 11% from the end of 2000.

The Area recorded in the first nine months of 2001 net income of 79 million Euro, up by 6.8% against the same period of 2000, thanks to the growth in both net interest income and commissions. The annualized RORAC was 11.7%.

### Public Works and Infrastructure

The provision of financial services to the public sector, with particular reference to the financing of investments and infrastructure, has been undertaken since July 2000 by Banca OPI, a specialist company through which the Group aims to consolidate its leading role in Italy in this sector.

During the third quarter of 2001 the principal initiatives of Banca OPI concerned:

- the disbursements of new financings principally in the health sector, rail infrastructure, projects to safeguard the Venetian Lagoon, as well as, in project finance, motorways; significant business was also done with local authorities;

- advisory mandates to value companies and assets belonging to local authorities were also undertaken; in this context, new mandates for municipal authority initiatives were won.

In the quarter, influenced by the seasonality of summer, Banca OPI signed new contracts worth 883 million Euro and lent 322 million Euro, taking disbursements from the beginning of the year to 1,476 million Euro. Loan volumes, following the maturity of certain particularly large loans, were 11.9 billion Euro at the end of September, down by 0.8% compared to the end of December 2000 and up by 4.8% on an annual basis.

The operating margins of Banca OPI in the first three quarters of 2001 showed a moderate increase on the same

### Public Works and Infrastructure

	First nine months 2001	First nine months 2000 pro forma	Change first nine months 2001 / First nine months 2000 pro forma (%)	2000 pro forma
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	93	91	+2.2	131
Operating costs	-12	-11	+9.1	-15
Operating income	81	80	+1.3	115
Provisions and net adjustments to loans and financial fixed assets	-19	-	n.s.	-8
Income before extraordinary items	62	80	-22.5	107
Net extraordinary income	1	-	n.s.	2
Income before taxes	63	80	-21.3	109
Income taxes for the period	-18	-7	+157.1	-12
Net income	45	73	-38.4	98
Contribution to net income of the Group (1)	54	73	-26.0	98
<b>ALLOCATED CAPITAL (€/mil)</b>	349	279	+25.1	279
<b>RATIOS (%)</b>				
Annualized RoE	20.6	34.9		35.0
Cost / Income ratio	12.9	12.1		11.9
	30/9/2001	30/9/2000 pro forma	Change 30/9/01-30/9/00 pro forma (%)	31/12/2000 pro forma
<b>OPERATING DATA (€/mil)</b>				
Net loans to customers	11,875	11,333	+4.8	11,973
Disbursements in the period	1,476	2,060	-28.3	3,128
<b>OPERATING STRUCTURE</b>				
Employees	114	95	+20.0	99

(1) After the posting of consolidation attributable to the Area.

period of 2000: net interest and other banking income grew by 2.2% and operating income by 1.3%. Net income, following higher provisions and lower tax savings compared to the previous year, fell to 45 million Euro,

against 73 million in the first nine months of 2000; the contribution to net income of the Group, after the reversal of provisions made for tax purposes, was 54 million Euro, down by 26%. The annualized RoE was 20.6%.

### Investment Banking

Investment Banking covers securities dealing both for own account and for customers, the raising of risk capital and debt for corporate clients, as well as corporate finance consultancy. Investment banking is undertaken by the Banca IMI Group, except for IMIWeb Bank and its subsidiary IMIWeb UK, which operate in on line trading.

In the third quarter of 2001, the Banca IMI Group:

- in corporate finance and capital markets, was mandated intermediary in the Public Offers for Italiana Assicurazioni, Edison and Montedison; in the primary debt market it organized the placing of certain important issues, including Grandi Navi Veloci, Goldman

Sachs Group, Bear Stearns Companies and Banca Popolare di Lodi;

- in trading, where there was a progressive reduction in dealing volumes in recent months, the bank recorded in the first nine months of 2001 a share of 5.9% in third party business in the electronic equity market and 9% on the IDEM, concluding approximately 398,000 FIB30 contracts;
- abroad the custody and depositary bank services offered by the Luxembourg subsidiary IMI Bank and electronic execution in the American and European equity markets through the US subsidiary Banca IMI Securities Corp. were reinforced; the latter also continued activities aimed to create a desk to sell European equity products to American institutional investors.

### Investment Banking

	First nine months 2001	First nine months 2000	Change first nine months 2001 / First nine months 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	147	184	-20.1	250
Operating costs	-117	-116	+0.9	-161
Operating income	30	68	-55.9	89
Provisions and net adjustments to loans and financial fixed assets	-	-3	n.s.	1
Income before extraordinary items	30	65	-53.8	90
Net extraordinary income	-2	2	n.s.	8
Income before taxes	28	67	-58.2	98
Income taxes for the period	-11	-23	-52.2	-31
Net income	17	44	-61.4	67
Contribution to net income of the Group (1)	17	44	-61.4	60
<b>ALLOCATED CAPITAL (€/mil)</b>	306	371	-17.5	356
<b>RATIOS (%)</b>				
Annualized RoE	7.4	15.8		16.9
Cost / Income ratio	79.6	63.0		64.4
<b>OPERATING DATA (€/mil)</b>				
Banca IMI SpA trading volumes				
- trading	516,543	349,053	+48.0	474,918
- sales	90,763	71,180	+27.5	100,060
- repurchase agreements	1,042,809	612,456	+70.3	817,939
- placements	10,517	16,539	-36.4	19,537
	30/9/2001	30/9/2000	Change 30/9/01-30/9/00 (%)	31/12/2000
<b>OPERATING STRUCTURE</b>				
Employees	658	675	-2.5	683
Branches	2	2	-	2

(1) After the posting of consolidation attributable to the Area.



The profit results of Investment Banking were penalized by the negative market context: the net interest and other banking income was in fact 147 million Euro, down by 20.1% on the first nine months of 2000 and income before extraordi-

nary items fell to 30 million Euro, down by 53.8%. The contribution to net income of the Group for the first three quarters of 2001 was 17 million Euro, against 44 million in the same period of 2000, giving an annualized RoE of 7.4%.

*Merchant Banking*

NHS, the company which carries out the merchant banking activity of the Group, made the following investments in the third quarter of 2001:

- the acquisition, for an amount of 248 million Euro, of 7.8% of Italenergia, which currently owns 97.3% of Montedison's ordinary capital and 95.7% of the ordinary capital of Edison;
- the purchase of a stake of 1.5% in Davide Campari, a company operating in the production, promotion and distribution of drinks, with an investment of 13.5 million Euro;
- the acquisition, with an outlay of 7.7 million Euro, of a further stake of 1.63% in Azimut; the transaction brought the total investment to 34 million Euro, or 9.17% of the capital;

- the payment of 1 million Euro in the context of the total commitment of 10 million Euro for the acquisition of a share of the CDC – Services Industrie FCPR 1 fund, promoted by CDC Ixis and specializing in investment in medium-sized industrial and traditional services companies;
- the acquisition of a stake of 9% in Imprenditori Associati, a vehicle company established with qualified entrepreneurs and financial investors to participate in the coming privatization of Ente Tabacchi.

Shareholding disinvestments made in the quarter concerned the sale at the beginning of July of the 4.4% stake in Montedison to Italenergia; the transaction, at a price of 3.22 Euro per share, contributed a gross capital gain of 170 million Euro, bringing to 228 million Euro the total capital gains made from the sale of the whole stake of 6.2% in Montedison held at the beginning of the year.

*Merchant Banking*

	First nine months 2001	First nine months 2000	Change first nine months 2001 / First nine months 2000 (%)	2000
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	23	40	-42.5	51
Operating costs	-6	-5	+20.0	-9
Operating income	17	35	-51.4	42
Adjustments to goodwill and merger and consolidation differences	-8	-	n.s.	-
Provisions and net adjustments to loans and financial fixed assets	-45	-6	n.s.	-10
Income before extraordinary items	-36	29	n.s.	32
Net extraordinary income	228	53	n.s.	93
Income before taxes	192	82	+134.1	125
Income taxes for the period	-66	-30	+120.0	-49
Net income	126	52	+142.3	76
Contribution to net income of the Group (1)	70	28	+150.0	33
<b>ALLOCATED CAPITAL (€/mil)</b>	394	383	+2.9	382
<b>RATIOS (%)</b>				
Annualized RoE	23.7	9.7		8.6
Cost / Income ratio	26.1	12.5		17.6
	30/9/2001	30/9/2000	First nine months 2001 net flow	31/12/2000
<b>OPERATING DATA (€/mil)</b>				
Merchant banking direct investments	478	184	-1	479
Other shareholdings	747	303	+287	460
	30/9/2001	30/9/2000	Change 30/9/01-30/9/00 (%)	31/12/2000
<b>OPERATING STRUCTURE</b>				
Employees	53	53	-	52

(1) Relates to the 51% held by SANPAOLO IMI and after posting consolidation attributable to the Area.

The net income of NHS in the first nine months of 2001 was 126 million Euro, significantly up on the 52 million Euro in the same period of 2000. This was achieved thanks to both revenues from merchant banking, a total of 13 million Euro, and capital gains mentioned above connected to the shareholding disinvestments made; these revenues

more than compensated for the lower profits from financial transactions and the higher provisions and adjustments to fixed assets made following the deterioration in the financial markets. The contribution to the net income of the Group, for the 51% held, was 70 million Euro and the annualized RoE was 23.7%.



# Explanatory Notes

---

---

ACCOUNTING AND VALUATION PRINCIPLES

---

PRESENTATION

---

CONSOLIDATED PRO FORMA STATEMENTS FOR 2000

---

CRITERIA TO CALCULATE THE PROFITABILITY OF THE BUSINESS AREAS

---

## Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group at 30 September 2001 has been prepared according to Consob Regolamento 11971 of 14 May 1999 and successive modifications and integration.

The balance sheet at 30 September 2001 and the income statement for the first nine months of 2001 have been prepared using the accounting and valuation principles used in the Annual Report of 2000 to which reference is made for further detail. Here should be noted:

- the infrannual situation is prepared according to the discrete approach, according to which each reference period is considered as a separate period. In this way, the income statement reflects the ordinary and extraordinary income components for the quarter, according to the accrual principle. In particular, income taxes reflect the charges for the period concerned for current and deferred taxation, prudently not taking account of the advantages pursuant to the "Ciampi" Law (L. 461/98 and D.Lgs. 153/99);
- the accounting situations used for consolidation are those prepared by subsidiary companies (consolidated line by line or at net equity) with reference to 30 September 2001, as adjusted in line with Group accounting principles;
- valuations according to the net equity method of subsidiaries subject to a significant degree of influence have been made on the basis of the information made available by them, for the income statement for the period, also with recourse to prudent estimates;
- adjustments and provisions made exclusively for tax purposes by consolidated companies are reversed;
- own shares in the Parent Bank are valued at cost and posted against net consolidated capital reserves;
- only significant intercompany transactions and balances have been eliminated.

Concerning changes in the area of line by line consolidation, it should be noted that:

- compared to 31 December 2000, there are no significant changes. The exclusion of Sanpaolo Immobiliare S.p.A. from line by line consolidation as a result of its disposal during the period should thus be noted;
- compared to 30 September 2000, the companies of the Banco di Napoli group and the group Wargny, already consolidated line by line for the first time at 31 December 2000, are included.

The quarterly balance sheet and income statement have not been independently audited.

## Presentation

The balance sheet at 30 September 2001 and the income statement for the first nine months of 2001 are presented in the same reclassified form adopted from the end of the past year which, compared to the preceding yearly comparative information, has been changed as follows:

- to allow a more efficient management presentation of Group results, the net interest income of the subholding Banca IMI is placed in the caption "profits and losses from financial transactions and dividends on shares", in that it is strictly related to dealing in securities from an operational point of view;
- "adjustments to goodwill and merger and consolidation differences" are evidenced separately given their significance as a caption as a result of the acquisitions of shareholdings made in the past year.

As a result of these changes in presentation, the quarterly analyses for 2000, prepared for comparison, have been appropriately reclassified.

## Consolidated pro forma statements for 2000

Given the significant balance sheet and income statement effects of the line by line consolidation of the Banco di Napoli group, with effect for the first time in the statement at 31 December 2000, to allow comparison with results on a consistent basis, the reclassified accounts for the previous year have been presented in a pro forma version prepared on the conventional basis of taking control of Banco di Napoli on 1 January 2000.

Furthermore, in the case of the Wargny group, although its contribution is not significant with respect to SANPAOLO IMI Group data, the presentation reflects the pro forma situations on the conventional basis of acquisition of the shareholding as from 1 January 2000 in order to provide a complete picture.

Attached to the present Explanatory Notes are the pro forma reclassified consolidated statements to determine the balance sheet at 30 September 2000 and the pro forma reclassified consolidated income statements for the first nine months of 2000 and for the year 2000.

It should be noted that in preparing these pro forma versions, the accounts published in 2000 by the SANPAOLO IMI Group (column "a" in the attached statements) and by

Banco di Napoli (column “b” in the attached statements), as well as those of the Wargny group (column “c” in the attached statements), have been used. The accounts of Banco di Napoli and Wargny have been restated according to consistent SANPAOLO IMI principles. The accounting results have been appropriately integrated and adjusted to take account of:

- the effect of consolidation of the Banco di Napoli group companies and initial adjustments made to the net shareholders’ equity of the Banco (column “d” in the attached statements). The consolidation of companies within the Neapolitan group has been made necessary in that the information published by Banco di Napoli in 2000 refer to the accounts on an individual basis. Furthermore, the initial adjustments made to the net shareholders’ equity of the Banco concern changes considered in the consolidated Financial Statements of SANPAOLO IMI at 31 December 2000 to determine the differences at first consolidation. In particular, the adjustments are due to the effects of alignment to SANPAOLO IMI Group accounting principles as well as to the restructuring charges envisaged in the industrial merger plan of Banco di Napoli into the SANPAOLO IMI Group which have therefore been reversed from the statement of income of Banco di Napoli S.p.A. for the year 2000. The adjustments in question also include the presentational changes rendered necessary to align them to the criteria of the new Parent Bank;
- the effect of the pro forma adjustments (column “e” in the attached statements) concerning the acquisition and consolidation of the Banco di Napoli group and Wargny group from 1 January 2000. In particular: a) the balance sheet has been adjusted to reflect essentially the effects of posting of the consolidation of the acquired groups, as well as the subordinated debt of SANPAOLO IMI S.p.A. connected to the acquisition of Banco di Napoli; b) the income statement reflects financial charges of funding and the amortization of the positive differences on consolidation for the whole period.

### Criteria to calculate the profitability of the Business Areas

The income statement by Business Areas has been prepared as follows:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the line items of the Parent Bank attributable to the relevant Area has been effected with the income statement line

items of the subsidiary companies. The attribution to individual Areas of Parent Bank line items, in particular, is made on the basis of the following principles:

- the net interest income has been calculated using appropriate internal transfer rates;
- in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;
- the direct costs of each Area have been calculated and, according to parameters, operating costs of the central structures other than those attributable to holding company functions, have been allocated to the Areas;
- for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interests and after the posting of consolidation attributable to the Area; amortization of goodwill consequent upon investments made directly by the Parent Bank in the Areas has thus been allocated to Central Functions.

The capital for each Area has also been quantified according to the following criteria:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the average economic capital of the Parent Bank with that of the subsidiaries has been effected. The capital is measured according to VaR, distinguishing among the different types of risk: credit risk, market risks and operational risks;
- for those Areas whose business is carried out exclusively by subsidiaries, reference is made to the average accounting net shareholders’ equity (excluding income for the period).

In allocating Parent Bank capital to the Areas particularly prudent criteria have been adopted. In particular:

- risks in the Areas have been calculated with a confidence interval of 99.95%, in line with the rating attributed to the Group;
- risks in the Areas have been wholly covered with primary capital.

Finally, the profitability of each Area has been calculated. In particular:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, profitability has been expressed in terms of RORAC (Return On Risk Adjusted Capital) reporting the Area’s contribution to Group net income to the relative economic capital quantified according to VaR;

- for those Areas whose business is carried out exclusively by subsidiaries, profitability has been expressed in terms of RoE (Return on Equity), reporting the Area's contribution to Group net income to the respective average accounting net shareholders' equity (excluding income for the period), consistently with the principles adopted for the Group.

The data for the first nine months of 2000 and for the year 2000 are pro forma estimates; they have been prepared on the basis of the following assumptions as of 1/1/2000:

- the acquisition of control of Banco di Napoli and Wargny;
- the change in the customer profiles of the Commercial Banking and Corporate Areas;

- the establishment of the Wealth Management Area;
- the transfer to Banca OPI of the public works and infrastructure activities.

The nine months 2001 data for Wealth Management, established in April 2001, are also pro forma. The income statement has been prepared on the basis of the results of individual companies belonging to the Area adjusted appropriately.

Turin, 13 November 2001

The Board of Directors



# Attachments

---

---

STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT  
OF INCOME FOR THE FIRST NINE MONTHS OF 2000

---

STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA  
BALANCE SHEET AT 30/9/2000

---

STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA  
STATEMENT OF INCOME FOR THE FULL YEAR 2000

---

# Statement of reclassified consolidated pro forma statement of income for the first nine months of 2000

	€/mil					
	SANPAOLO IMI Group (1)	Banco di Napoli S.p.A.	Wargny group	Effect of consolidation of the Banco di Napoli group companies and of adjustments to net shareholders' equity (d)	Pro forma adjustments	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(f)=(a+b+c+d+e)
<b>NET INTEREST INCOME</b>	<b>1,604</b>	<b>588</b>	<b>1</b>	<b>-5</b>	<b>-73</b>	<b>2,115</b>
Net commissions and other net dealing revenues	1,841	191	37	48	-	2,117
Profits and losses from financial transactions and dividends on shares	182	28	4	6	-	220
Profits from companies carried at equity and dividends from shareholdings	109	-	-	3	-6	106
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>3,736</b>	<b>807</b>	<b>42</b>	<b>52</b>	<b>-79</b>	<b>4,558</b>
Administrative costs	-1,929	-662	-29	-20	-	-2,640
- <i>personnel</i>	-1,177	-453	-16	-9	-	-1,655
- <i>other administrative costs</i>	-626	-181	-13	-11	-	-831
- <i>indirect duties and taxes</i>	-126	-28	-	-	-	-154
Other operating income, net	136	69	1	-24	-	182
Adjustments to tangible and intangible fixed assets	-154	-44	-2	-3	-	-203
<b>OPERATING INCOME</b>	<b>1,789</b>	<b>170</b>	<b>12</b>	<b>5</b>	<b>-79</b>	<b>1,897</b>
Adjustments to goodwill and merger and consolidation differences	-59	-	-6	-	-62	-127
Provisions and net adjustments to loans and financial fixed assets	-295	-118	-	37	-	-376
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,435</b>	<b>52</b>	<b>6</b>	<b>42</b>	<b>-141</b>	<b>1,394</b>
Net extraordinary income	345	-1	3	14	-	361
<b>INCOME BEFORE TAXES</b>	<b>1,780</b>	<b>51</b>	<b>9</b>	<b>56</b>	<b>-141</b>	<b>1,755</b>
Income taxes for the period	-659	-12	-3	-30	31	-673
Change in reserves for general banking risks	3	44	-	-44	-	3
Income attributable to minority interests	-71	-	-3	-6	-	-80
<b>NET INCOME</b>	<b>1,053</b>	<b>83</b>	<b>3</b>	<b>-24</b>	<b>-110</b>	<b>1,005</b>

(1) Reflects the restatement of Banca IMI group's net interest income to the caption "Profits and losses from financial transactions and dividends on shares".

# Statement of reclassified consolidated pro forma balance sheet at 30/9/2000

	SANPAOLO IMI Group	Banco di Napoli S.p.A.	Wargny group	Effect of consolidation of the Banco di Napoli group companies and of initial adjustments to net shareholders' equity (d)	Pro forma adjustments	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(f)=(a+b+c+d+e)
<b>ASSETS</b>						
Cash and deposits with central banks and post offices	511	165	-	-	-	676
Loans	96,532	21,515	103	70	-	118,220
- due from banks	19,477	3,388	103	60	-	23,028
- loans to customers	77,055	18,127	-	10	-	95,192
Dealing securities	16,873	1,694	13	21	-	18,601
Fixed assets	7,181	6,389	9	-9	-1,155	12,415
- investment securities	1,637	5,466	-	-	-	7,103
- equity investments	4,184	194	3	-27	-1,155 (3)	3,199
- intangible fixed assets	261	59	2	13	-	335
- tangible fixed assets	1,099	670	4	5	-	1,778
Differences arising on consolidation and on application of the equity method	81	-	72	-	754	907
Other assets	16,583	4,617	306	12	-	21,518
<b>Total assets</b>	<b>137,761</b>	<b>34,380</b>	<b>503</b>	<b>94</b>	<b>-401</b>	<b>172,337</b>
<b>LIABILITIES</b>						
Payables	107,474	27,541	6	72	-	135,093
- due to banks	27,978	3,380	6	16	-	31,380
- customer deposits and securities issued	79,496	24,161	-	56	-	103,713
Provisions	2,193	2,023	3	16	-31	4,204
- for taxation	1,125	46	-	7	-31	1,147
- for termination indemnities	448	289	-	6	-	743
- for risks and charges	576	550	3	3	-	1,132
- for pensions and similar	44	1,138	-	-	-	1,182
Other liabilities	16,327	2,790	483	302	1,035	20,937
Subordinated liabilities	3,239	351	-	-	213	3,803
Minority interests	610	-	8	137 (1)	-	755
Shareholders' equity	7,918	1,675	3	-433	-1,618	7,545
- capital	3,930	1,029	-	-	-1,029 (4)	3,930
- reserves	2,935	563	-	-409 (2)	-479 (4)	2,610
- net income	1,053	83	3	-24	-110	1,005
<b>Total liabilities</b>	<b>137,761</b>	<b>34,380</b>	<b>503</b>	<b>94</b>	<b>-401</b>	<b>172,337</b>

(1) Represents minority interest calculated according to the share held by SANPAOLO IMI.

(2) Includes 367 million Euro in adjustments to shareholders' equity of Banco di Napoli, due largely to the effects of alignments to SANPAOLO IMI Group accounting principles and restructuring costs in the integration industrial plan.

(3) Includes 338 million Euro for the write off of the indirect stake of 25.71% in Banco di Napoli which was consolidated at net equity at 30 September 2000 and 818 million Euro for the cancellation of the book value of INA shares held by SANPAOLO IMI. The latter was in the context of the non-proportional spin-off of the Insurance Company which led the Bank to acquire a further stake of 28.6% in Banco di Napoli's ordinary capital.

(4) Changes represent principally consolidation postings of Banco di Napoli in the SANPAOLO IMI Group. In particular, they reflect the elimination of the accounting value of the stake in the Banco, net of the share shown in assets among "Differences arising on consolidation and on application of the equity method".

# Statement of reclassified consolidated pro forma statement of income for the full year 2000

	€/mil					
	SANPAOLO IMI Group restated (1)	Banco di Napoli S.p.A.	Wagny group	Effect of consolidation of the Banco di Napoli group companies and of adjustments to net shareholders' equity (d)	Pro forma adjustments	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(f)=(a+b+c+d+e)
<b>NET INTEREST INCOME</b>	<b>2,168</b>	<b>788</b>	<b>-</b>	<b>3</b>	<b>-85</b>	<b>2,874</b>
Net commissions and other net dealing revenues	2,469	312	48	23	-	2,852
Profits and losses from financial transactions and dividends on shares	255	31	5	5	-	296
Profits from companies carried at equity and dividends from shareholdings	159	8	-	-3	-17	147
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>5,051</b>	<b>1,139</b>	<b>53</b>	<b>28</b>	<b>-102</b>	<b>6,169</b>
Administrative costs	-2,652	-854	-44	-22	-	-3,572
- <i>personnel</i>	-1,620	-594	-22	-20	-	-2,256
- <i>other administrative costs</i>	-859	-226	-22	-2	-	-1,109
- <i>indirect duties and taxes</i>	-173	-34	-	-	-	-207
Other operating income, net	187	56	-	4	-	247
Adjustments to tangible and intangible fixed assets	-237	-90	-1	-2	-	-330
<b>OPERATING INCOME</b>	<b>2,349</b>	<b>251</b>	<b>8</b>	<b>8</b>	<b>-102</b>	<b>2,514</b>
Adjustments to goodwill and merger and consolidation differences	-89	-	-8	-1	-78	-176
Provisions and net adjustments to loans and financial fixed assets	-454	-373	1	187	-	-639
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,806</b>	<b>-122</b>	<b>1</b>	<b>194</b>	<b>-180</b>	<b>1,699</b>
Net extraordinary income	369	-398	1	430	-	402
<b>INCOME BEFORE TAXES</b>	<b>2,175</b>	<b>-520</b>	<b>2</b>	<b>624</b>	<b>-180</b>	<b>2,101</b>
Income taxes for the period	-795	245	-2	-255	37	-770
Change in reserves for general banking risks	2	367	-	-367	-	2
Income attributable to minority interests	-90	-	-2	-10	-	-102
<b>NET INCOME</b>	<b>1,292</b>	<b>92</b>	<b>-2</b>	<b>-8</b>	<b>-143</b>	<b>1,231</b>

(1) For simplicity of presentation, the statement of reclassified consolidated pro forma statement of income for 2000 has been determined from the consolidated statement of income of SANPAOLO IMI for the year 2000 in the "restated" version. In that version, as described in the Explanatory Notes of the consolidated Financial Statements for 2000, the Banco di Napoli group has been summarily consolidated at net equity and thus the interest is reflected exclusively in the caption "Profits from companies carried at equity" (17 million Euro, reversed among the pro forma adjustments in column "e").