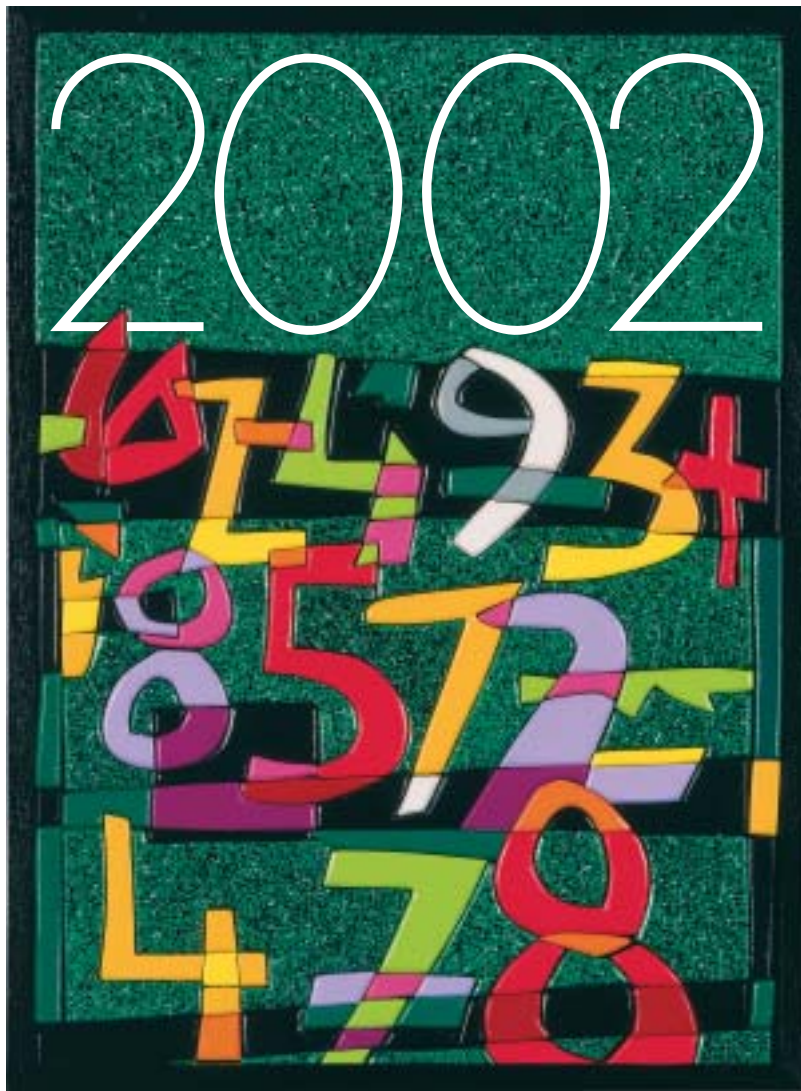


S A N P A O L O I M I



QUARTERLY REPORT 31 MARCH 2002



Quarterly Report 31 March 2002

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

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Key figures

	First quarter 2002	First quarter 2001	Change first quarter 2002 / First quarter 2001 (%)	2001
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	632	726	-12.9	2,788
Net commissions and other net dealing revenues	591	653	-9.5	2,608
Administrative costs	-870	-873	-0.3	-3,600
Operating income	451	604	-25.3	2,118
Provisions and net adjustments to loans and financial fixed assets	-123	-101	+21.8	-737
Income before extraordinary items	287	470	-38.9	1,231
Net extraordinary income	55	73	-24.7	392
Net income	211	327	-35.5	1,203
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	167,733	174,371	-3.8	170,191
Loans to customers (excluding net NPLs and SGA loans)	95,251	92,861	+2.6	94,085
Securities	23,433	25,029	-6.4	22,127
Equity investments	4,616	4,313	+7.0	4,697
Customer deposits and securities issued	108,961	104,785	+4.0	106,784
Subordinated liabilities	5,569	5,148	+8.2	5,607
Shareholders' equity	8,138	8,089	+0.6	8,182
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	313,393	301,045	+4.1	305,404
- Direct deposits	108,961	104,785	+4.0	106,784
- Indirect deposits	204,432	196,260	+4.2	198,620
- Asset management	126,726	125,001	+1.4	125,977
- Asset administration	77,706	71,259	+9.0	72,643
PROFITABILITY RATIOS (%)				
Annualized RoE (1)	10.5	16.8		16.6
Cost / Income ratio (2)	66.7	59.8		64.0
Net commissions / Administrative costs	67.9	74.8		72.4
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	1.0	1.0		1.0
Net problem loans and loans in restructuring / Net loans to customers	1.0	1.0		1.0
CAPITAL ADEQUACY RATIOS (%) (3)				
Tier 1 capital / Weighted assets	6.9	7.2		7.2
Total capital / Weighted assets	9.1	9.2		9.5
SANPAOLO IMI SHARES				
Number of shares (millions)	1,404	1,404	-	1,404
- number of shares in circulation	1,365	1,387	-1.6	1,387
- number of own shares held by the Parent Bank	39	17	+129.4	17
Quoted price per share (€)				
- average	11.782	16.782	-29.8	14.375
- low	10.548	14.002	-24.7	8.764
- high	13.482	18.893	-28.6	18.893
Earnings per average number of shares in circulation (€)	0.15	0.23	-34.8	0.87
Dividend per share (€)				0.57
Dividend / Average annual price (%)				3.97
Shareholders' equity per share in circulation (€)	5.96	5.83	+2.2	5.90
OPERATING STRUCTURE				
Employees	35,444 (4)	35,933	-1.4	35,028
Domestic branches	2,214	2,154	+2.8	2,212
Foreign branches and representative offices	132 (4)	94	+40.4	95
Financial planners	5,362	5,503	-2.6	5,506

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

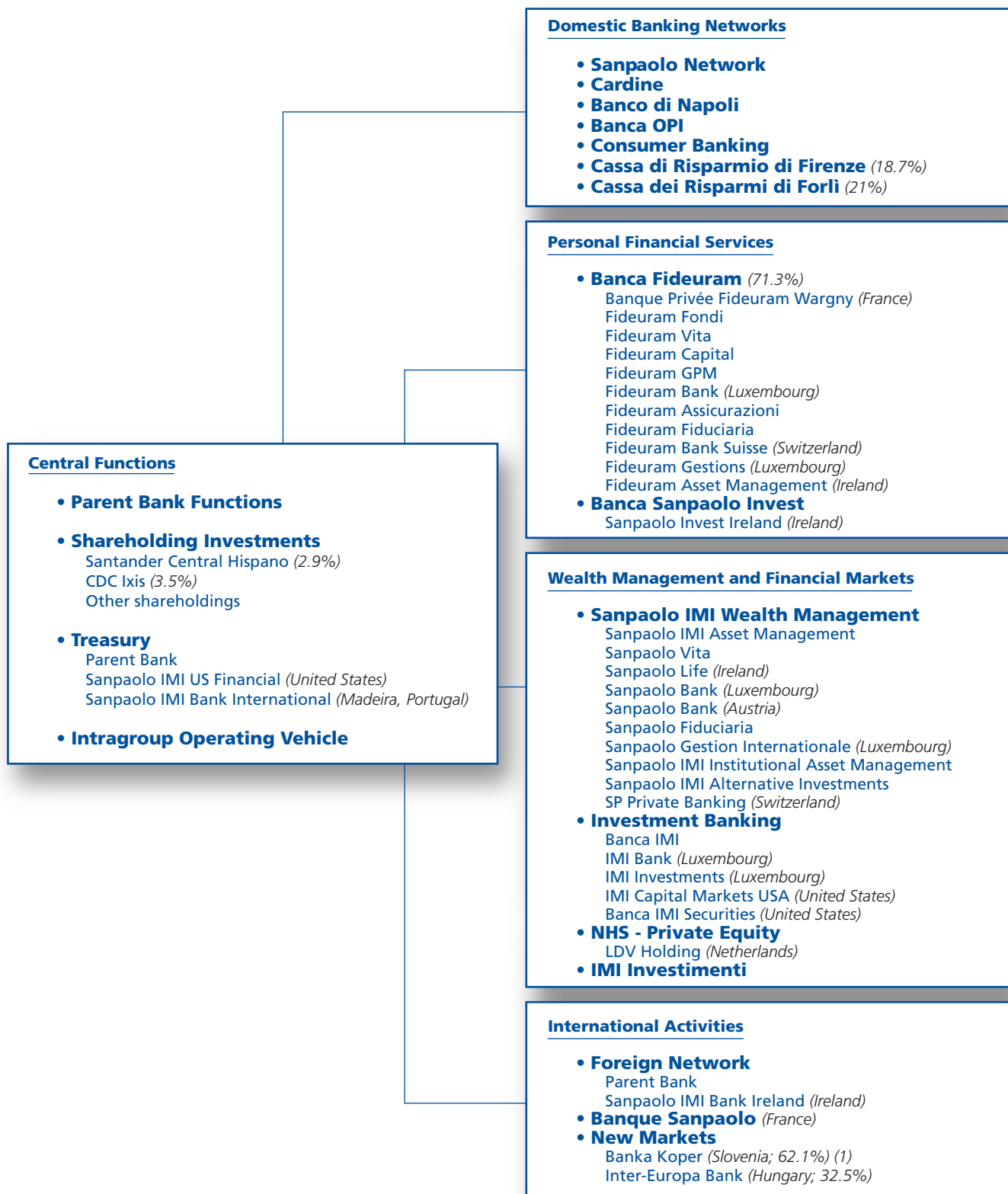
(2) Administrative costs (net of recoveries) and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income.

(3) The figures at 31/3/2002 and 31/3/2001 are estimated. The ratios reflect the Bank of Italy's regulatory clarifications made in its technical note of 3 August 2001.

(4) Including figures for Banka Koper: 477 employees (for the 62.1% stake held) and 38 branches.

The figures for the first quarter of 2002 and for the first quarter of 2001 are unaudited.

Group structure



(1) The company is consolidated proportionally.

The above breakdown by Business Areas shows the new structure of the Group, as approved by the Board of Directors on 26 March 2002.

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 quarter 2002 (€/mil)	First quarter 2001 (€/mil)	Change first quarter 2002 / First quarter 2001 (%)	2001 (€/mil)
NET INTEREST INCOME	632	726	-12.9	2,788
Net commissions and other net dealing revenues	591	653	-9.5	2,608
Profits and losses from financial transactions and dividends on shares	89	65	+36.9	274
Profits from companies carried at equity and dividends from shareholdings	44	59	-25.4	207
NET INTEREST AND OTHER BANKING INCOME	1,356	1,503	-9.8	5,877
Administrative costs	-870	-873	-0.3	-3,600
- <i>personnel</i>	-544	-555	-2.0	-2,221
- <i>other administrative costs</i>	-279	-268	+4.1	-1,180
- <i>indirect duties and taxes</i>	-47	-50	-6.0	-199
Other operating income, net	57	54	+5.6	234
Adjustments to tangible and intangible fixed assets	-92	-80	+15.0	-393
OPERATING INCOME	451	604	-25.3	2,118
Adjustments to goodwill and merger and consolidation differences	-41	-33	+24.2	-150
Provisions and net adjustments to loans and financial fixed assets	-123	-101	+21.8	-737
INCOME BEFORE EXTRAORDINARY ITEMS	287	470	-38.9	1,231
Net extraordinary income	55	73	-24.7	392
INCOME BEFORE TAXES	342	543	-37.0	1,623
Income taxes for the period	-119	-195	-39.0	-318
Change in reserves for general banking risks	-	2	n.s.	-1
Income attributable to minority interests	-12	-23	-47.8	-101
NET INCOME	211	327	-35.5	1,203

The statements of income for the first quarter of 2002 and for the first quarter of 2001 are unaudited.

Quarterly analysis of the reclassified consolidated statement of income

	2002 1st quarter (€/mil)	2001				
		Quarterly average (€/mil)	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)
NET INTEREST INCOME	632	697	697	668	697	726
Net commissions and other net dealing revenues	591	652	656	623	676	653
Profits and losses from financial transactions and dividends on shares	89	68	101	35	73	65
Profits from companies carried at equity and dividends from shareholdings	44	52	54	9	85	59
NET INTEREST AND OTHER BANKING INCOME	1,356	1,469	1,508	1,335	1,531	1,503
Administrative costs	-870	-900	-945	-871	-911	-873
- <i>personnel</i>	-544	-555	-567	-538	-561	-555
- <i>other administrative costs</i>	-279	-295	-333	-284	-295	-268
- <i>indirect duties and taxes</i>	-47	-50	-45	-49	-55	-50
Other operating income, net	57	59	55	56	69	54
Adjustments to tangible and intangible fixed assets	-92	-98	-120	-100	-93	-80
OPERATING INCOME	451	530	498	420	596	604
Adjustments to goodwill and merger and consolidation differences	-41	-38	-45	-36	-36	-33
Provisions and net adjustments to loans and financial fixed assets	-123	-184	-347	-139	-150	-101
INCOME BEFORE EXTRAORDINARY ITEMS	287	308	106	245	410	470
Net extraordinary income	55	98	44	171	104	73
INCOME BEFORE TAXES	342	406	150	416	514	543
Income taxes for the period	-119	-80	51	-54	-120	-195
Change in reserves for general banking risks	-	-	-4	-1	2	2
Income attributable to minority interests	-12	-25	13	-56	-35	-23
NET INCOME	211	301	210	305	361	327

The quarterly statements of income are unaudited.

Reclassified consolidated balance sheet

	31/3/2002 (€/mil)	31/3/2001 (€/mil)	Change 31/3/02- 31/3/01 (%)	31/12/2001 (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	998	507	+96.8	818
Loans	115,858	117,966	-1.8	118,627
- due from banks	17,669	21,382	-17.4	21,571
- loans to customers	98,189	96,584	+1.7	97,056
Dealing securities	20,183	19,283	+4.7	18,819
Fixed assets	9,937	12,197	-18.5	10,098
- investment securities	3,250	5,746	-43.4	3,308
- equity investments	4,616	4,313	+7.0	4,697
- intangible fixed assets	351	356	-1.4	367
- tangible fixed assets	1,720	1,782	-3.5	1,726
Differences arising on consolidation and on application of the equity method	1,105	966	+14.4	1,053
Other assets	19,652	23,452	-16.2	20,776
Total assets	167,733	174,371	-3.8	170,191
LIABILITIES				
Payables	133,842	135,464	-1.2	134,706
- due to banks	24,881	30,679	-18.9	27,922
- due to customers and securities issued	108,961	104,785	+4.0	106,784
Provisions	3,399	4,857	-30.0	3,246
- for taxation	1,011	1,432	-29.4	901
- for termination indemnities	751	753	-0.3	734
- for risks and charges	1,595	1,553	+2.7	1,568
- for pensions and similar	42	1,119	-96.2	43
Other liabilities	16,077	20,077	-19.9	17,752
Subordinated liabilities	5,569	5,148	+8.2	5,607
Minority interests	708	736	-3.8	698
Shareholders' equity (1)	8,138	8,089	+0.6	8,182
Total liabilities	167,733	174,371	-3.8	170,191

(1) Reserves are net of own shares held by the Parent Bank, 16,712,003 at a book value of 289 million Euro at 31 March 2001, 17,080,403 at a book value of 294 million Euro at 31 December 2001 and 38,793,776 at a book value of 555 million Euro at 31 March 2002.

The balance sheet figures at 31/3/2002 and 31/3/2001 are unaudited.

Quarterly analysis of the reclassified consolidated balance sheet

	2002	2001			
	31/3 (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)
ASSETS					
Cash and deposits with central banks and post offices	998	818	505	478	507
Loans	115,858	118,627	114,999	117,097	117,966
- due from banks	17,669	21,571	19,261	18,717	21,382
- loans to customers	98,189	97,056	95,738	98,380	96,584
Dealing securities	20,183	18,819	17,869	21,777	19,283
Fixed assets	9,937	10,098	10,813	11,000	12,197
- investment securities	3,250	3,308	4,321	4,615	5,746
- equity investments	4,616	4,697	4,383	4,240	4,313
- intangible fixed assets	351	367	368	377	356
- tangible fixed assets	1,720	1,726	1,741	1,768	1,782
Differences arising on consolidation and on application of the equity method	1,105	1,053	1,068	1,064	966
Other assets	19,652	20,776	21,665	22,626	23,452
Total assets	167,733	170,191	166,919	174,042	174,371
LIABILITIES					
Payables	133,842	134,706	130,537	136,156	135,464
- due to banks	24,881	27,922	27,359	31,032	30,679
- due to customers and securities issued	108,961	106,784	103,178	105,124	104,785
Provisions	3,399	3,246	3,012	4,241	4,857
- for taxation	1,011	901	793	864	1,432
- for termination indemnities	751	734	745	758	753
- for risks and charges	1,595	1,568	1,433	1,509	1,553
- for pensions and similar	42	43	41	1,110	1,119
Other liabilities	16,077	17,752	19,213	20,062	20,077
Subordinated liabilities	5,569	5,607	5,400	5,178	5,148
Minority interests	708	698	787	737	736
Shareholders' equity (1)	8,138	8,182	7,970	7,668	8,089
Total liabilities	167,733	170,191	166,919	174,042	174,371

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

The balance sheet figures at 31/3 and 30/9 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

Ratings

GROUP BUSINESS AREAS

Action points and initiatives in the quarter

The first quarter of 2002, still marked by a negative external environment and considerable uncertainty in the financial markets, saw the efforts of the SANPAOLO IMI Group first of all concentrated on the launch of the active phase of the integration plan with Cardine. This was aimed to reap as soon as possible the advantages coming from joint operations of the two Groups both in terms of achieving synergies and in developing in sectors of business with high growth potential.

The integration with Cardine Banca

On 5 March 2002, the Shareholders' Meetings of SANPAOLO IMI and Cardine Banca approved the integration project of the two Groups, which envisages the merger by incorporation of Cardine into SANPAOLO IMI, after the conferral of part of the business in a new wholly controlled company (Cardine Finanziaria), with legal office in Padua, where also action to develop business towards the markets of Central Eastern Europe will be concentrated.

The merger will have legal effects from June and accounting and tax effectiveness as of 1 January 2002; the exchange ratio has been fixed at 1.7950 SANPAOLO IMI shares for each Cardine share; on this basis, to serve the exchange, SANPAOLO IMI will increase its equity capital up to a maximum of 1,381.7 million Euro, through the issue of approximately 493.5 million ordinary shares of nominal unit value of 2.80 Euro, which will be assigned to the shareholders of the bank to be incorporated, against the cancellation and exchange of a maximum of 274.9 million ordinary shares of Cardine Banca in circulation, of nominal value of 5.20 Euro per share. SANPAOLO IMI may use up to a maximum of 70 million own shares to serve the exchange.

The Group being created represents the second banking group in the domestic market and has substantial dimensions in terms of volumes and geographical presence: on the basis of data at the end of March 2002, total assets are more than 210 billion Euro, customer financial assets come to 365 billion Euro, loans to customers amount to 126 billion Euro and the number of branches in Italy is approximately 3,000.

The economic-financial projections for 2002-2005 suggest estimates of growing gross synergies from the merger, reaching approximately 280 million Euro before taxes in 2005. These synergies derive from both the improvement in the revenue base from the portfolio of existing business (130 million Euro), and the achievement of cost synergies (102 million Euro) and, finally, returns coming from the joint development of new businesses with substantial potential future upside, prudently calculated at around 50 million Euro. The integration costs have been valued at 260 million Euro.

The new Group hopes to achieve, in 2005, a RoE target of 21% and a cost to income ratio of 51%, approximately 14 percentage points less than its current levels.

In terms of the shareholding structure of the Parent Bank which will result from the merger, it should be kept in mind that the Compagnia di San Paolo, which holds 16.1% of SANPAOLO IMI, and the Fondazioni Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna, which hold stakes of respectively 40.2% and 28.6% in Cardine Banca, have agreed to limit their voting rights to a total of 15% in ordinary shareholders' meetings of SANPAOLO IMI following the merger.

This objective will be pursued through a schema which envisages the entrusting of this stake to an appropriately dedicated vehicle, established at the beginning of January 2002 and called Fondaco SGR, created from two equal stakes of the capital of the company post merger, one of 7.5% by the Compagnia di San Paolo and the other, again of 7.5%, by the other two Fondazioni in proportion to the their current shareholdings in Cardine Banca; in greater detail, the Fondazioni Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna will confer respective shares of 4.38% and 3.12%. The remaining shares, not placed in management in the new structure, will be converted into preference shares, convertible in turn, on request, into ordinary shares after a period of 10 years or in case of sale. The shareholding structure of the SGR is divided into equal parts between the Compagnia di San Paolo, on the one hand, and the other two Fondazioni on the other hand, providing for a minority share of 20% to a qualified independent advisor for the management of the assets, identified in Ersel Finanziaria. It is further expected that Fondaco will substitute the Compagnia in the consultation agreement signed with other private shareholders of SANPAOLO IMI.

In advance of the merger timetable, an integration master plan has been prepared and the priority activities for the completion of the transaction have been initiated. In particular: a Business Regulation Framework has been approved; the operating perimeter of Cardine Finanziaria has been defined; an organizational restructuring has been launched; working groups have been started in priority areas, in particular those aimed at the activation of the *Macchina Operativa Intragruppo* (Intragroup Operating Vehicle) and at centralization of finance.

Business Regulation Framework

The increased size and complexity of the Group following the merger in course has brought out the need for governance and coordination which allow the maximum sharing of common objectives and a strong connection between the various operating areas, necessary condition to develop operating efficiency and provide total service excellence to all customers.

To set the best conditions to reach these objectives, as well as in line with indications from the Regulatory Authorities, SANPAOLO IMI has adopted a Business Regulation Framework, approved by the Board of Directors on 26 March 2002, which defines the full organizational structure, the basic principles on which it operates, the areas of competence and responsibilities of the central structures, as well as the Group's coordination mechanisms and instruments. The Regulation makes clear the regulatory reference function and intends to characterize the Group through a common entrepreneurial structure, strong internal cohesion and single direction, consistently with the indications of the Bank of Italy and the requirements of proper and prudent management of the Group.

The Regulation is based on the following principles:

- relevance and central place of a system of shared values: customer focus, ambitious objectives and aspirations, constant attention to value creation;
- central control of strategic directions, expressed in a planning process extended to the whole Group, through the development of budget and long-term plans for each operating unit, the constant monitoring of progress and any need for corrective actions;
- central control of credit, financial and operational risks of the whole Group, in line with the guiding principles of separation between originators and controllers of risk and responsibility of the functions in charge of business;

this is also in line with the expected development of the Basle Agreement on bank capital;

- exploitation and responsibility of management resources, fundamental prerequisites for proper Group functioning and the achievement of ambitious objectives of profit and value creation envisaged;
- coordinated and consistent action by all Group companies; in particular, a Management Committee has been established to preside over this important objective, which ensures a proper sharing within the top management of the strategic directions of the Group.

The new Group structure

On 26 March 2002 the Board of Directors of SANPAOLO IMI also approved a new business model, which completed the reorganization process launched in the summer of 2001 defining an adequate structure for the Group following the merger with Cardine. The new model, based on the strong emphasis on capacity for customer relationship and service, specialization in professional distribution, production and service units and consistent responsibility and measurement of results, is structured in four basic components:

- Domestic Banking Networks: include the Sanpaolo Network, in-depth present in North West Italy, the Banco di Napoli, which has a position of leadership in the South, and Cardine, well rooted in the North East; the three networks, dedicated to the service of retail customers and companies, present an optimal coverage of the Italian territory through approximately 3,000 banking branches and integrated multichannel infrastructures. They are flanked by Banca OPI, which operates as a specialist unit dedicated to consultancy and medium- and long-term financing to public bodies and infrastructure, as well as companies in consumer banking, leasing and tax collection, also operating as specialist units to serve domestic customers;
- Personal Financial Services, with activities carried out by the networks of financial planners of Banca Fideuram and Banca Sanpaolo Invest to serve customers with medium-high savings potential;
- Wealth Management and Financial Markets which include: the Wealth Management companies, dedicated to providing asset management products to the Group networks (Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest), associated networks (Carifirenze and Cariforli) as well as institutional investors and other networks; Banca IMI, the Group's investment bank, whose business priorities concern,

on the one hand, the strengthening of the supply of specialist services to companies and institutional customers and, on the other, the development of structured products distributed to retail customers and companies through the Group's networks; NHS and IMI Investimenti which, as better detailed below, were created from the split of the preexisting merchant bank NHS and operate, respectively, in private equity and the management of significant equity shareholdings of the Group;

- International Activities, which include the Foreign Network of the Parent Bank, the French subsidiary Banque Sanpaolo and New Markets, established to develop the presence in markets of strategic interest through appropriate growth initiatives, in particular acquisitions and alliances.

Furthermore, in line with the principles set out in the Regulation, which envisage single Group management, the following are included in Central Functions: the planning and strategic direction units; the control systems and risk management; finance and treasury; the *Macchina Operativa Intragruppo* (Intragroup Operating Vehicle) and the management of all operational support structures, in particular logistics and purchase management.

In the first months of the year, in consideration of the potential synergies achievable, the integration activities concerned, priorly:

- the activation of the *Macchina Operativa Intragruppo*, to serve the domestic banking networks: the necessary steps to satisfy the requirements of the merger have been planned and launched, to allow proper integration of management reporting systems and control at the level of the Parent Bank and to allow by the end of the year the use of certain SANPAOLO IMI applications which have particular importance for Cardine; the assessment of the target IT system has been made, evaluating the impact of the use of the SANPAOLO IMI system for the Group's banks, in terms of effectiveness of business support, efficiency in operating processes and sustainability of technological infrastructure;
- the initiatives aimed at the operational centralization of treasury activities, medium/long term funding and own portfolio management; in particular, a master plan, which defines the operational model of centralized finance of the Group with reference to domestic banking networks and any further important units, has been prepared.

Development initiatives abroad

In line with the development objectives envisaged in the Cardine integration plan, SANPAOLO IMI is also taking actions to strengthen operations in Central Eastern European countries with high development opportunities. In particular, on 25 February 2002 the full Public Offer for the shares of the Slovenian Banka Koper, launched at the end of November 2001 following the purchase of a first tranche of 15% of the bank, was concluded; all the shareholders who accepted the Offer were given a non-transferable put option on the remaining shares (at the same price as the Offer plus interest and net of dividends), exercisable from 31 December 2002 to 31 July 2006. Acceptances amounted to 250,271 shares, corresponding to 47.1% of the capital of Banka Koper; the cost was 116 million Euro.

SANPAOLO IMI, which following the Offer has a total shareholding of 62.1% in Banka Koper, will temporarily limit its voting rights to 32.99%, in accordance with the authorization given by the Bank of Slovenia, in the context of a process of gradual opening of the capital of the country's principal banks to European banking groups, also in light of the near entry of Slovenia in the European Union.

Banka Koper is Slovenia's fourth largest bank by total assets and operates through a network of 38 branches concentrated around Ljubljana; the bank in 2001 confirmed its solid capacity to grow in operating and profit terms, which will draw further advantages from the support provided by SANPAOLO IMI and Cardine; contacts have been made to define specific development actions in the Slovenian market, which has close commercial relations with Italy and is among the most interesting in the area in terms of macro-economic indicators and growth prospects.

The transaction represents an important progress in the policy of strengthening the presence in Central Eastern Europe, where the SANPAOLO IMI Group currently operates through a qualified shareholding of 32.5% in the Hungarian Inter-Europa Bank, as well as branches and representative offices; in Eastern Europe Cardine Banca in turn acquired, in September 2001, a controlling shareholding (75%) in the Romanian West Bank, which has a network of 12 branches.

Among the other initiatives in Central Eastern Europe to be noted is also SANPAOLO IMI's due diligence on the General Bank of Greece, in advance of the presentation of a binding offer to acquire a stake of 15%; the bank has 96 branches, concentrated largely in the most rich and populous urbane

areas of Athens and Saloniki, and is quoted on the Athens Stock Exchange, with a capitalization of 216 million Euro; in terms of total assets, it has a market share of 1.5% in Greece, a market with high development prospects in the banking and financial sector, in particular in lending (retail mortgages and consumer credit) and asset management.

Other important initiatives

The pursuit of improved focus and specialization in various sectors of business also led to the definition of agreements concerning shareholding sales between the Parent Bank and the Compagnia di San Paolo; these envisage that prior to the completion of the merger with Cardine Banca, SANPAOLO IMI cedes to the Compagnia a stake of 8% of the 10.8% currently held in Cardine Banca. In turn SANPAOLO IMI:

- following the restructuring of NHS, with the partial split of the company, which led to the allocation of the private equity business into a “newco” (NHS S.p.A.) and the maintenance of the business which consists of bringing out the value of the portfolio of substantial industrial investments inside the “oldco” after the spin-off

(which took the registered name of IMI Investimenti), will take its shareholding in IMI Investimenti to 90% and will acquire a stake in the new NHS;

- will take over 100% of CIP - Compagnia di San Paolo Investimenti Patrimoniali; the stake will be conferred to Banca OPI, broadening the subsidiary's net equity.

The value of the Cardine shares in the transaction was determined with reference to the implicit value resulting from the application of the exchange ratio in the SANPAOLO IMI and Cardine merger project to the average value of the SANPAOLO IMI share price in a period agreed between the parties; the transaction is subject to a fairness opinion from a major investment bank.

Finally, it should be noted that SANPAOLO IMI after having acquired in 2001 the total ordinary capital of Banco di Napoli, to favor the integration of the Neapolitan bank in the Group, launched in March 2002 a voluntary Public Offer for all the non-convertible savings shares of the Banco in circulation; the transaction, concluded on 19 April, brought to approximately 90% the savings shares held by SANPAOLO IMI.

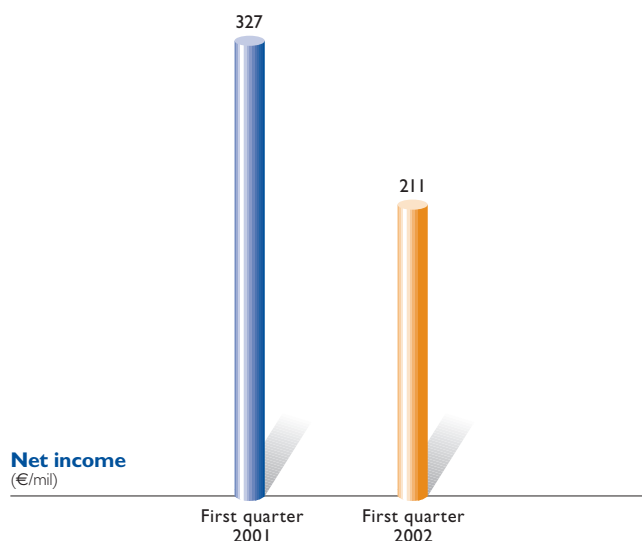
Consolidated results

Summary of results

In the first quarter of 2002, although with some signs of recovery, the external environment continued to be marked by general economic weakness and high volatility in the financial markets.

In this context there was a reduction in the principal economic margins of the Group, in line with the budget; in comparison with the first three months of 2001, it should be noted that the period did not yet fully reflect the effects of the negative performance of the financial markets which then dominated the later part of the year. Against the fall in revenues, SANPAOLO IMI managed to reduce administrative costs, which confirmed in the quarter slowing tendency begun in the second part of the previous year, following strict actions to contain operating costs adopted by the Parent Bank and Group companies.

Net consolidated income was 211 million Euro, a reduction of 35.5% against the same period of 2001.

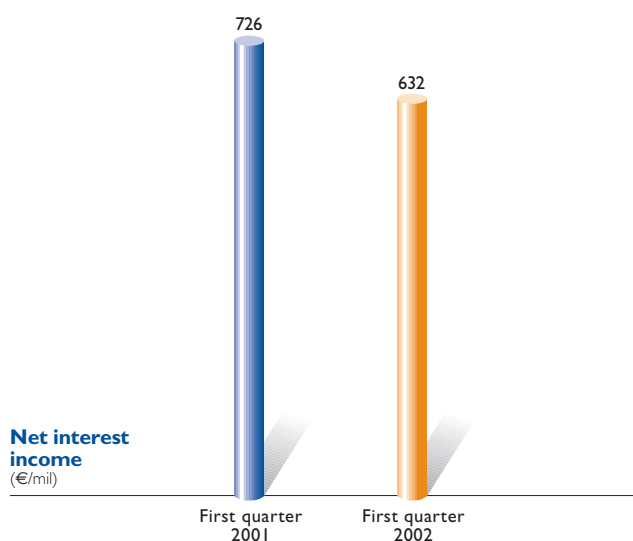


Net interest income

In the first quarter of 2002, Group net interest income was 632 million Euro, 12.9% down on the first three months of the preceding year. Comparison between the two periods is influenced essentially by the reduction in interest rates, which brought a more contained return on liquidity and a closing in spreads only in part compensated for by the increase in average amounts in customer business.

In terms of market rates, three-month Euribor, although up by 11 basis points in the quarter (from 3.34% to 3.45%), remained on average 140 basis points below the same period of the previous year.

In the first quarter of 2002, the return on interest-earning assets of the Group was 4.97%, 130 basis points less than the same period of 2001; the cost of interest-bearing liabilities in turn fell by 111 basis points, from 4.20% to 3.09%. In customer business, the average spread in deposit and lending volumes was 2.58% in the first three months of 2002 against 2.84% in the first quarter of 2001.

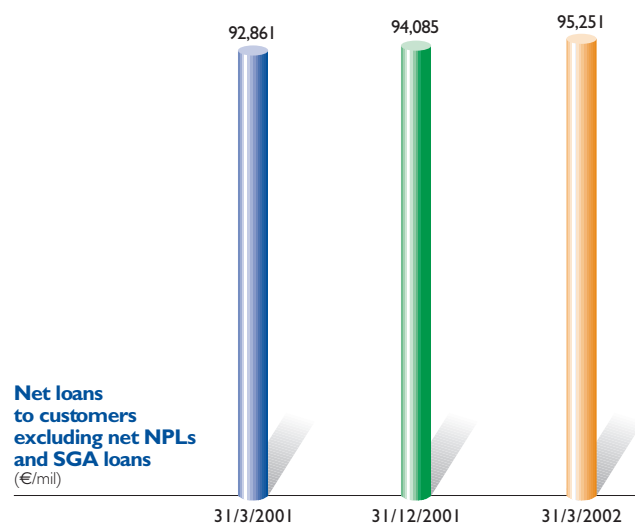


In the first quarter of 2002, Group average interest-earning assets fell slightly on the same period of 2001 (-0.5%); within this, average amounts of loans to customers, excluding repurchase agreements, moreover grew by 1.4%. On the liability side, there was an increase of 4.8% in average amounts of customer deposits, net of repurchase agreements, principally due to the continued growth in the short-term component (+6.3%).

At the end of the quarter, net loans to Group customers, excluding non-performing loans and loans to SGA, the company to which Banco di Napoli's doubtful loans were transferred, were 95.3 billion Euro, an increase of 1.2 billion from the beginning of the year (+1.2%) and a change of 2.6% over the 12 months. Within this, medium- and long-term loans were the most dynamic component, with an annual growth of 5.2%, against a small reduction in short-term financings (-1%).

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements by the Sanpaolo Network to households

in the first quarter of 2002 amounted to 426 million Euro, up by 26.8% on the 336 million in the same period of the preceding year. Also positive was the develop-



Analysis of average amounts and interest rates

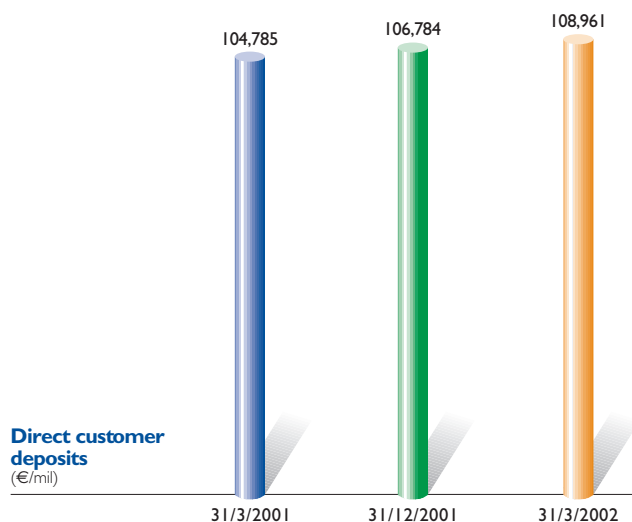
	First quarter 2002		First quarter 2001		Change first quarter 2002 / First quarter 2001	
	Average amount (€ mil)	Annualized average rate (%)	Average amount (€ mil)	Annualized average rate (%)	Change in average amount (%)	Difference in rate (% points)
Interest-earning assets	125,961	4.97	126,538	6.27	-0.5	-1.30
- loans to customers (excluding repos)	90,870	5.51	89,658	6.72	+1.4	-1.21
- securities	14,876	4.03	14,560	5.58	+2.2	-1.55
- other interest-earning assets	20,215	3.25	22,320	4.93	-9.4	-1.68
Non interest-earning assets (1)	43,826		46,255		-5.3	
Total assets	169,787		172,793		-1.7	
Interest-bearing liabilities	120,682	3.09	119,773	4.20	+0.8	-1.11
- direct customer deposits (excluding repos)	93,076	2.93	88,771	3.88	+4.8	-0.95
- due to customers	55,114	1.91	51,867	2.84	+6.3	-0.93
- securities issued	37,962	4.41	36,904	5.33	+2.9	-0.92
- other interest-bearing liabilities	27,606	3.64	31,002	5.14	-11.0	-1.50
Non interest-bearing liabilities (1)	41,034		45,250		-9.3	
Shareholders' equity	8,071		7,770		+3.9	
Total liabilities and shareholders' equity	169,787		172,793		-1.7	

(1) This figure includes Banca IMI group's 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.

ment in loans to the public works and infrastructure sector made by Banca OPI, which rose at the end of the quarter to 13.8 billion Euro, an increase of 4.1% from the beginning of the year and 18.5% against the end of March 2001.

Direct customer deposits showed a particularly dynamic performance in the quarter benefiting both from the effects connected to the so called "scudo fiscale" (tax shield) and from the continuing uncertainty in financial markets, which directed customer preferences towards short-term forms of investment. Total deposits at the end of March were thus 109 billion Euro, an incremental flow from end December 2001 of 2.2 billion Euro (+2%); the annual growth was 4%. Performance in more liquid forms was particularly dynamic: current accounts and deposits increased on an annual basis by 6.7%, commercial paper by 15.4% and repurchase agreements by 14.4%; in the medium- and long-term component the flow out of certificates of deposit continued (-26% on the end of March 2001) against a growth of 11.7% in bonds.

On the basis of the latest available system data, at the end of February 2002 Group market shares in Italy were respectively 8.4% in loans and 8.2% in direct customer deposits.



Loans to customers

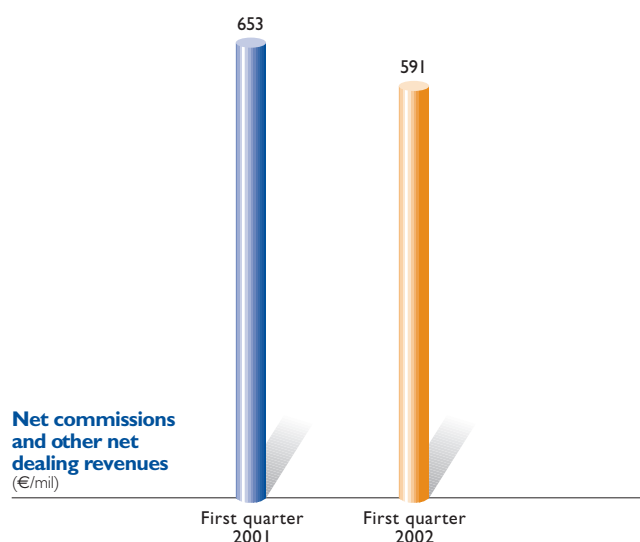
	31/3/2002		31/3/2001		Change 31/3/02- 31/3/01 (%)	31/12/2001	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Short-term loans	38,831	39.5	39,235	40.6	-1.0	38,652	39.8
Medium- and long-term loans	56,420	57.5	53,626	55.6	+5.2	55,433	57.1
Loans to customers excluding net NPLs and SGA loans	95,251	97.0	92,861	96.2	+2.6	94,085	96.9
Net non-performing loans	941	1.0	1,014	1.0	-7.2	930	1.0
SGA loans	1,997	2.0	2,709	2.8	-26.3	2,041	2.1
Loans to customers	98,189	100.0	96,584	100.0	+1.7	97,056	100.0

Direct customer deposits

	31/3/2002		31/3/2001		Change 31/3/02- 31/3/01 (%)	31/12/2001	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Current accounts and deposits	54,185	49.7	50,783	48.4	+6.7	53,724	50.3
Certificates of deposit	6,727	6.2	9,092	8.7	-26.0	8,346	7.8
Bonds	29,474	27.1	26,379	25.2	+11.7	27,695	25.9
Commercial paper	4,682	4.3	4,056	3.9	+15.4	4,137	3.9
Repurchase agreements and securities lending	10,578	9.7	9,246	8.8	+14.4	9,133	8.6
Other deposits	3,315	3.0	5,229	5.0	-36.6	3,749	3.5
Direct customer deposits	108,961	100.0	104,785	100.0	+4.0	106,784	100.0

Net commissions and other net dealing revenues

Group net commissions in the first quarter of 2002 were 591 million Euro, down by 9.5% against the first three months of 2001.



This performance was largely due to the contraction in commission income from asset management and dealing activities, down by 15.7%; against that, performance in commissions from loans and guarantees (+13.6%) and deposits and current accounts (+16.7%) was positive. Within other commissions, the contribution deriving from merchant banking revenues was 7 million Euro.

The reduction in commissions was influenced by the recomposition of customer financial assets towards forms of investment with lower value added, to which customers turned while waiting for an improvement in market conditions. In particular, in indirect deposits, thanks to an increase in the first three months of 2002 of 5.1 billion Euro, the administered component grew significantly to 77.7 billion Euro (+7% from the beginning of the year and +9% on the end of March 2001). Assets under management grew by 0.7 billion Euro in the quarter, following a net flow of 1 billion Euro and a devaluation in the stock of 0.3 billion Euro; the total amount was thus 126.7 billion Euro, an increase of 0.6% from the end of December 2001 and 1.4% on the 12 months. In this context:

Net commissions and other net dealing revenues

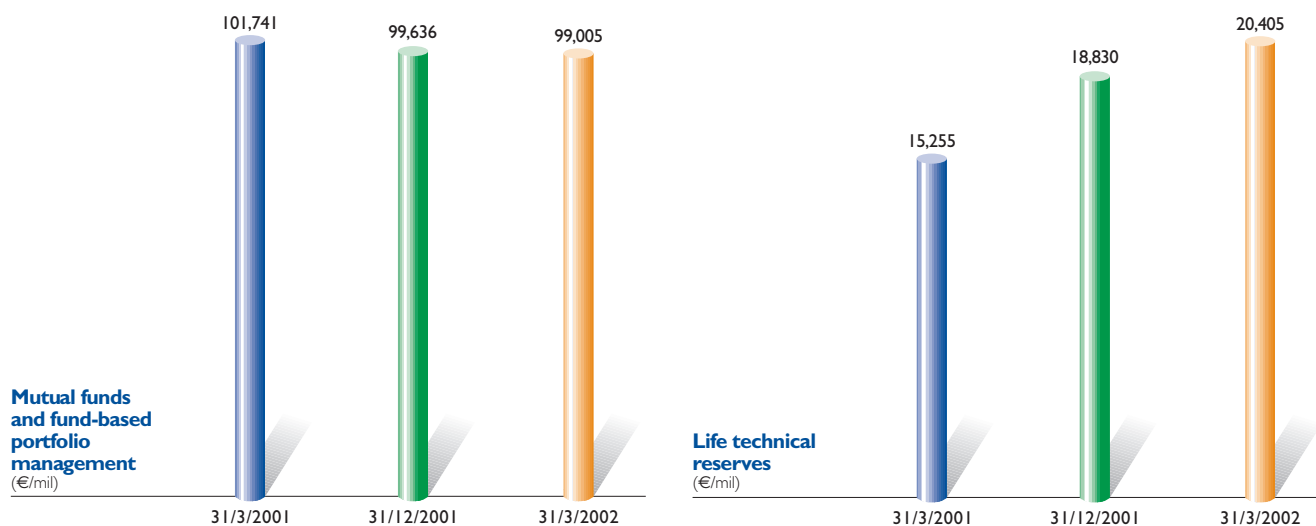
	First quarter 2002 (€/mil)	First quarter 2001 (€/mil)	Change first quarter 2002 / First quarter 2001 (%)	2001 (€/mil)
Management, dealing and advisory services	392	465	-15.7	1,770
Loans and guarantees	50	44	+13.6	233
Collection and payment services	46	49	-6.1	174
Deposits and current accounts	70	60	+16.7	297
Other services and net dealing revenues	33	35	-5.7	134
Net commissions and other net dealing revenues	591	653	-9.5	2,608

Customer financial assets

	31/3/2002		31/3/2001		Change 31/3/02- 31/3/01 (%)	31/12/2001	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Asset management	126,726	40.4	125,001	41.5	+1.4	125,977	41.2
Asset administration	77,706	24.8	71,259	23.7	+9.0	72,643	23.8
Direct deposits	108,961	34.8	104,785	34.8	+4.0	106,784	35.0
Customer financial assets	313,393	100.0	301,045	100.0	+4.1	305,404	100.0

- in mutual funds and fund-based portfolio management there was a small reduction in total volumes, at 99 billion Euro, down by 0.6% in the quarter and 2.7% on

the end of March 2001; it should be noted that the SANPAOLO IMI Group has maintained first place in the domestic market, with a share of 18.6% at the end of



Asset management

	31/3/2002		31/3/2001		Change 31/3/02- 31/3/01 (%)	31/12/2001	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Mutual funds and fund-based portfolio management	99,005	78.1	101,741	81.4	-2.7	99,636	79.1
Portfolio management	7,316	5.8	8,005	6.4	-8.6	7,511	6.0
Life technical reserves	20,405	16.1	15,255	12.2	+33.8	18,830	14.9
Asset management	126,726	100.0	125,001	100.0	+1.4	125,977	100.0

Change in assets under management

	First quarter 2002 (€/mil)	First quarter 2001 (€/mil)	2001 (€/mil)
Net inflow for the period	1,019	627	6,752
- Mutual funds and fund-based portfolio management	-536	-114	2,053
- Portfolio management	-194	138	336
- Life technical reserves	1,749	603	4,363
Performance	-270	-4,538	-9,688
Change in assets under management	749	-3,911	-2,936

Mutual funds by type

	31/3/2002 (%)	31/3/2001 (%)	31/12/2001 (%)
Equity	33.1	36.2	32.0
Balanced	14.2	17.9	15.2
Bond	52.7	45.9	52.8
Total Group mutual funds	100.0	100.0	100.0

the quarter. Equity performance in the past 12 months and the consequent customer choices determined a significant recomposition in the various types: the weight of bonds and liquidity funds rose from 45.9% at the end of March 2001 to 52.7% at the end of March 2002, against a reduction of the weight of equity funds (from 36.2% to 33.1%) and balanced funds (from 17.9% to 14.2%);

- life technical reserves continued to grow at a sustained rate during the quarter, representing one of the forms of investment preferred by customers; the net inflow realized by the distribution networks in the quarter, 1.7 billion Euro, brought the amount to 20.4 billion Euro (+8.4% from the beginning of the year and +33.8% on the 12 months).

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

Group profits from financial transactions and dividends on shares in the first three months of 2002 were 89 million Euro, showing a significant increase on the 65 million realized in the same period of 2001 (+36.9%). Revenues from equity portfolio dealing by Group companies particularly contributed to income in the quarter.

Profits from companies carried at equity and dividends from shareholdings, 44 million Euro, showed a reduction of 25.4% on the same period of 2001; within this:

- profits from companies carried at equity were 34 million Euro against 43 million in the first quarter of 2001, which included a particularly high contribution from the insurance companies of Wealth Management, Sanpaolo Vita and Sanpaolo Life;
- dividends distributed by non-Group companies were 10 million Euro, almost wholly from the stake in Santander Central Hispano.

Costs

The structural cost containment actions launched in the middle of 2001 continued to effect the trend of Group administrative costs, which in the first quarter of 2002 were 870 million Euro, down by 0.3% on the same period in the preceding year.

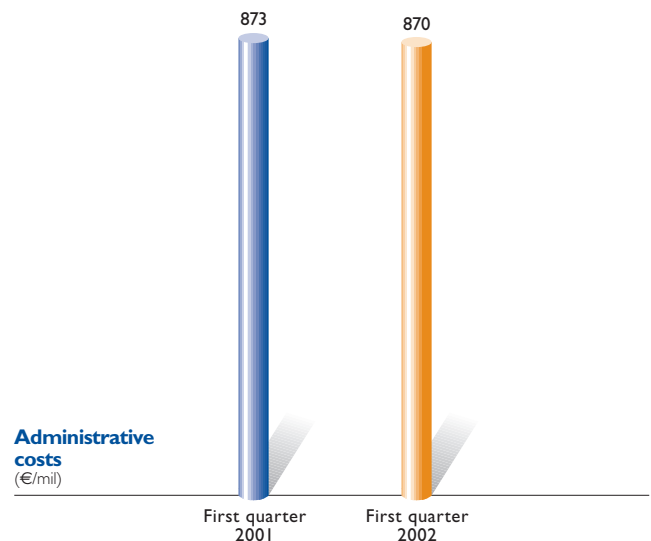
The reduction in personnel costs (-2%), due essentially to reductions in numbers made by the Group, was particularly

significant: without the inclusion in the area of consolidation of Banka Koper, which led to an increase in the number of employees of 477, a reduction of 966 employees on the end of March 2001, largely concentrated in Banco di Napoli group, was in fact recorded. Greater flexibility in remuneration methods introduced by Group companies also contributed to the reduction in personnel costs allowing the containment of the variable part of remuneration against the fall in revenues.

Other administrative costs showed an increase of 4.1%, at 279 million Euro; this item includes in particular the IT charges connected to the integration of the IT systems of Banco di Napoli in the *Macchina Operativa Intragruppo* (Intragroup Operating Vehicle), as well as costs connected to product development initiatives.

Adjustments to tangible and intangible fixed assets in the first quarter of 2002 were 92 million Euro, an increase of 15%; the growth was mostly determined by investments made in 2001 and in the first months of 2002 for the development and the specialization of the commercial network, the strengthening of the central data systems, the modernization of hardware solutions and the development of new software applications.

Adjustments to goodwill and merger and consolidation differences, 41 million Euro, showed an increase of 24.2%, due to shareholding investments from the end of March 2001, in particular in Cassa dei Risparmi di Forlì and Banka Koper. This item includes 21 million Euro relative to Banco di Napoli goodwill amortization.



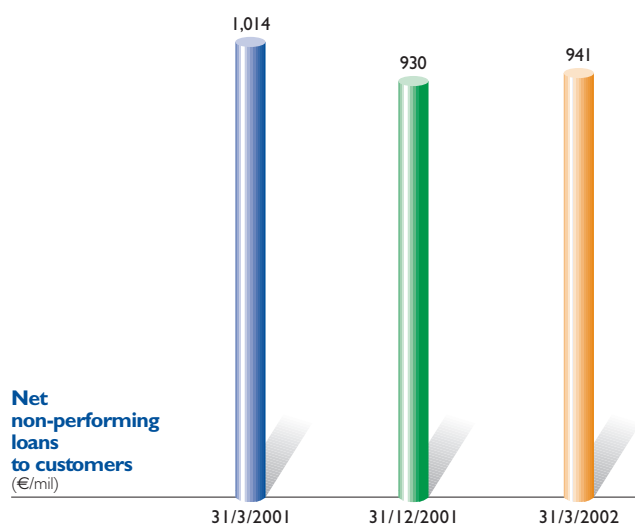
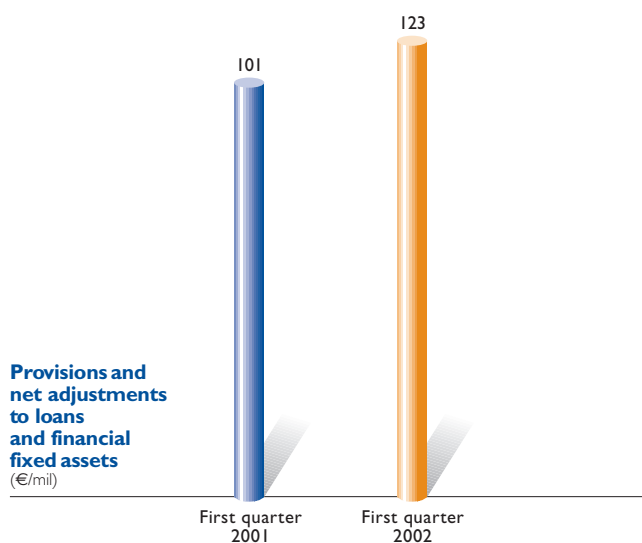
Provisions and adjustments

Provisions and net adjustments to loans and financial fixed assets amounted to 123 million Euro, with an increase of 21.8% compared to 101 million Euro in the first quarter of 2001.

The flow in the first quarter of 2002 includes greater adjustments for credit risks, which the Group prudently posted against a background still marked by a considerable degree of uncertainty; those were aimed both to match the presumed realizable values of specific positions, and to strengthen coverage of the inherent risk in the performing loan portfolio, which rose at the end of the quarter to 0.78% of total performing loans.

At the end of March 2002 Group net doubtful loans amounted to 1,985 million Euro, 160 million down on the end of March 2001 (-7.5%). In particular, in loans to customers:

- net non-performing loans were 941 million Euro against 1,014 million Euro at the end of March 2001 (-7.2%) and 930 million at the end of 2001 (+1.2%); the ratio of net non-performing loans to net loans to customers stayed stable at 1%. At the end of the first quarter of 2002 Group non-performing loans had a coverage ratio, also taking account of fiscal write-offs, of 75%;
- problem, restructured and in course of restructuring loans amounted to 942 million Euro, a decrease of 2.6% on an annual base and an increase of 1.5% from the beginning of the year; the coverage ratio, also taking account of fiscal write-offs, was 26.7%;



Analysis of loan portfolio

	31/3/2002		31/3/2001		Change 31/3/02- 31/3/01 (%)	31/12/2001	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Non-performing loans	941	1.0	1,014	1.0	-7.2	930	1.0
Problem, restructured and in course of restructuring loans	942	1.0	967	1.0	-2.6	928	1.0
Loans to countries at risk - customers	38	0.0	103	0.1	-63.1	32	0.0
Performing loans	96,268	98.0	94,500	97.9	+1.9	95,166	98.0
Total loans to customers	98,189	100.0	96,584	100.0	+1.7	97,056	100.0
Non-performing and problem loans - banks	6		2		n.s.	1	
Loans to countries at risk - banks	58		59		-1.7	57	

- non-guaranteed loans to customers in countries subject to country risk fell from 103 to 38 million Euro in the 12 months, above all because of repayment of loans to customers resident in Argentina.

Extraordinary income and taxes

Group net extraordinary income in the first quarter of 2002 was 55 million Euro, a reduction of 24,7% on the 73 million Euro in the same period of 2001, which included 30 million Euro of capital gains realized on own shares, sold to Fondazione Carivenezia in the context of the acquisition of a

shareholding of 10.8% of Cardine Banca. Among the principal income accounted for in the first three months of 2002, 26 million Euro of capital gains deriving from the sale of shareholdings by Group companies and 20 million Euro for tax reimbursements related to Banque Sanpaolo, were included.

In the first quarter of 2002 the SANPAOLO IMI Group tax rate was 34.8%, largely in line with the same period of 2001 (35.9%), still up against that of the year 2001 (19.6%), which benefited from the recovery by subsidiaries of prior tax losses and extraordinary tax savings connected to actions to rationalize the Group's structure in Italy and abroad.

Capital and reserves

Net shareholders' equity

Group shareholders' equity at 31 March 2002 was 8,138 million Euro net of own shares held by the Parent Bank. Movements in the quarter were as follows:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
Net shareholders' equity at 1 January 2002	8,182
Decreases	-261
- Dividends	-
- Increase in own shares held by the Parent Bank	-261
Increases	217
- Capital	-
- Share premium reserve	-
- Provision for general banking risks	-
- Exchange and other adjustments	6
- Net income for the period	211
Net shareholders' equity at 31 March 2002	8,138

The decrease of 261 million Euro in net shareholders' equity was due to the implementation of a program to purchase own shares in the market, to serve the exchange in the context of the merger with Cardine Banca, confirming the policy of active capital management adopted by the Group.

Own shares held by the Parent Bank in the quarter therefore rose from 17,080,403 to 38,793,776 with a book value, carried at cost, of 555 million Euro (14.313 Euro per share) at the end of March 2002. In total, at 31 March 2002 the Group held 40,233,450 shares, or 2.9% of the equity capital, written into the balance sheet at 575 million Euro.

Regulatory capital and capital adequacy ratios

At the end of March 2002 the ratio of regulatory capital to total weighted assets against credit and market risks was estimated at around 9.1%; the ratio of Group primary capital to total weighted assets was estimated at 6.9%.

Financial risk management

Financial risks from lending business

In the first quarter the market risk generated by the lending activities of the Group was slightly higher than that observed, on the average, in the same period of the previous year. The change in the banking book's market value, measured in terms of shift sensitivity, as an upward, parallel and uniform movement of 100 basis points in the interest rate curve, had in the first quarter of 2002 an average negative value of 135 million Euro.

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%, stayed during the quarter at an average value of 67 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, according to the end of March prices, showed a market value of

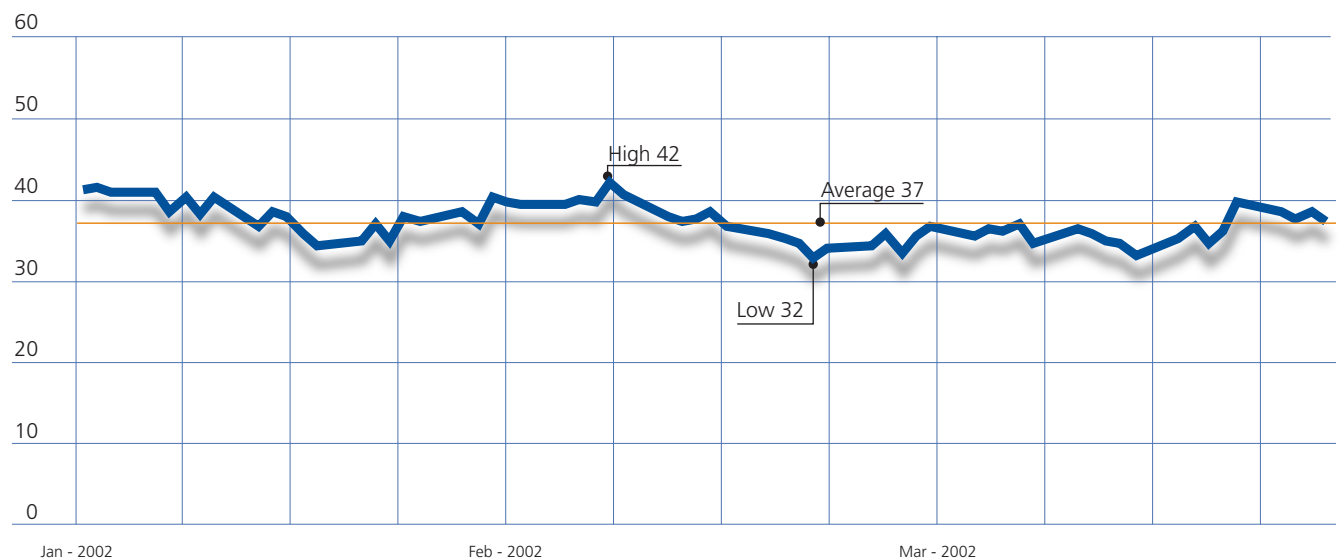
1,987 million Euro, of which 41 million held by NHS and 351 million Euro held by IMI Investimenti, both 51% held by SANPAOLO IMI. This market value showed a net potential capital gain of 58 million Euro against book value, after deduction of minority interests related to subsidiaries.

At the end of March the VaR for minority equity investments in quoted companies, net of minority interests relative to NHS and IMI Investimenti, was 274 million Euro, slightly lower than at the end of the previous year.

Trading activities

Financial risk generated by the Group trading activities, concentrated in Banca IMI and its subsidiaries, had in the quarter an average value in terms of VaR of some 7 million Euro. At the end of March, VaR was 9 million Euro.

In addition to VaR, Worst Case Scenario methodology is also used to monitor the impact of potential losses that could occur in extreme conditions. The development of the maximum potential daily loss during the first quarter was largely stable in terms of potential risks, always oscillating around the average value for the period, at 37 million Euro. In no case was the ex ante potential exposure, measured on a daily basis, exceeded by the losses actually incurred.



Maximum potential daily loss in trading (€/mil)

Supplementary information

Performance of share prices

At the end of March 2002, SANPAOLO IMI's share price was 13.482 Euro; this was an increase of 12% from the

beginning of the year, superior to the 9.5% growth in the MIB bancario. At the same date the SANPAOLO IMI share traded on a price/book value of 2.5 and a price/earnings, calculated on consensus earnings for 2002, of 16.4.

On 9 May 2002, the price was 12.090 Euro, up by 0.4% on the beginning of the year.

Market comparison

	9/5/2002	28/3/2002	30/3/2001	Change 28/3/02-30/3/01 (%)
SANPAOLO IMI share price (€)	12.090	13.482	15.260	-11.7
Banking index (historical MIB bancario)	2,581	2,597	3,045	-14.7

SANPAOLO IMI share price (1)

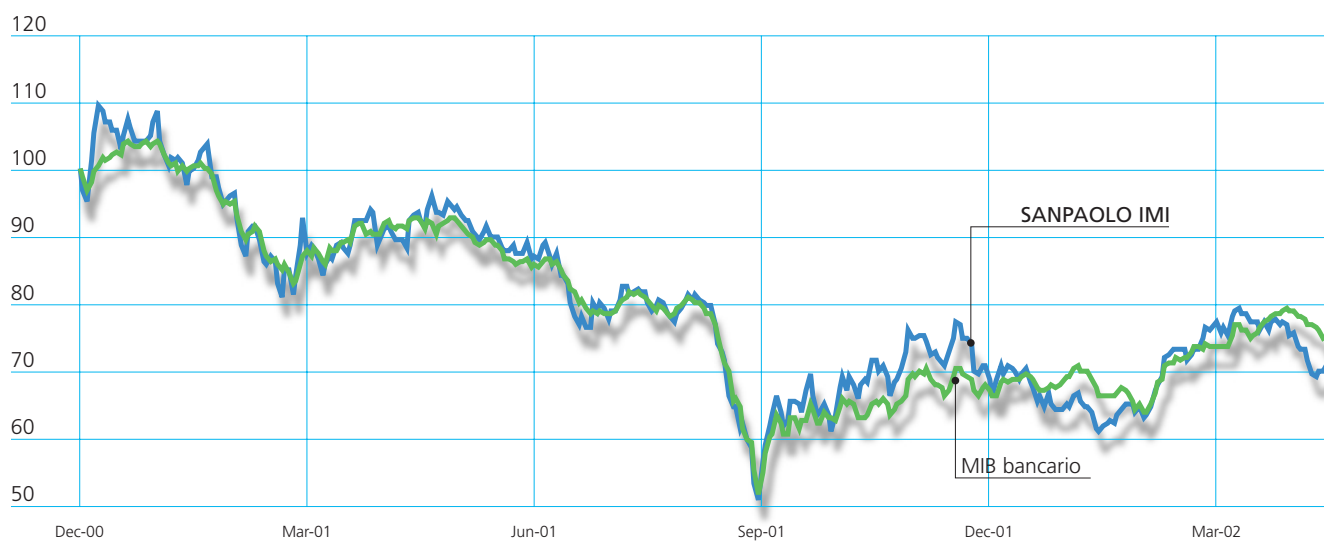
Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002 (until 9/5/2002)	13.702	10.548	12.136

SANPAOLO IMI market indices

	28/3/2002	30/3/2001
Price/book value	2.5	2.8
Price/earnings on consensus earnings (2)	16.4	15.3

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

(2) Calculated on consensus earnings 2002 for 28/3/2002 and on consensus earnings 2001 for 30/3/2001.



Shareholders

At 31 March 2002, 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
Monte dei Paschi di Siena	6.13
Santander Central Hispano	5.46
IFI / IFIL	4.98
Fondazione Cariplo	2.72
Ente Cassa di Risparmio di Firenze	2.56
Caisse des Dépôts et Consignations (CDC)	2.23
Società Reale Mutua di Assicurazioni	2.01
Fondazione Cassa di Risparmio di Venezia	1.96
Other shareholders (1)	55.82
Total	100.00

(1) Includes own shares held by the Group.

Ratings

In the first quarter of 2002, there were no changes in the ratings assigned to SANPAOLO IMI's debt.

SANPAOLO IMI debt ratings

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

Concerning Group companies, Moody's raised in April the outlook on the rating of the medium/long term debt of Banco di Napoli (A1) from stable to positive.

Group Business Areas

Organization by Business Areas

In the first quarter of 2002 SANPAOLO IMI operated on the basis of the structure following the reorganization made in September 2001. This represented the first step in a wider revision of the organizational structure, set out in the light of the arrival of Cardine Banca into the Group and passed on 26 March 2002, as described in a preceding chapter of the present Report.

The structure in the quarter may be summarized as follows:

- Retail Banking, carrying on business directed to households and small- and medium-sized companies. Within it are: the Sanpaolo Network, operating in Italy through the 1,376 branches of the Parent Bank SANPAOLO IMI and the Internet, phone and mobile banking direct channels; the Banco di Napoli, which has 730 branches concentrated in the southern regions; the Other Networks, including, in Italy, the distribution networks of Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì and, abroad, the French subsidiary Banque Sanpaolo, the Slovenian Banka Koper and the Hungarian Inter-Europa Bank;
- Wealth Management: the Area was established in April 2001 to provide asset management products and services both to internal Group distribution structures (Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest) and to institutional investors, associated networks and other networks;

- Personal Financial Services: the distribution of financial services to households with medium-high savings potential is undertaken by the networks of financial planners of Banca Fideuram and Banca Sanpaolo Invest;
- Wholesale Banking: in the first quarter of 2002 the sector included the activities undertaken by Corporate, Public Works and Infrastructure, Investment Banking and Merchant Banking.

The holding activities, treasury, the *Macchina Operativa Intragruppo* (Intragroup Operating Vehicle) and the management of property and shareholding investments have been centralized into Central Functions.

The most important initiatives realized by the Business Areas, with reference to the structure in place in the first three months of 2002, as well as the respective economic and operational performances and the principal performance indicators, are presented below. The data for the first three months and for the year 2001, as well as those for the first quarter of 2002 concerning Wealth Management are pro forma; they have been prepared on the assumption of the following as of 1 January 2001:

- the launch of operations of the Sanpaolo Network, Other Networks and Corporate on the basis of the structure in place from September;
- the establishment of Wealth Management and the related conferral to the Area of Banco di Napoli Asset Management, concluded on 12 April 2002.

The criteria used to calculate profitability are detailed in the Explanatory Notes.

Results of the Business Areas

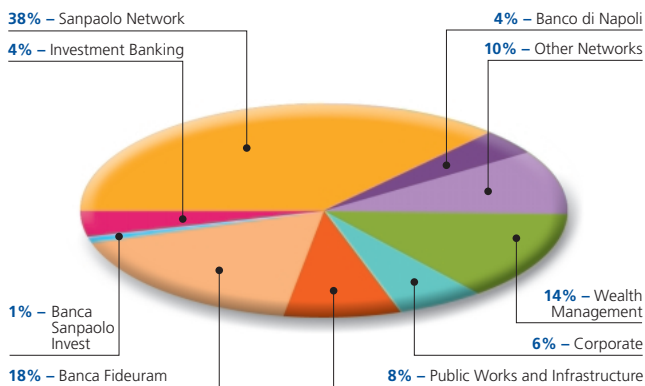
The results of the Group's Business Areas in the first quarter

of 2002, with reference to the structure in place until 26 March, are summarized as follows:

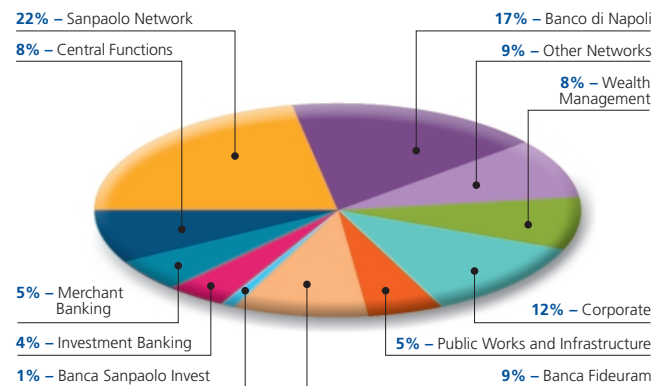
Business Area	Contribution to net income of the Group				Average capital			Annualized profitability		
	First quarter 2002	First quarter 2001 pro forma (1)	Change 2002 / First quarter 2001 pro forma (%)	2001 pro forma (1) (€mil)	First quarter 2002 (€mil)	First quarter 2001 pro forma (1) (€mil)	2001 pro forma (1) (€mil)	First quarter 2002 (%)	First quarter 2001 pro forma (1) (%)	2001 pro forma (1) (%)
RETAIL BANKING										
Sanpaolo Network	81	129	-37.2	360	1,748	2,059	1,824	18.5	25.1	19.7
Banco di Napoli (2)	8	19	-57.9	-13	1,359	1,361	1,358	2.4	5.6	n.s.
Other Networks	21	20	5.0	58	754	639	653	11.1	12.5	8.9
WEALTH MANAGEMENT (1)	29	56	-48.2	215	659	457	422	17.6	49.0	50.9
PERSONAL FINANCIAL SERVICES										
Banca Fideuram	38	46	-17.4	173	744	702	612	20.4	26.2	28.3
Banca Sanpaolo Invest	2	5	-60.0	18	105	105	93	7.6	19.0	19.4
WHOLESALE BANKING										
Corporate	12	28	-57.1	96	939	879	892	5.1	12.7	10.8
Public Works and Infrastructure	17	19	-10.5	69	381	349	349	17.8	21.8	19.8
Investment Banking	9	14	-35.7	34	321	338	302	11.2	16.6	11.3
Merchant Banking	-4	5	n.s.	33	410	418	391	n.s.	4.8	8.4
CENTRAL FUNCTIONS	-2	-14	n.s.	160	651	463	350	n.s.	n.s.	n.s.
GROUP TOTAL	211	327	-35.5	1,203	8,071	7,770	7,246	10.5	16.8	16.6

(1) The figures for the first quarter of 2001 and for the year 2001, as well as those for Wealth Management in the first quarter of 2002, are pro forma; they have been prepared according to the methods indicated above.

(2) Figures referred to Banco di Napoli S.p.A.



First quarter 2002 net income by Business Area



First quarter 2002 allocated capital by Business Area

Retail Banking

Sanpaolo Network

The Sanpaolo Network operated in the first quarter of 2002 through the 1,376 Italian branches of the Parent Bank and the Internet, phone and mobile banking direct channels; the Network is structured into two Divisions, the first dedicated to private and retail customers and small entrepreneurs, the second to companies with turnover usually of less than 250 million Euro.

The Sanpaolo Network operated consistently with the budget objectives, which envisage:

- the consolidation of market positioning in the sector of private customer financial asset management and diversification of revenue sources;
- the development of relationships with companies with an appropriate credit profile.

These objectives were pursued through initiatives designed to obtain:

- a strong focus on private customers with greater financial resources. The actions, directed to ever greater personalization in management, have been directed to training for personal consultants, the creation of products and services more in line with the new market requirements, the development of

Sanpaolo Network

	First quarter 2002	First quarter 2001 pro forma	Change first quarter 2002 / First quarter 2001 pro forma (%)	2001 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	627	701	-10.6	2,675
Operating costs	-427	-417	+2.4	-1,782
Operating income	200	284	-29.6	893
Provisions and net adjustments to loans and financial fixed assets	-40	-44	-9.1	-203
Income before extraordinary items	160	240	-33.3	690
Net extraordinary income	-2	-	n.s.	7
Income before taxes	158	240	-34.2	697
Income taxes for the period	-77	-111	-30.6	-337
Net income	81	129	-37.2	360
ALLOCATED CAPITAL (€/mil)	1,748	2,059	-15.1	1,824
RATIOS (%)				
Annualized RORAC	18.5	25.1		19.7
Cost / Income ratio	68.1	59.5		66.6
	31/3/2002	31/3/2001 pro forma	Change 31/3/02-31/3/01 pro forma (%)	31/12/2001
OPERATING DATA (€/mil)				
Customer financial assets	150,407	144,703	+3.9	148,166
- Direct deposits	29,832	28,732	+3.8	31,188
- Asset management	65,072	63,141	+3.1	64,583
- <i>Mutual funds and fund-based portfolio management</i>	52,004	52,917	-1.7	52,310
- <i>Portfolio management</i>	4,071	4,217	-3.5	4,065
- <i>Life technical reserves</i>	8,997	6,007	+49.8	8,208
- Asset administration	55,503	52,830	+5.1	52,395
Net asset management flows	621	67		2,916
Net loans to customers excluding NPLs	32,832	33,096	-0.8	33,375
OPERATING STRUCTURE				
Employees	16,490	16,369	+0.7	16,452
Branches	1,376	1,348	+2.1	1,376

information instruments to evaluate customer financial profiles;

- an increase in the quality of service for the remaining private customers, also in order to widen the customer base. The actions undertaken envisage the continuing process of assigning a substantial part of these customers to specific managers, the development of lending and transactional products, the spread of multichannel systems; with respect to the last, it should be noted that at the end of the first quarter the number of direct banking contracts rose to 206,800, up by 27,400 from the beginning of the year;
- the search for business opportunities in the small entrepreneur sector. Again the initiatives have been aimed around the customer manager, who will have appropriate instruments to analyze risk and evaluate commercial potential;
- the development of business with small- and medium-sized companies. With the opening of 84 branches to 30 April, the organizational revision is at an advanced stage; this envisages, by the end of the half-year, some 130 centers specialized in service and consultancy to entrepreneurs. The branches will be characterized by specialized personnel and will be supported by new information instruments, as well as products and services, above all in risk coverage and payment systems.

The Network recorded in the first quarter of 2002 a positive performance in customer financial assets, which at the end of March were 150.4 billion Euro, up by 1.5% on the

end of December 2001 and 3.9% on an annual basis. The good progress in financial assets was possible in the first place thanks to a significant increase, 3.1 billion Euro, in assets under administration, helped by the process of capital return from abroad.

In asset management, the Network achieved in the quarter a net inflow of 0.6 billion Euro, taking the total to 65.1 billion Euro, up by 0.8% from the beginning of the year and 3.1% against the end of March 2001; in particular, the increase achieved in the insurance sector should be noticed: life technical reserves in fact rose to 9 million Euro, with an annual change of 49.8%.

Loans to customers at the end of March were 32.8 billion Euro, with a fall of 1.6% from the beginning of the year. Performance in household mortgages, moreover, was positive recording disbursements of 426 million Euro in the quarter, up by 26.8% on the first three months of 2001.

The statement of income of the Network for the first quarter of 2002 showed a performance in line with expectations. Net income for the first three months was 81 million Euro and annualized RORAC 18.5%. The fall in profitability against the first quarter of 2001 follows, firstly, a reduction on an annual basis in the contribution of direct deposits, as a result of the fall in interest rates, and, secondly, to the lower commission flows resulting from the reduced incidence in customer portfolios of equity and asset allocation products.

Banco di Napoli

Banco di Napoli, which entered the SANPAOLO IMI Group in the second half of 2000, operates in the field of retail banking in the regions of Southern Italy through a network of 730 branches.

In the first quarter of 2002 Banco di Napoli carried on the actions aimed at focusing on its traditional regional presence and the activities of rationalization and efficiency improvement, consistently with the objectives based on

the relaunch plan approved in June 2001. The principal initiatives in the quarter concerned:

- the reduction of the shareholding portfolio: at the end of January 2002 the sale of the stake held in Datitalia was concluded, with a capital gain of 6 million Euro;
- the concentration of fund management activities in the Wealth Management Area of the SANPAOLO IMI Group, to which Banco di Napoli Asset Management was conferred in April;
- the withdrawal from the activities undertaken by the foreign network: in January, the voluntary liquidation of

Banco di Napoli (1)

	First quarter 2002	First quarter 2001	Change first quarter 2002 / First quarter 2001 (%)	2001
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	240	277	-13.4	1,094
Operating costs	-207	-227	-8.8	-881
Operating income	33	50	-34.0	213
Provisions and net adjustments to loans and financial fixed assets	-18	-25	-28.0	-97
Income before extraordinary items	15	25	-40.0	116
Net extraordinary income	15	21	-28.6	-38
Income before taxes	30	46	-34.8	78
Income taxes for the period	-16	-22	-27.3	-75
Net income	14	24	-41.7	3
Contribution to net income of the Group (2)	8	19	-57.9	-13
ALLOCATED CAPITAL (€/mil)	1,359	1,361	-0.1	1,358
RATIOS (%)				
Annualized RoE	2.4	5.6		n.s.
Cost / Income ratio	86.3	81.9		80.5
	31/3/2002	31/3/2001	Change 31/3/02-31/3/01 (%)	31/12/2001
OPERATING DATA (€/mil)				
Customer financial assets	38,647	38,052	+1.6	38,034
- Direct deposits	22,705	24,204	-6.2	22,759
- Asset management	8,932	6,792	+31.5	8,761
- <i>Mutual funds and fund-based portfolio management</i>	6,456	4,704	+37.2	6,255
- <i>Portfolio management</i>	1,322	1,275	+3.7	1,421
- <i>Life technical reserves</i>	1,154	813	+41.9	1,085
- Asset administration	7,010	7,056	-0.7	6,514
Net asset management flows	183	278		2,480
Net loans to customers excluding NPLs and SGA loans	15,340	16,828	-8.8	15,740
OPERATING STRUCTURE				
Employees	9,558	10,163	-6.0	9,588
Financial planners	205	204	+0.5	200
Domestic branches	730	731	-0.1	731

(1) Figures referred to Banco di Napoli S.p.A.

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

the New York branch was approved; at the beginning of March, the sale to third parties of the London branch was concluded, with a capital gain of 0.5 million Euro;

- in the context of the *Macchina Operativa Intragruppo* project, the progressive realization of the programs directed to move the data on the target system of the Parent Bank SANPAOLO IMI and the contextual organization re-qualification both centrally and at branch level;
- a voluntary incentive retirement scheme, which should lead, within the end of the year, to a further reduction of 600 employees.

It should also be noted that, in order to achieve the most complete integration with the Naples bank, SANPAOLO IMI launched, in March 2002, a voluntary Public Offer for all the savings shares of Banco di Napoli; the transaction, concluded in April, brought the amount of savings capital held by SANPAOLO IMI to approximately 90%.

In operating terms, in the first quarter of 2002 Banco di Napoli recorded a positive performance in asset management: amounts rose to 8.9 billion Euro, with an increase of 31.5% on an annual basis and 2% from the end of December 2001. Assets under administration showed a growth of 7.6% from the beginning of the year, taking them back substantially in line with the end of March of the previous year. Direct deposits instead showed a reduction of 6.2% on the end of the first three months of 2001,

in part attributable to the downsizing of the foreign network, coming in at 22.7 billion Euro.

In terms of loans, the policy followed by the Banco, consistently with the operational lines defined by the relaunch plan, was directed at concentrating operations on the reference customer base represented by households and small entrepreneurs; at the end of March net loans, excluding non-performing loans and SGA loans, were 15.3 billion Euro, down by 8.8% on the 12 months and 2.5% from the beginning of the year.

In the first quarter of 2002 the performance in the principal economic margins of Banco di Napoli was affected by the progressive withdrawal from business, currently in course. Net interest and other banking income showed a fall of 13.4% on the same period of the previous year due both to the reduction in net interest income (-18.1%), negatively affected also by the downward movement of interest rates and spreads, and to a fall in profits from financial transactions; net commissions instead recorded a small increase on the first three months of 2001 (+0.6%). Actions in course to improve efficiency led to a significant reduction in operating costs (-8.8%), not sufficient however to compensate for the lower revenues; the Banco thus achieved in the first quarter of 2002 net income of 14 million Euro, against 24 million Euro recorded in the same period of the preceding year.

Other Networks

In the first three months of 2002, Other Networks operated abroad through the French subsidiary Banque Sanpaolo, the Slovenian Banka Koper and the Hungarian Inter-Europa Bank and, in Italy, through the distribution networks of Cassa di Risparmio di Firenze, in which the Group has a stake of 18.7%, and Cassa dei Risparmi di Forlì, with a stake of 21%.

In terms of foreign operations, the principal initiatives to be noted during the quarter included the restructuring of the

branch network, actually in course, by the French Banque Sanpaolo, aimed at a greater specialization of the branches towards the reference customer base, in particular private customers and small- and medium-sized companies. The solid customer base of Banque Sanpaolo, with 125,000 private customers with medium-high savings potential, allowed the Banque, in the first three months of 2002, to continue the good progress in asset management already evident in the previous year; the net asset management flows, 317 million Euro, in fact brought the amounts to 5.7 billion Euro, with an increase of 6.5% from the beginning of the year and 13.5% compared to the end of March 2001.

Other Networks

	First quarter 2002	First quarter 2001 pro forma	Change first quarter 2002 / First quarter 2001 pro forma (%)	2001 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	68	61	+11.5	223
Operating costs	-37	-33	+12.1	-135
Operating income	31	28	+10.7	88
Provisions and net adjustments to loans and financial fixed assets	-4	-3	+33.3	-13
Income before extraordinary items	27	25	+8.0	75
Net extraordinary income	-	2	n.s.	3
Income before taxes	27	27	-	78
Income taxes for the period	-6	-7	-14.3	-20
Net income	21	20	+5.0	58
ALLOCATED CAPITAL (€/mil)	754	639	+18.0	653
RATIOS (%)				
Annualized RoE	11.1	12.5		8.9
Cost / Income ratio	54.4	54.1		60.5
	31/3/2002	31/3/2001	Change 31/3/02-31/3/01 (%)	31/12/2001
OPERATING DATA (€/mil) (1)				
Customer financial assets	12,696	12,907	-1.6	12,340
- Direct deposits	4,436	4,675	-5.1	4,532
- Asset management	5,708	5,031	+13.5	5,362
- <i>Mutual funds and fund-based portfolio management</i>	3,830	2,783	+37.6	3,514
- <i>Portfolio management</i>	1,098	1,512	-27.4	1,104
- <i>Life technical reserves</i>	780	736	+6.0	744
- Asset administration	2,552	3,201	-20.3	2,446
Net asset management flows	317	147		310
Net loans to customers excluding NPLs	3,634	3,617	+0.5	3,406
OPERATING STRUCTURE (1)				
Employees	1,231	1,246	-1.2	1,257
Branches	59	61	-3.3	59

(1) The operating data and the operating structure are referred to the sole Banque Sanpaolo.

Concerning the Italian distribution networks, in operating terms, it should be noted:

- the achievement, at the end of March, of a stock of 2.1 billion Euro in funds managed by CR Firenze Gestion Internationale, held 80% by Carifirenze and 20% by SANPAOLO IMI and operational from April 2001; the net flow recorded in the first quarter of 2002 was 262 million Euro;
- the placing by the Cariforlì network, in the first three months of the year, of 31 million Euro of SANPAOLO IMI

Group products, which brought the total amount to 118 million Euro.

The profitability margins of Other Networks in the first quarter of 2002 showed an increase on the same period of the preceding year thanks to a positive performance in revenues which more than compensated for the greater operating costs incurred. Net income was thus 21 million Euro, corresponding to an annualized RoE of 11.1%.

Wealth Management

Wealth Management provides asset management products and services both to the internal distribution networks of the Group (Sanpaolo Network, Banco di Napoli and Banca Sanpaolo Invest) and to institutional investors, associated networks and other networks. The Area was established in April 2001 through the conferral by the Parent Bank to the holding Sanpaolo IMI Wealth Management of the companies operating in the field of mutual funds and portfolio management (Sanpaolo IMI Asset Management, Sanpaolo IMI Institutional Asset Management, Sanpaolo Gestion Internationale and Sanpaolo Fiduciaria), in private banking (Sanpaolo Bank Luxembourg, Sanpaolo Bank Austria and SP Private Banking) and in life insurance (Sanpaolo Vita and Sanpaolo Life).

Furthermore, in the context of the process of integration of Banco di Napoli within the SANPAOLO IMI Group, in April

2002 the asset management company of the Neapolitan group, Banco di Napoli Asset Management, was conferred to the Wealth Management structures.

In the first quarter of 2002 the industrial plan for the Area was approved, aiming at a greater integration of the financial products offered, with particular regard to insurance products; the plan also envisages actions directed to realize the reachable synergies within the Group from the point of view of industrialization of the production processes.

The principal initiatives in the quarter concerned:

- in mutual funds, the redefinition of the structure of performance commissions and of the benchmarks;
- the widening of the product range, through the launch of new protected unit linked policies to be distributed through the network of the Cassa dei Risparmi di Forlì;

Wealth Management

	First quarter 2002 pro forma	First quarter 2001 pro forma	Change first quarter 2002 / First quarter 2001 pro forma (%)	2001 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	51	74	-31.1	267
Operating costs	-23	-24	-4.2	-96
Operating income	28	50	-44.0	171
Adjustments to goodwill and merger and consolidation differences	-2	-	n.s.	-7
Provisions and net adjustments to loans and financial fixed assets	-	-2	n.s.	-14
Income before extraordinary items	26	48	-45.8	150
Net extraordinary income	-1	-	n.s.	-3
Income before taxes	25	48	-47.9	147
Income taxes for the period	2	2	-	57
Change in reserves for general banking risks and income attributable to minority	-	-	-	-1
Net income	27	50	-46.0	203
Contribution to net income of the Group (1)	29	56	-48.2	215
ALLOCATED CAPITAL (€/mil)	659	457	+44.2	422
RATIOS (%)				
Annualized RoE	17.6	49.0		50.9
Cost / Income ratio	45.1	32.4		36.0
	31/3/2002 pro forma	31/3/2001 pro forma	Change 31/3/02-31/3/01 pro forma (%)	31/12/2001 pro forma
OPERATING DATA (€/mil)				
Asset management	80,102	77,989	+2.7	79,782
OPERATING STRUCTURE				
Employees	499	461	+8.2	486

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

- the signing with extra-captive networks of agreements, which envisage the distribution of funds and portfolio management and the inclusion of Wealth Management products in the networks' structured products.

It should be further noted that, during the quarter, Sanpaolo IMI Alternative Investments SGR, a company dedicated to hedge fund management, obtained approval of the Regolamento dei Fondi (Fund Regulation) from the Bank of Italy, the final phase required by regulation before the launch of operations.

Assets under management were 80.1 billion Euro at the end of March, with an increase of 0.3 billion Euro on the

end of 2001 (+0.4%); a net flow from the distribution networks of 0.4 billion Euro contributed to this result.

In the first quarter of 2002, Wealth Management had net interest and other banking income of 51 million Euro, down by 31.1% on the same period of the preceding year; this performance was determined by both the fall in commissions and lower profits from companies carried at equity which, in the first quarter of 2001, benefited from a particularly significant contribution from the insurance companies Sanpaolo Vita and Sanpaolo Life. Net income in the quarter was 27 million Euro, against 50 million Euro in the first three months of 2001.

Personal Financial Services

Banca Fideuram

Banca Fideuram, which has a network of 3,736 financial planners and 85 branches in Italy, operates using its own specialized companies dedicated to the production of asset management services.

In the first quarter of 2002, the actions realized by Banca Fideuram concerned:

- the continuing of the development plan of the private banking activities in France through the Wargny group;
- the completion of the restructuring of the Luxembourg subsidiaries, with the concentration of the five product companies in a single corporate vehicle, Fideuram Gestions;
- the launch of activities, in Ireland, of the subsidiary Fideuram Asset Management Ireland, to undertake the asset management activities of Luxembourg funds.

At the end of March 2002, customer financial assets of Banca Fideuram were 51.8 billion Euro, up by 2.3% on

Banca Fideuram

	First quarter 2002	First quarter 2001	Change first quarter 2002 / First quarter 2001 (%)	2001
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	144	148	-2.7	578
Operating costs	-72	-71	+1.4	-280
Operating income	72	77	-6.5	298
Adjustments to goodwill and merger and consolidation differences	-3	-6	-50.0	-24
Provisions and net adjustments to loans and financial fixed assets	-6	-6	-	-47
Income before extraordinary items	63	65	-3.1	227
Net extraordinary income	-	1	n.s.	10
Income before taxes	63	66	-4.5	237
Income taxes for the period	-11	-8	+37.5	-11
Net income	52	58	-10.3	226
Contribution to net income of the Group (1)	38	46	-17.4	173
ALLOCATED CAPITAL (€/mil)	744	702	+6.0	612
RATIOS (%)				
Annualized RoE	20.4	26.2		28.3
Cost / Income ratio	50.0	48.0		48.4
	31/3/2002	31/3/2001	Change 31/3/02-31/3/01 (%)	31/12/2001
OPERATING DATA (€/mil)				
Customer financial assets	51,839	50,668	+2.3	50,414
- Direct deposits	4,098	3,307	+23.9	3,564
- Asset management	37,334	38,972	-4.2	37,477
- <i>Mutual funds and fund-based portfolio management</i>	30,321	33,133	-8.5	31,022
- <i>Life technical reserves</i>	7,013	5,839	+20.1	6,455
- Asset administration	10,407	8,389	+24.1	9,373
Net asset management flows	-60	-224		339
OPERATING STRUCTURE				
Employees	1,653	1,613	+2.5	1,647
Financial planners	3,736	3,774	-1.0	3,795
Domestic branches	85	75	+13.3	82

(1) Related to the stake held by SANPAOLO IMI and after the posting of consolidation attributable to the Area.

the same period of 2001 and 2.8% from the beginning of the year. Particularly positive was the development in direct deposits and asset administration, up by respectively 15% and 11% in the quarter and approximately 24% during the 12 months; such types of investment in fact continued to represent a temporary alternative for customers to asset management in expectation of a market recovery. Assets under management were 37.3 billion Euro, substantially stable on the level at the end of December 2001; within this, the insurance sector still represented the most active component: life technical reserves rose at the end of March 2002 to 7 billion Euro,

with an increase of 8.6% from the beginning of the year and 20.1% in the 12 months.

In the first quarter of 2002 Banca Fideuram had net interest and other banking income of 144 million Euro, slightly lower than in the same period of the previous year (-2.7%); within this, commission income, moreover, showed a small increase. The greater charges in the quarter, connected in particular to the realization of the development plan of the French subsidiaries, took Fideuram's net income to 52 million Euro (-10.3% on the first quarter of 2001). The annualized RoE was 20.4%.

Banca Sanpaolo Invest

In the quarter Banca Sanpaolo Invest undertook actions aimed at strengthening its business model, which envisages the distribution of products of the Group and other leading operators, through the network of 1,404 financial planners operating with the support of the direct sales channels.

The principal initiatives launched in the first quarter of 2002 concerned:

- the widening of the product range, in particular through the development of products designed to allow custo-

mers to benefit from the regulations governing the repatriation of capital held abroad: in particular, the marketing of a single-premium unit linked policy with return based on the value of holdings in mutual funds set up for the purpose by Sanpaolo Life and a structured bond, set up in collaboration with Banca IMI, was launched;

- the strengthening of the activities undertaken through the phone and Internet banking direct channels: 28,355 security trades by phone and 6,306 by Internet were made during the quarter;
- the recruitment of about 40 new financial planners with high potential, plus more than 40 letters of appoint-

Banca Sanpaolo Invest

	First quarter 2002	First quarter 2001	Change first quarter 2002 / First quarter 2001 (%)	2001
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	15	18	-16.7	79
Operating costs	-12	-10	+20.0	-52
Operating income	3	8	-62.5	27
Provisions and net adjustments to loans and financial fixed assets	-1	-	n.s.	-3
Income before extraordinary items	2	8	-75.0	24
Net extraordinary income	-	-2	n.s.	-
Income before taxes	2	6	-66.7	24
Income taxes for the period	-1	-2	-50.0	-8
Change in reserves for general banking risks	1	1	-	2
Net income	2	5	-60.0	18
Contribution to net income of the Group (1)	2	5	-60.0	18
ALLOCATED CAPITAL (€/mil)	105	105	-	93
RATIOS (%)				
Annualized RoE	7.6	19.0		19.4
Cost / Income ratio	80.0	55.6		65.8
	31/3/2002	31/3/2001	Change 31/3/02-31/3/01 (%)	31/12/2001
OPERATING DATA (€/mil)				
Customer financial assets	9,873	9,615	+2.7	9,677
- Direct deposits	502	102	n.s.	363
- Asset management	8,164	8,706	-6.2	8,108
- <i>Mutual funds and fund-based portfolio management</i>	5,758	6,532	-11.8	5,708
- <i>Portfolio management</i>	503	554	-9.2	524
- <i>Life technical reserves</i>	1,903	1,620	+17.5	1,876
- Asset administration	1,207	807	+49.6	1,206
Net asset management flows	-40	132		470
OPERATING STRUCTURE				
Employees	211	197	+7.1	210
Financial planners	1,404	1,525	-7.9	1,494

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

ment for new entrants, against the departure of about 130 people.

At the end of March 2002, Banca Sanpaolo Invest's assets under management were 8.2 billion Euro, up by 0.7% from the beginning of the year; within that, there was a positive performance in life technical reserves, which presented an increase of 1.4% from the end of December 2001 and 17.5% on the 12 months. Also positive was the trend of direct deposits, which rose to 502 million Euro from 363 mil-

lion Euro at the end of 2001; asset administration, stable on the level of the beginning of the year, presented a significant increase against the end of March 2001 (+49.6%).

In the first quarter of 2002, Banca Sanpaolo Invest's net interest and other banking income was 15 million Euro; it showed a reduction of 16.7% on the same period of the preceding year, wholly due to lower commission income. Net income was thus 2 million Euro, against 5 million Euro in the first three months of 2001.

Wholesale Banking

Corporate

In the first quarter of 2002, Corporate undertook lending and banking services for large- and medium-sized companies and groups through two organizational structures: the first dedicated to relationships with Italian companies and the second operating to serve foreign companies. The Corporate network was composed of six area offices in Italy and 11 branches and 16 representative offices abroad, as well as the subsidiary Sanpaolo IMI Bank Ireland.

It should be noted that, in the redesigned structure of the Group made last March, with the objective of achieving a greater specialization in its customer segment, the operations have been divided on the basis of similar customer segments. In particular:

- the activities undertaken by the Foreign Network of the Parent Bank and Sanpaolo IMI Bank Ireland were placed in an autonomous Business Unit, in turn centered on three regional offices (Americas, Europe and Asia) to direct and supervise the various operating offices;
- the responsibility for medium-sized Italian companies has been returned to the Sanpaolo Network;
- an autonomous function dedicated to serve major Italian groups has been established.

In the first quarter of 2002, still marked by considerable market uncertainty, Corporate's activity continued to be directed to the selectivity of relationships. Total loans, cash and guarantees, thus showed a fall on both the end of 2001 (-3.5%) and the end of March 2001 (-1.2%).

In the first three months of 2002 the Area recorded net interest and other banking income of 76 million Euro,

Corporate

	First quarter 2002	First quarter 2001 pro forma	Change first quarter 2002 / First quarter 2001 pro forma (%)	2001 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	76	80	-5.0	351
Operating costs	-28	-27	+3.7	-119
Operating income	48	53	-9.4	232
Provisions and net adjustments to loans and financial fixed assets	-20	-6	n.s.	-66
Income before extraordinary items	28	47	-40.4	166
Net extraordinary income	-	-	-	2
Income before taxes	28	47	-40.4	168
Income taxes for the period	-16	-19	-15.8	-72
Net income	12	28	-57.1	96
ALLOCATED CAPITAL (€/mil)	939	879	+6.8	892
RATIOS (%)				
Annualized RORAC	5.1	12.7		10.8
Cost / Income ratio	36.8	33.8		33.9
	31/3/2002	31/3/2001 pro forma	Change 31/3/02-31/3/01 pro forma (%)	31/12/2001
OPERATING DATA (€/mil)				
Net loans to customers excluding NPLs	24,157	23,542	+2.6	24,161
Guarantees	7,446	8,435	-11.7	8,578
Total loans and guarantees	31,603	31,977	-1.2	32,739
OPERATING STRUCTURE				
Employees	543	521	+4.2	561
Area offices in Italy	6	6	-	6
Foreign branches and representative offices	27	24	+12.5	27

5% less than in the same period of the preceding year; this outcome was determined by a fall in interest income, only in part compensated for by the increase in net commissions.

The negative effects arising from the deterioration in the economy were reflected in an increase in provisions and adjustments to loans; net income thus fell to 12 million Euro against 28 million in the first three months of 2001.

Public Works and Infrastructure

The provision of financial services to the public sector, with particular reference to the financing of investments and infrastructure, is undertaken by Banca OPI, a specialized company through which the Group aims to consolidate its leading role in Italy in the sector. In the new Group configuration, Banca OPI operates as a specialist dedicated unit within the Domestic Banking Networks.

In the first quarter of 2002 Banca OPI:

- signed new medium- and long-term mortgage contracts for a total of 848 million Euro; the business has been concentrated in particular on an important intervention in the railroad sector and various financings,

also in project financings, in road and airport infrastructure, as well as in the environmental sector;

- made disbursements for 1 billion Euro, significantly higher than 281 million Euro in the same period of 2001; these concerned in particular the financing of health services in various local authorities, largely in the South, the support for investments in several municipal authorities, the High Speed Train and urban transport;
- in advisory, obtained a new mandate to exploit the value of the AIM multiutility of the Comune di Vicenza, as well as proceeding with current mandates.

Banca OPI loans at the end of March 2002 rose to 13.8 billion Euro, with an increase on an annual basis of 18.5%.

Public Works and Infrastructure

	First quarter 2002	First quarter 2001	Change first quarter 2002 / First quarter 2001 (%)	2001
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	31	32	-3.1	127
Operating costs	-5	-4	+25.0	-18
Operating income	26	28	-7.1	109
Provisions and net adjustments to loans and financial fixed assets	-16	-7	+128.6	-65
Income before extraordinary items	10	21	-52.4	44
Net extraordinary income	-	1	n.s.	2
Income before taxes	10	22	-54.5	46
Income taxes for the period	-2	-6	-66.7	-14
Net income	8	16	-50.0	32
Contribution to net income of the Group (1)	17	19	-10.5	69
ALLOCATED CAPITAL (€/mil)	381	349	+9.2	349
RATIOS (%)				
Annualized RoE	17.8	21.8		19.8
Cost / Income ratio	16.1	12.5		14.2
	31/3/2002	31/3/2001	Change 31/3/02-31/3/01 (%)	31/12/2001
OPERATING DATA (€/mil)				
Net loans to customers excluding NPLs	13,829	11,667	+18.5	13,284
Disbursements in the period	1,006	281	n.s.	3,018
OPERATING STRUCTURE				
Employees	114	107	+6.5	114

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

Against substantially stable revenues, the development of profit results, overall in line with the budget provisions, was affected by the posting of greater provisions, allowed by tax regulations; net income thus fell to 8 million Euro,

against 16 million in the same period of the preceding year. The contribution to net income of the Group, after the reversal of provisions made for tax purposes, was 17 million Euro, giving an annualized RoE of 17.8%.

Investment Banking

Investment Banking covers securities dealing both on own account and for customers, the raising of risk and debt capital for companies, as well as consultancy in matters of corporate finance. Investment banking activities are undertaken by the Banca IMI group, excluding IMIWeb Bank, which operates in the field of on line trading.

In the first quarter of 2002:

- in corporate finance and capital markets, Banca IMI participated as Co-Lead Manager in the institutional placing syndicate of Autoroutes du Sud de la France and continued, on behalf of the Ministry of Economy and Finance, the market sale of its remaining stake in Assicurazioni Generali; in optional capital raisings, the Bank participated in the Fiat transaction among the financial institu-

tions which jointly guaranteed the successful outcome of the transaction; in Public Purchase Offers, it acted as coordinating intermediary in the offer for Idra Presse;

- in corporate finance advisory Banca IMI participated in the sale of the majority stake of Utet to De Agostini and the acquisition by Autogrill of a significant shareholding in Pastarito; it also acted as financial consultant in determining the exchange ratio in the merger by incorporation of Unimed into Buzzi Unicem;
- abroad, the Luxembourg subsidiary IMI Bank continued to promote and market custody and depositary bank services and strengthened the activities connected to the issue of IMI Notes.

Investment Banking's profit results continued to be affected by the high instability in the financial markets which characterized the first quarter of 2002. Revenues in the

Investment Banking

	First quarter 2002	First quarter 2001	Change first quarter 2002 / First quarter 2001 (%)	2001
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	54	61	-11.5	197
Operating costs	-39	-37	+5.4	-160
Operating income	15	24	-37.5	37
Provisions and net adjustments to loans and financial fixed assets	-	-	-	-7
Income before extraordinary items	15	24	-37.5	30
Net extraordinary income	-2	-	n.s.	-1
Income before taxes	13	24	-45.8	29
Income taxes for the period	-4	-10	-60.0	5
Net income	9	14	-35.7	34
Contribution to net income of the Group (1)	9	14	-35.7	34
ALLOCATED CAPITAL (€/mil)	321	338	-5.0	302
RATIOS (%)				
Annualized RoE	11.2	16.6		11.3
Cost / Income ratio	72.2	60.7		81.2
OPERATING DATA (€/mil)				
Banca IMI SpA trading volumes				
- trading	164,149	172,643	-4.9	681,694
- sales	29,758	36,405	-18.3	121,814
- repurchase agreements	350,532	247,733	+41.5	1,440,015
- placements	2,553	3,491	-26.9	14,506
	31/3/2002	31/3/2001	Change 31/3/02-31/3/01 (%)	31/12/2001
OPERATING STRUCTURE				
Employees	653	682	-4.3	653
Branches	2	2	-	2

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

quarter benefited from capital gains from equity portfolio dealing; net interest and other banking income was thus 54 million Euro, a fall of 11.5% on the same period of

2001. Net income was 9 million Euro, against 14 million in the first three months of 2001, giving an annualized RoE of 11.2%.

Merchant Banking

In the first three months of 2002 the Group's merchant banking activities was undertaken through the subsidiary NHS.

At the end of quarter, as mentioned earlier, NHS was significantly restructured leading to the partial split of the company, which led to the allocation of the private equity business into a "newco" (NHS S.p.A.) and the maintenance of the business which consists of bringing out the value of the portfolio of substantial industrial investments inside the "oldco" after the spin-off (which took the registered name of IMI Investimenti).

NHS, with reference to the pre-spin-off configuration, made the following investments in the quarter:

- the proportional subscription of the Fiat capital increa-

se, with an outlay of 15.2 million Euro; following the transaction the shareholding with voting rights held in Fiat was 1.7%;

- the payment of 21 million Euro against the shareholder financing for Hutchinson 3G Italia, the holding for the operating company H3G which obtained a UMTS license in 2000;
- the partial extinction, of 2.8 million Euro, of the commitment previously assumed to invest up to 10 million Euro in Idra Partecipazioni, to finance the voluntary Public Offer launched by the company for Idra Presse, as well as successive capitalizations to support development plans.

Disinvestments in the period concerned:

- the sale of the stake of 2.8% held in Camuzzi Gazometri, concluded in March, with a capital gain of 6.7 million Euro;

Merchant Banking

	First quarter 2002	First quarter 2001	Change first quarter 2002 / First quarter 2001 (%)	2001
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	5	-	n.s.	14
Operating costs	-3	-2	+50.0	-11
Operating income	2	-2	n.s.	3
Adjustments to goodwill and merger and consolidation differences	-2	-	n.s.	-16
Provisions and net adjustments to loans and financial fixed assets	-16	-1	n.s.	-131
Income before extraordinary items	-16	-3	n.s.	-144
Net extraordinary income	4	16	-75.0	228
Income before taxes	-12	13	n.s.	84
Income taxes for the period	4	-4	n.s.	-30
Net income	-8	9	n.s.	54
Contribution to net income of the Group (1)	-4	5	n.s.	33
ALLOCATED CAPITAL (€/mil)	410	418	-1.9	391
RATIOS (%)				
Annualized RoE	n.s.	4.8		8.4
Cost / Income ratio	60.0	n.s.		78.6
	31/3/2002	31/3/2001	First quarter 2002 net flow	31/12/2001
OPERATING DATA (€/mil)				
Merchant banking direct investments	434	503	+4	430
Other shareholdings	642	610	-30	672
	31/3/2002	31/3/2001	Change 31/3/02-31/3/01 (%)	31/12/2001
OPERATING STRUCTURE				
Employees	52	52	-	52

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

- the sale of 1.4 million ENI shares, from the total 10.5 million shares held, with the posting of a capital gain of 4 million Euro;
- the definition of the heads of agreement for the sale to the De Agostini Group of the stake in Utet, together with the other financial investors and the historic shareholders, for a total of 78%; the transaction, whose conclusion is expected within the first half, will lead to a capital gain of approximately 3 million Euro.

Among the important initiatives in the quarter the establishment, in January 2002, of NHS Mezzogiorno SGR should

also be noted; the company will manage the “Fondo di promozione del capitale di rischio per il Mezzogiorno” (“Risk capital fund for Southern Italy”), specializing in investment in small- and medium-sized companies in South Italy, which will reach a size of 100 million Euro.

In the first quarter of 2002 the income results of NHS, as it was before the spin-off, were penalized by greater net adjustments to financial fixed assets, largely connected to the devaluation on the shareholding in Fiat; the quarter thus closed with a net loss of 8 million Euro, of which 4 million attributable to the 51% held by SANPAOLO IMI.

Explanatory Notes

ACCOUNTING AND VALUATION PRINCIPLES

CRITERIA TO CALCULATE THE PROFITABILITY OF THE BUSINESS AREAS

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group at 31 March 2002 has been prepared according to Consob Regolamento 11971 of 14 May 1999 and successive modifications and integration.

The balance sheet at 31 March 2002 and the income statement for the first quarter of 2002 have been prepared using the accounting and valuation principles used in the Annual Report of 2001 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;
- the accounting situations used for consolidation are those prepared by subsidiary companies (consolidated line by line, proportionally or at net equity) with reference to 31 March 2002, as adjusted when necessary 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 also using, for the income statement for the period, prudent estimates;
- adjustments and provisions made exclusively for tax purposes by the Parent Bank and 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 and proportional consolidation, the following should be noted:

- with respect to 31 December 2001, the Slovenian company Banka Koper is included in the proportional consolidation area;
- with respect to 31 March 2001, the following changes have occurred:
 - the exclusion from the line by line consolidation area of Sanpaolo Immobiliare S.p.A. and SIM BancoNapoli & Fumagalli Soldan S.p.A., as a result of their disposal during 2001, as well as the exclusion of Datitalia S.p.A., as a result of its disposal at the beginning of 2002;

- the inclusion in the proportional consolidation area of Centradia Group, Centradia Limited and Centradia Services Ltd.

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

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 net income of the Group 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 net income of the Group to the respective average accounting net shareholders' equity (excluding income for the period), consistently with the principles adopted for the Group.

Turin, 14 May 2002

The Board of Directors

