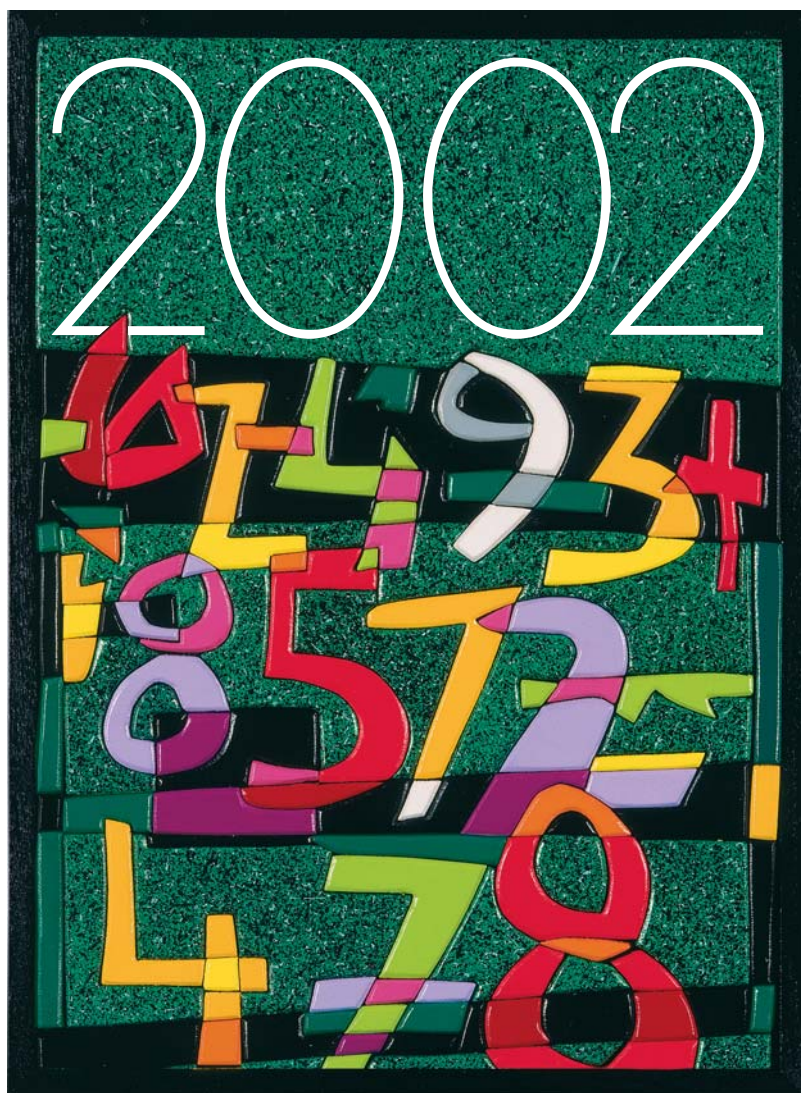


S A N P A O L O I M I



QUARTERLY REPORT 30 SEPTEMBER 2002

**GRUPPO SANPAOLO IMI**

# Quarterly Report 30 September 2002

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SANPAOLO IMI S.p.A.

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REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY

- VIA FARINI 22, BOLOGNA, ITALY

COMPANY REGISTER OF TURIN 06210280019

SHARE CAPITAL EURO 5,144,064,800 FULLY PAID

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PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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# Key figures

	First nine months 2002	First nine months 2001 pro forma (1)	Change first nine months 2002 / First nine months 2001 pro forma (%)	Year 2001 pro forma (1)
<b>CONSOLIDATED STATEMENT OF INCOME (€/mil)</b>				
Net interest income	2,813	2,958	-4.9	3,959
Net commissions and other net dealing revenues	2,054	2,280	-9.9	3,056
Administrative costs	-3,424	-3,413	+0.3	-4,647
Operating income	1,818	2,094	-13.2	2,770
Provisions and net adjustments to loans and financial fixed assets	-765	-564	+35.6	-1,007
Income before extraordinary items	929	1,408	-34.0	1,591
Net extraordinary income	170	376	-54.8	414
Net income of the Group	575	1,143	-49.7	1,376
<b>CONSOLIDATED BALANCE SHEET (€/mil)</b>				
Total assets	204,774	206,751	-1.0	213,427
Loans to customers (excluding NPLs and SGA loans)	120,622	118,299	+2.0	121,469
Securities	26,854	28,719	-6.5	28,543
Equity investments	4,170	4,621	-9.8	4,898
Customer deposits and securities issued	136,841	129,373	+5.8	134,803
Subordinated liabilities	6,218	5,621	+10.6	5,829
Shareholders' equity of the Group	10,328	10,672	-3.2	10,933
<b>CUSTOMER FINANCIAL ASSETS (€/mil)</b>				
Customer financial assets	353,336	339,275	+4.1	357,875
- Direct deposits	136,841	129,373	+5.8	134,803
- Indirect deposits	216,495	209,902	+3.1	223,072
- Asset management	129,164	129,969	-0.6	138,479
- Asset administration	87,331	79,933	+9.3	84,593
<b>PROFITABILITY RATIOS (%)</b>				
Annualized RoE (2)	7.4	15.2		13.9
Cost / Income ratio (3)	65.9	62.4		63.3
Net commissions / Administrative costs	60.0	66.8		65.8
<b>CREDIT RISK RATIOS (%)</b>				
Net non-performing loans / Net loans to customers	1.1	1.1		1.1
Net problem loans and loans in restructuring / Net loans to customers	1.2	1.1		1.2
<b>SOLVENCY RATIOS (%) (4)</b>				
Tier 1 capital / Weighted assets	7.3			
Total capital / Weighted assets	10.2			
<b>SHARES</b>				
Number of shares (millions)	1,837	1,837	-	1,837
Quoted price per share (€)				
- average	10.383	15.155	-31.5	14.375
- low	5.686	8.764	-35.1	8.764
- high	13.702	18.893	-27.5	18.893
Earnings / Average number of shares in circulation (€)	0.31	0.62	-50.0	0.75
Dividend per share (€)				0.57
Dividend / Average annual price (%)				3.97
Shareholders' equity / Number of shares in circulation (€)	5.62	5.81	-3.3	5.95
<b>OPERATING STRUCTURE</b>				
Employees	46,133	47,136	-2.1	46,556
Domestic branches	3,058	2,995	+2.1	3,049
Foreign branches and representative offices	150	137	+9.5	150
Financial planners	5,159	5,542	-6.9	5,510

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

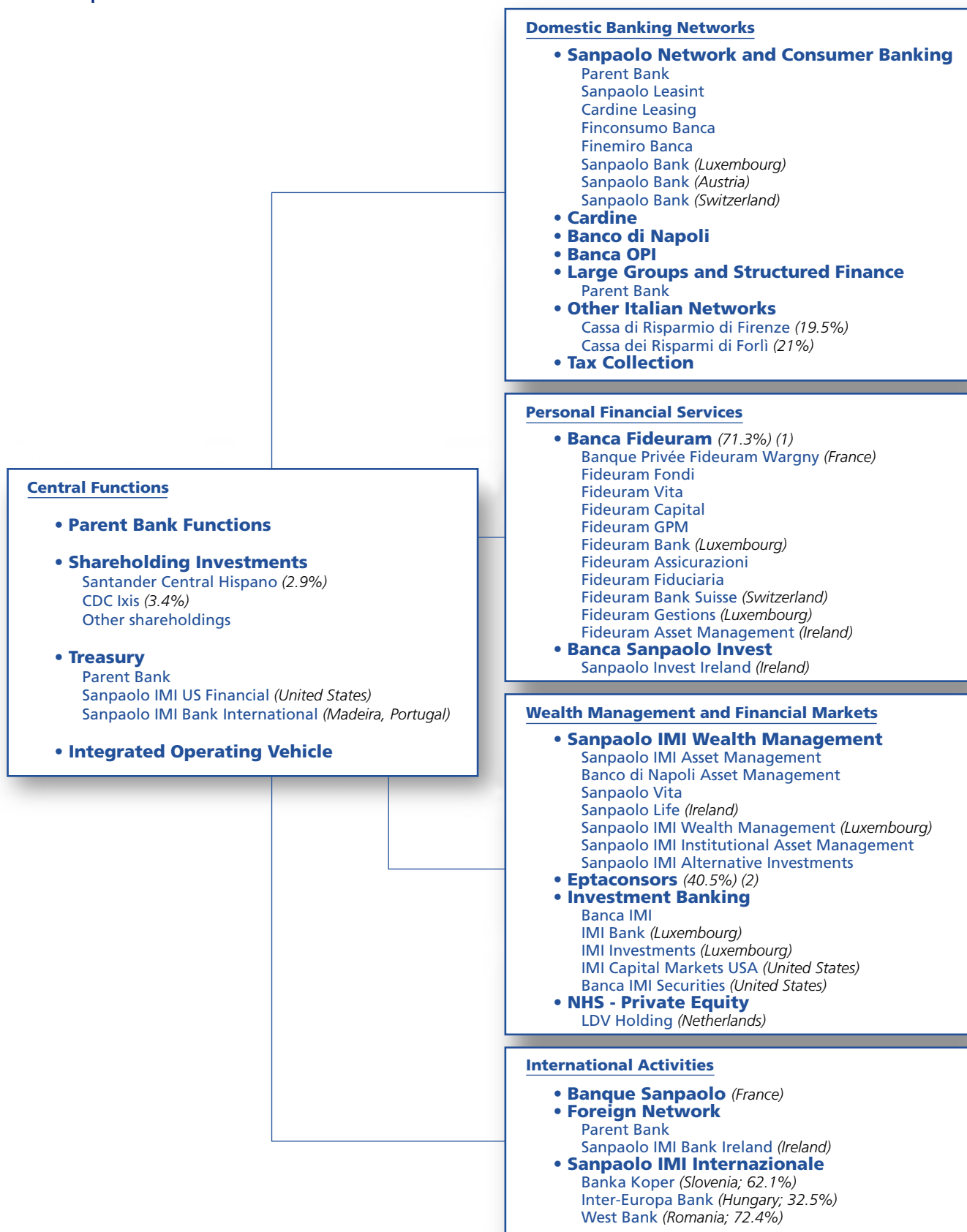
(2) Annualized net income / Average net shareholders' equity excluding income for the period.

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

(4) Estimated figures.

The pro forma figures for the first nine months of 2001 and for 2001, as well as the figures for the first nine months of 2002 are unaudited.

# Group structure



(1) From 8/10/2002 the share rose to 73.4% following the acquisition of Banca Sanpaolo Invest by Banca Fideuram.

(2) From 15/10/2002 the share rose to 60.7%.



# Reclassified consolidated financial statements

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RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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RECLASSIFIED CONSOLIDATED BALANCE SHEET

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QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED BALANCE SHEET

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## Reclassified consolidated statement of income

	First nine months 2002 (€/mil)	First nine months 2001 pro forma (1) (€/mil)	Change first nine months 2002 / First nine months 2001 pro forma (%)	Year 2001 pro forma (1) (€/mil)
<b>NET INTEREST INCOME</b>	<b>2,813</b>	<b>2,958</b>	<b>-4.9</b>	<b>3,959</b>
Net commissions and other net dealing revenues	2,054	2,280	-9.9	3,056
Profits and losses from financial transactions and dividends on shares	222	159	+39.6	300
Profits from companies carried at equity and dividends from shareholdings	239	168	+42.3	228
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>5,328</b>	<b>5,565</b>	<b>-4.3</b>	<b>7,543</b>
Administrative costs	-3,424	-3,413	+0.3	-4,647
- <i>personnel</i>	-2,111	-2,135	-1.1	-2,862
- <i>other administrative costs</i>	-1,118	-1,075	+4.0	-1,519
- <i>indirect duties and taxes</i>	-195	-203	-3.9	-266
Other operating income, net	264	275	-4.0	353
Adjustments to tangible and intangible fixed assets	-350	-333	+5.1	-479
<b>OPERATING INCOME</b>	<b>1,818</b>	<b>2,094</b>	<b>-13.2</b>	<b>2,770</b>
Adjustments to goodwill and merger and consolidation differences	-124	-122	+1.6	-172
Provisions and net adjustments to loans and financial fixed assets	-765	-564	+35.6	-1,007
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>929</b>	<b>1,408</b>	<b>-34.0</b>	<b>1,591</b>
Net extraordinary income	170	376	-54.8	414
<b>INCOME BEFORE TAXES</b>	<b>1,099</b>	<b>1,784</b>	<b>-38.4</b>	<b>2,005</b>
Income taxes for the period	-492	-523	-5.9	-517
Change in reserves for general banking risks	11	-	n.s.	-6
Income attributable to minority interests	-43	-118	-63.6	-106
<b>NET INCOME</b>	<b>575</b>	<b>1,143</b>	<b>-49.7</b>	<b>1,376</b>

(1) The pro forma statements of income have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine Banca and the acquisition of the interest in Banka Koper at 1/11/2001.

The pro forma statements of income for the first nine months of 2001 and for 2001, as well as the statement of income for the first nine months of 2002 are unaudited.

## Quarterly analysis of the reclassified consolidated statement of income

	Year 2002			Quarterly average (€/mil)	Year 2001 pro forma (1)			
	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter pro forma (1) (€/mil)		4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	
<b>NET INTEREST INCOME</b>	<b>936</b>	<b>950</b>	<b>927</b>	<b>990</b>	<b>1,001</b>	<b>956</b>	<b>1,005</b>	<b>997</b>
Net commissions and other net dealing revenues	668	689	697	764	776	726	798	756
Profits and losses from financial transactions and dividends on shares	13	125	84	75	141	6	81	72
Profits from companies carried at equity and dividends from shareholdings	55	135	49	57	60	7	101	60
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>1,672</b>	<b>1,899</b>	<b>1,757</b>	<b>1,886</b>	<b>1,978</b>	<b>1,695</b>	<b>1,985</b>	<b>1,885</b>
Administrative costs	-1,128	-1,176	-1,120	-1,162	-1,234	-1,105	-1,178	-1,130
- <i>personnel</i>	-691	-721	-699	-716	-727	-683	-744	-708
- <i>other administrative costs</i>	-375	-384	-359	-380	-444	-358	-358	-359
- <i>indirect duties and taxes</i>	-62	-71	-62	-66	-63	-64	-76	-63
Other operating income, net	93	93	78	89	78	89	102	84
Adjustments to tangible and intangible fixed assets	-127	-112	-111	-120	-146	-120	-111	-102
<b>OPERATING INCOME</b>	<b>510</b>	<b>704</b>	<b>604</b>	<b>693</b>	<b>676</b>	<b>559</b>	<b>798</b>	<b>737</b>
Adjustments to goodwill and merger and consolidation differences	-39	-44	-41	-43	-50	-42	-41	-39
Provisions and net adjustments to loans and financial fixed assets	-453	-156	-156	-252	-443	-192	-228	-144
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>18</b>	<b>504</b>	<b>407</b>	<b>398</b>	<b>183</b>	<b>325</b>	<b>529</b>	<b>554</b>
Net extraordinary income	34	80	56	103	38	167	130	79
<b>INCOME BEFORE TAXES</b>	<b>52</b>	<b>584</b>	<b>463</b>	<b>501</b>	<b>221</b>	<b>492</b>	<b>659</b>	<b>633</b>
Income taxes for the period	-77	-243	-172	-129	6	-93	-188	-242
Change in reserves for general banking risks	13	-2	-	-2	-6	-1	1	-
Income attributable to minority interests	-14	-15	-14	-26	12	-58	-36	-24
<b>NET INCOME</b>	<b>-26</b>	<b>324</b>	<b>277</b>	<b>344</b>	<b>233</b>	<b>340</b>	<b>436</b>	<b>367</b>

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

The quarterly statements of income are unaudited.

## Reclassified consolidated balance sheet

	30/9/2002 (€/mil)	30/9/2001 pro forma (1) (€/mil)	Change 30/9/02-30/9/01 pro forma (%)	31/12/2001 pro forma (1) (€/mil)
<b>ASSETS</b>				
Cash and deposits with central banks and post offices	1,042	710	+46.8	1,172
Loans	145,679	144,674	+0.7	151,346
- due from banks	21,977	22,681	-3.1	26,436
- loans to customers	123,702	121,993	+1.4	124,910
Dealing securities	23,737	23,724	+0.1	24,557
Fixed assets	10,093	12,620	-20.0	11,889
- investment securities	3,117	4,995	-37.6	3,986
- equity investments	4,170	4,621	-9.8	4,898
- intangible fixed assets	390	442	-11.8	444
- tangible fixed assets	2,416	2,562	-5.7	2,561
Differences arising on consolidation and on application of the equity method	1,095	1,260	-13.1	1,243
Other assets	23,128	23,763	-2.7	23,220
<b>Total assets</b>	<b>204,774</b>	<b>206,751</b>	<b>-1.0</b>	<b>213,427</b>
<b>LIABILITIES</b>				
Payables	163,743	164,162	-0.3	171,285
- due to banks	26,902	34,789	-22.7	36,482
- due to customers and securities issued	136,841	129,373	+5.8	134,803
Provisions	4,291	3,945	+8.8	4,278
- for taxation	1,194	1,027	+16.3	1,219
- for termination indemnities	969	966	+0.3	955
- for risks and charges	1,786	1,616	+10.5	1,761
- for pensions and similar	342	336	+1.8	343
Other liabilities	19,765	21,469	-7.9	20,309
Subordinated liabilities	6,218	5,621	+10.6	5,829
Minority interests	429	882	-51.4	793
Shareholders' equity	10,328	10,672	-3.2	10,933
<b>Total liabilities</b>	<b>204,774</b>	<b>206,751</b>	<b>-1.0</b>	<b>213,427</b>

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

The pro forma balance sheet figures at 30/9/2001 and 31/12/2001, as well as the balance sheet figures at 30/9/2002 are unaudited.

## Quarterly analysis of the reclassified consolidated balance sheet

	2002			2001 pro forma (1)			
	30/9 (€/mil)	30/6 (€/mil)	31/3 pro forma (1) (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)
<b>ASSETS</b>							
Cash and deposits with central banks and post offices	1,042	1,029	1,454	1,172	710	688	709
Loans	145,679	146,607	147,273	151,346	144,674	145,957	145,269
- due from banks	21,977	22,735	21,189	26,436	22,681	21,340	23,434
- loans to customers	123,702	123,872	126,084	124,910	121,993	124,617	121,835
Dealing securities	23,737	25,100	25,657	24,557	23,724	28,029	24,712
Fixed assets	10,093	10,660	11,732	11,889	12,620	12,750	14,574
- investment securities	3,117	3,642	3,931	3,986	4,995	5,286	7,028
- equity investments	4,170	4,120	4,837	4,898	4,621	4,433	4,511
- intangible fixed assets	390	407	426	444	442	449	426
- tangible fixed assets	2,416	2,491	2,538	2,561	2,562	2,582	2,609
Differences arising on consolidation and on application of the equity method	1,095	1,141	1,120	1,243	1,260	1,260	1,167
Other assets	23,128	22,995	23,116	23,220	23,763	24,871	25,611
<b>Total assets</b>	<b>204,774</b>	<b>207,532</b>	<b>210,352</b>	<b>213,427</b>	<b>206,751</b>	<b>213,555</b>	<b>212,042</b>
<b>LIABILITIES</b>							
Payables	163,743	166,657	168,360	171,285	164,162	169,456	166,504
- due to banks	26,902	30,201	32,943	36,482	34,789	38,629	36,888
- due to customers and securities issued	136,841	136,456	135,417	134,803	129,373	130,827	129,616
Provisions	4,291	4,159	4,565	4,278	3,945	5,108	5,840
- for taxation	1,194	1,058	1,392	1,219	1,027	1,029	1,730
- for termination indemnities	969	989	993	955	966	979	969
- for risks and charges	1,786	1,769	1,810	1,761	1,616	1,700	1,731
- for pensions and similar	342	343	370	343	336	1,400	1,410
Other liabilities	19,765	19,755	19,611	20,309	21,469	22,414	22,671
Subordinated liabilities	6,218	6,155	5,793	5,829	5,621	5,401	5,365
Minority interests	429	437	797	793	882	831	841
Shareholders' equity (2)	10,328	10,369	11,226	10,933	10,672	10,345	10,821
<b>Total liabilities</b>	<b>204,774</b>	<b>207,532</b>	<b>210,352</b>	<b>213,427</b>	<b>206,751</b>	<b>213,555</b>	<b>212,042</b>

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

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

The pro forma balance sheet figures and the balance sheet figures at 30/9/2002 are unaudited.



# Report on Group Operations

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ACTION POINTS AND INITIATIVES IN THE QUARTER

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CONSOLIDATED RESULTS

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CAPITAL AND RESERVES

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FINANCIAL RISK MANAGEMENT

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SUPPLEMENTARY INFORMATION

Performance of share prices

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GROUP BUSINESS AREAS

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## Action points and initiatives in the quarter

### Project for the rationalization of the Sanpaolo, Banco di Napoli and Cardine networks

On 8 October 2002, the SANPAOLO IMI Board of Directors approved the project for the rationalization of the Sanpaolo, Banco di Napoli and Cardine networks. The project is based on the model, already tested by the Sanpaolo Network, for division by customer segments and specialization of distribution points and provides for the individuation of specific distribution structures for retail, private customers and companies. The project also provides for the rationalization of the financing of public works and infrastructure and tax collection activities.

#### Integration of distribution networks

The plan for the development and rationalization of the SANPAOLO IMI Group distribution networks intends to take full advantage of the territorial expansion, involving the acquisition of Banco di Napoli and the merger with Cardine Banca. The distribution model, presented at the end of the third quarter of 2002, is designed for an approach targeting macro customer segments for an improved and more effective response to different households and company needs. The processes of customer segmentation and consequent specialization of the distribution structures are in the completion phase at the Sanpaolo Network and in the launch phase at Banco di Napoli and the Cardine bank networks.

The realization of the project involves the creation of distribution structures aimed at three macro markets:

- Companies: will be served by a network which is currently made up of 130 dedicated branches and 61 “detached teams” of the Sanpaolo Network and, with the structures under development, will eventually number 200 branches.
- Private: this market will also be served by a single national network, in which the existing 16 private branches of the Sanpaolo Network and the other private points within the Group will be strengthened in terms of resources and reference customer base.
- Retail (households, small entrepreneurs and small companies): this market will be locally covered by the Sanpaolo Network, the Banco di Napoli network and the Cardine bank networks which enjoy the undisputed recognized credibility and faith of their customers in the respective markets.

With particular reference to the retail segment, following the redesign of the Group’s distribution networks:

- the Sanpaolo Network, which has approximately 1,300 branches, will cover the North West, the Tyrrhenian coast and the main islands. In addition to the Sanpaolo branches, this will also include the Banco di Napoli and Cardine branches in these geographic areas operating on the retail market;
- the Banco di Napoli network, with approximately 680 branches, will cover the Southern regions and will include the Sanpaolo and Banco di Napoli branches operating on the retail market in that geographic area;
- the Cardine bank networks, with approximately 950 branches, will cover the North Eastern regions and the Adriatic coast. In addition to the Cardine branches, these will also include the Sanpaolo and Banco di Napoli branches in these geographical areas operating on the retail market.

The new articulation of the branch networks throughout the territory will produce benefits in terms of operating efficiency and commercial effectiveness for all the banks in the Group, thanks to a more direct approach to customers, the univocity of the structure throughout the territory and an alignment of productivity with best practice of each customer segment served.

#### Activity in the public works and infrastructure sector and in the tax collection sector

The public sector, which includes financing and advisory services for local bodies and former municipal companies for the realization of infrastructure and public works, offers interesting development prospects for the years to come. The SANPAOLO IMI Group is active in this sector through Banca OPI, which has continued the tradition of IMI and San Paolo; similar operations are performed by Banco di Napoli and Cardine.

The rationalization project provides for the concentration of professional abilities and know how, centralizing all medium/long-term operations performed by the different banks of the Group in this area in Banca OPI. Thanks to the activities performed by Banco di Napoli, Banca OPI can count on a stock of loans of approximately 16 billion euro, destined to increase with the successive contribution of Cardine.

The Group’s presence in the tax collection sector will be rationalized by concentrating tax collection activities in Esaban, with the aim of achieving the economies of scale

and scope essential to sustain the profitability in this sector. On 1 October, the activities previously performed by Banco di Napoli in the provinces of Naples and Caserta were concentrated in Esaban, which will also handle all the other tax collection activities performed by Group companies: Sanpaolo Riscossioni Genova, Sanpaolo Riscossioni Prato and GE.RI.CO. (licensee of the provinces of Bologna, Venice, Padua, Rovigo and Gorizia). The choice of location of the company office in Naples derives from the weight carried by the tax collection activity in the Neapolitan area.

#### The merger between SANPAOLO IMI and Banco di Napoli

The realization points for the rationalization project are at the basis of the merger of Banco di Napoli into SANPAOLO IMI, followed by the spin off of the Southern Territorial Direction in Nuovo Banco di Napoli and the acceleration of the integration process with Cardine Finanziaria.

On 9 and 10 October 2002, the SANPAOLO IMI and Banco di Napoli Boards of Directors approved the project for the merger between the two banks. The project, which will be subjected to examination by the respective Extraordinary Meetings at the end of November, provides for the merger of Banco di Napoli with SANPAOLO IMI. As SANPAOLO IMI holds all the 1,864,097,491 ordinary shares in Banco di Napoli, there will be no exchange of these, in accordance with art. 2504 ter of the Italian Civil Code. The exchange ratio proposed to the Shareholders for the savings shares is set at 1 SANPAOLO IMI ordinary share to 6 Banco di Napoli savings shares. Considering that SANPAOLO IMI holds 111,765,709 savings shares in the company to be incorporated and that the latter holds no own shares, this ratio will determine the assignment of a maximum of 2,718,609 SANPAOLO IMI ordinary shares in exchange and replacement of 16,311,650 Banco di Napoli savings shares not held by the incorporating company. The assignment will take place without the issue of new shares, by using own shares held in portfolio by the incorporating company and therefore without an increase in capital by the same.

During the first half of 2003, the territorial structures will be integrated, followed by the spin-off of the activities and retail branches of Banco di Napoli and the Sanpaolo Network operating in the South of Italy in a Southern Territorial Direction. At the same time, the branches of Banco di Napoli located in other Italian regions will be integrated with the branches of the Sanpaolo Network, while the activity towards Public Works will be conferred to Banca OPI.

#### Spin off of Southern Territorial Direction in Nuovo Banco di Napoli

In the second half of 2003, upon completion of the unification of the IT systems, the Southern Territorial Direction will be spun off into Nuovo Banco di Napoli, a company based in Naples and the only bank in the SANPAOLO IMI Group to operate in the retail market in the regions of Campania, Apulia, Calabria and Basilicata. Based on the figures as of 30 June 2002, it will have approximately 680 branches and 5,500 employees; it will also be able to count on 11 billion euro of direct deposits, 6 billion euro of loans to customers, 10 billion euro of asset management and approximately 5.5 billion euro of asset administration.

Nuovo Banco di Napoli will have a streamlined directional structure, to coordinate the territorial areas in which the reference branch network will be articulated.

The branches of Nuovo Banco di Napoli will use their own traditional brands (Banco di Napoli or Sanpaolo), also highlighting that they belong to the SANPAOLO IMI Group.

#### Acceleration of the integration with Cardine Finanziaria

The project for the rationalization of the SANPAOLO IMI Group networks also provides for the acceleration of the integration with Cardine Finanziaria, through centralization in the Parent Bank, in 2003, of the Cardine Finanziaria support functions (Macchina Operativa Integrata and Logistics). This initiative is aimed at achieving, right from the first phase, the necessary benefits in terms of economy of scale and scope. By effect of the integration of the operating system, the staff of Cardine Finanziaria will drop from the current number of 1,300 employees to approximately 300.

The other commercial coordination and operating support functions performed for bank networks will be successively centralized in relation to the operating effectiveness of the individual banks. Accordingly, in terms of efficiency and rationalization, the activities to transfer to the Parent Bank and to the bank networks will be evaluated.

#### Purchase by SANPAOLO IMI of the Cassa di Risparmio di Firenze stake in Eptaconsors

On 15 October 2002, SANPAOLO IMI and Cassa di Risparmio di Firenze reached an agreement which provides for the sale of the 20.24% stake of Eptaconsors held by



the Florentine Group, to the Turin based Group, which already had a shareholding of 40.48%, thus becoming the majority shareholder of the Eptaconsors Group.

The agreement has been reached in a definitive contract conditional to authorization from the Regulatory Authorities, in which a minimum total price of approximately 18.7 million euro has been established, variable on the basis of the further exploitation of some assets.

The operation is part of the rationalization of the equity investments that will enable SANPAOLO IMI to strengthen its position on the reference markets and, through the aggregation process, to further exploit the important competencies of the new subsidiary.

Eptaconsors has been operating actively for almost 20 years in asset management (through the specialized companies Eptafund and EGI) and securities dealing (through Eptasim). In the mutual funds sector, the Eptaconsors Group manages assets of approximately 13 billion euro and is the tenth SGR in Italy with a 2.7% market share.

### The strategic alliance with the EULIA Group

Within the context of the strategic agreements defined in 2001 between SANPAOLO IMI and EULIA, the French holding company created by the Caisse des Dépôts et Consignations Group and by the Caisse d'Epargne Group, and following the Framework Agreement signed by the two Groups in February 2002, the collaboration project became operational, producing generally satisfactory results in the capital market and financing sectors and in the private equity activity.

In particular, in the context of private equity, at the end of September an agreement was reached between NHS, CDC Ixis Private Equity and Bayerische Landesbank Equity Management for the constitution of the EAGLE FUND. EAGLE will be the first pan-European private equity fund and will have the aim of investing in small and medium European companies, mainly in Italy, France and Germany. The size of the fund will be between 300 and 500 million euro and it will be managed jointly by the three groups which, as sponsors, will invest 50 million euro each. The first closing is expected for the end of April 2003 and the minimum commitment from other investors will be 2 million euro. The operations will mainly be aimed at LBO/MBO transactions, or majority positions, preferably

achieved through co-investments with other leading private equity companies.

Still in the context of private equity, NHS and CDC-Pme (controlled by Caisse des Dépôts et Consignations) have signed an agreement with the French government for participation in a new investment fund, which aims to invest in French regional funds which, in turn, invest in small and medium local companies. The fund will have 70 million euro and the investors include EIF (European Investment Fund), as well as those mentioned above.

### Agreements with FIAT and Italenergia

Finally, during the year and within the context of the Framework Agreement signed by the leading financing banks, SANPAOLO IMI participated in the partial refinancing of the debt of the FIAT Group. In accordance with the terms of the agreements that were entered into, the Turin industrial group undertook to achieve, prior to the approval of the financial statements for 2002, a reduction in its net debt to the banking system (6.6 billion euro) to under 3 billion, and a reduction in its gross financial debt (about 35 billion euro) to under 23.6 billion, while also taking steps that will make it possible to keep FIAT's debt separate from that of Italenergia.

In this context, on 26 July 2002, the banks granted "to be converted" financing for a three year period, for 3 billion euro (400 million of which provided by SANPAOLO IMI), which provides, upon expiry and in accordance with procedures and at a price agreed between the parties, for the conversion of their loans into ordinary FIAT shares through compensation between the aforementioned loans, and the corresponding subscription obligation, while FIAT retains the faculty to proceed with cash reimbursement of the loan under set conditions.

The agreement also includes a commitment, currently being negotiated, by the banks to take over from FIAT 51% of the Fidis "rete retail Europa", at a price in line with shareholders' equity; FIAT will hold an option call which may be exercised at the same price, plus a premium to be agreed.

Regarding the Italenergia/Edison Group, the procedure for the merger of Edison into Italenergia is underway. SANPAOLO IMI, which through IMI Investimenti held a 7.82% share of Italenergia, has agreed with the other shareholders to place their respective shares in a new company,

Italenergia Bis, which will serve as the leading holding company in the Group.

Moreover, based on the agreements formalized in September 2002 between the above mentioned shareholders, SANPAOLO IMI (along with the other two banking partners, Intesa BCI and Capitalia) acquired from the FIAT group a further 4.66% interest in Italenergia Bis, thereby obtaining an overall 12.48% share in that holding company; the

outlay by SANPAOLO IMI was of approximately 182 million euro. With this transaction, the FIAT shareholding dropped from 38% to about 24%, with the consequent separation of the Italenergia/Edison's debt from that of FIAT. Based on the subscribed agreements, the banking partners also obtained sales options on the shareholding, that can be exercised starting in 2005, at price conditions that guarantee the recovery of the original investments plus a financial profit, allowing for any upside.

## Consolidated results

### Summary of results

The slowing of economic growth in the EU area and the negative performance of the financial markets, largely attributable to the drop in faith determined by cases of downgrading and default which have hit certain countries in South America and corporate groups, have conditioned the profit results of the third quarter of 2002.

In this context, the main operating margins achieved by the SANPAOLO IMI Group in the third quarter, in the configuration existing after the merger with Cardine, settled at lower levels than those for the first two quarters of the year. The results of the first nine months of the year fell, in consistent consolidated terms, compared with the same period in 2001, which was characterized by better macro-economic performance. Variations on an annual basis, while remaining negative, showed signs of improvement compared with the figures for the half year.

Net income reached 575 million euro, down 49.7% on an annual basis.

### Net interest income

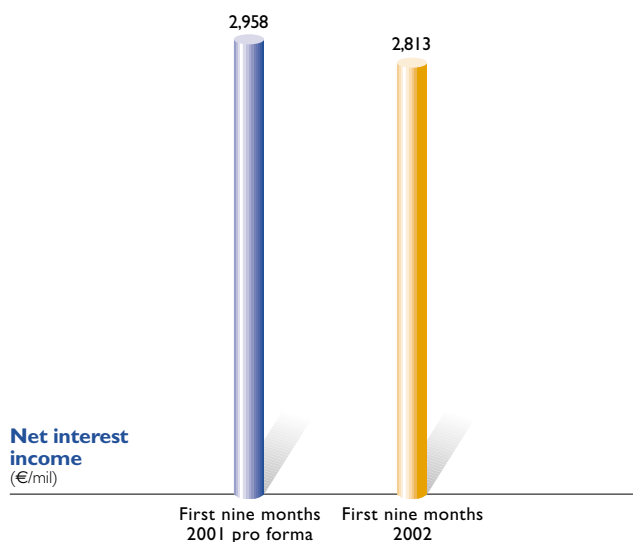
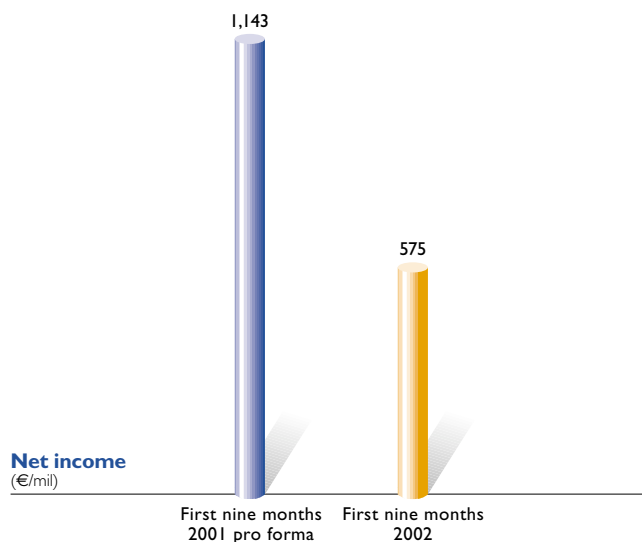
Net interest income realized in the first nine months of 2002 was 2,813 million euro, with a flow of 936 mil-

lion in the third quarter, which was about half way between that of the first two quarters. Comparison with the first nine months of the previous year shows a reduction of 4.9%, with a recovery compared with the 6.2% drop in the half year report. The negative variation compared with the previous year is attributable to the closure of customer spreads and to reduced returns from liquidity, only partially compensated for by the positive development of the average amounts of sight deposit and medium- and long-term loans related to customer business.

In terms of market rates, three-month Euribor, although slightly decreasing from 3.34% at the end of December 2001 to 3.29% at the end of September, averaged yearly 116 basis points less than the related period in the previous year.

During the first nine months of 2002 the return on the interest-earning assets of the Group was 5.23% and the cost of interest-bearing liabilities was 3.01%. In customer business, the average spread between deposits and loans was 2.86% against 3.06% in the first nine months of 2001.

The average interest-earning assets of the Group in the first nine months of 2002 showed a reduction of 2.6% on the same period of 2001; in this context the average amounts of loans to customers, excluding repurchase agreements, thus recorded an increase of 3.2%. On the liability side, there was an increase of 4.4% in average vol-



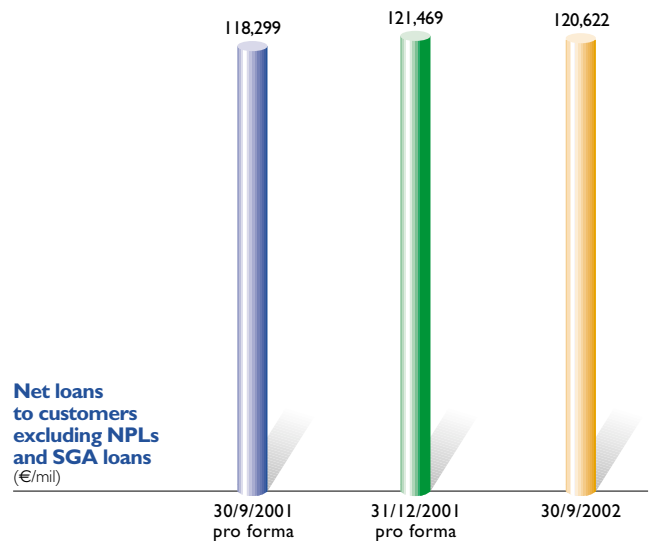
umes of customer deposits, net of repurchase agreements, due to an increase in the short-term (+4.5%) and medium- and long-term component (+4.2%).

At the end of September 2002, the amounts of net loans to Group customers, excluding non-performing loans and loans to SGA, the company into which the doubtful loans of Banco di Napoli were transferred, were 120.6 billion euro, up on the end of September 2001 (+2%). In this context the active movements of medium- and long-term loans, up by 5.6% on an annual basis, easily offset the 3.2% drop in short-term loans.

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households by the Sanpaolo Network during the first nine months amounted to 1.3 billion euro, substantially at the same levels as the same period of 2001. These are joined by 0.6 billion euro issued by Cardine bank networks and 0.3 billion euro issued by Banco di Napoli. The evolution in terms of loans for public works and infrastructure made by Banca OPI, which rose to 14.2 billion euro at the end of September 2002, up by 6.8% since the

beginning of the year and by 19.4% on the 12 months, was also positive.

Direct customer deposits showed a positive performance in the period, benefiting both from the continuing uncertain-



#### Analysis of average amounts and interest rates

	First nine months 2002		First nine months 2001 pro forma		Change first nine months 2002 / First nine months 2001 pro forma	
	Average amount (€/mil)	Annualized average rate (%)	Average amount (€/mil)	Annualized average rate (%)	Change in average amount (%)	Difference in rate (%)
Interest-earning assets	157,767	5.23	161,921	6.22	-2.6	-0.99
- loans to customers (excluding repos)	119,146	5.71	115,432	6.70	+3.2	-0.99
- securities	17,589	4.23	21,325	5.18	-17.5	-0.95
- other interest-earning assets	21,032	3.33	25,164	4.89	-16.4	-1.56
Non interest-earning assets (1)	51,236		49,554		+3.4	
<b>Total assets</b>	<b>209,003</b>		<b>211,475</b>		<b>-1.2</b>	
Interest-bearing liabilities	149,506	3.01	151,655	4.04	-1.4	-1.03
- direct customer deposits (excluding repos)	115,609	2.85	110,728	3.64	+4.4	-0.79
- due to customers	67,070	1.70	64,165	2.56	+4.5	-0.86
- securities issued	48,539	4.45	46,563	5.14	+4.2	-0.69
- other interest-bearing liabilities	33,897	3.52	40,927	5.11	-17.2	-1.59
Non interest-bearing liabilities (1)	49,151		49,824		-1.4	
Shareholders' equity	10,346		9,996		+3.5	
<b>Total liabilities and shareholders' equity</b>	<b>209,003</b>		<b>211,475</b>		<b>-1.2</b>	

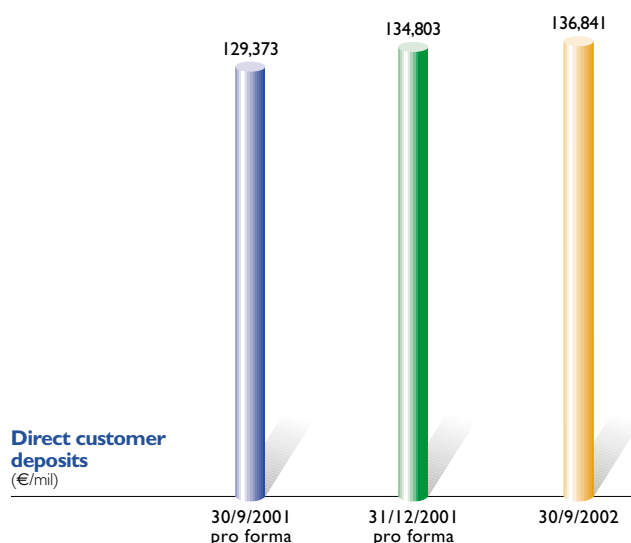
(1) This figure includes Banca IMI group's average volumes, in line with the reclassification of the related interest income and expense, reported in the "profits and losses from financial transactions and dividends on shares" caption being closely connected, from an operating point of view, with the result of the stock broking activities.

ty in financial markets, which directed customer preferences towards short-term forms of investment, and from the effects connected to the so called “scudo fiscale” (tax shield): the inflow of capital from abroad led to an increase in Group customer financial assets of over 5 billion euro, largely invested in bonds and liquidity.

Direct customer deposits at the end of September were 136.8 billion euro, with an incremental flow from the beginning of the year of 2 billion euro (+1.5%); the growth on an annual basis was 5.8%. In short-term funding, a substantial increase in repurchase agreements was recorded (+44.2% against the end of September 2001) while in medium- and long-term funding the reduction in certificates of deposit continued (-22.2%) against an increase of 13.9% in bonds.

On the basis of the latest available system data, at the end of September 2002 the Group’s domestic market

shares were respectively 10.9% in loans and 11% in direct customer deposits.



#### Loans to customers

	30/9/2002		30/9/2001 pro forma		Change 30/9/02-30/9/01 pro forma (%)	31/12/2001 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Short-term loans	47,249	38.2	48,812	40.0	-3.2	51,849	41.5
Medium- and long-term loans	73,373	59.3	69,487	56.9	+5.6	69,620	55.8
<b>Loans to customers excluding NPLs and SGA loans</b>	<b>120,622</b>	<b>97.5</b>	<b>118,299</b>	<b>96.9</b>	<b>+2.0</b>	<b>121,469</b>	<b>97.3</b>
Non-performing loans	1,431	1.1	1,312	1.1	+9.1	1,400	1.1
SGA loans	1,649	1.4	2,382	2.0	-30.8	2,041	1.6
<b>Loans to customers</b>	<b>123,702</b>	<b>100.0</b>	<b>121,993</b>	<b>100.0</b>	<b>+1.4</b>	<b>124,910</b>	<b>100.0</b>

#### Direct customer deposits

	30/9/2002		30/9/2001 pro forma		Change 30/9/02-30/9/01 pro forma (%)	31/12/2001 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Current accounts and deposits	67,893	49.6	68,069	52.6	-0.3	67,634	50.2
Certificates of deposit	6,580	4.8	8,455	6.6	-22.2	10,777	8.0
Bonds	40,441	29.6	35,497	27.4	+13.9	36,529	27.1
Commercial paper	3,604	2.6	3,993	3.1	-9.7	4,137	3.1
Repurchase agreements and securities lending	14,158	10.4	9,819	7.6	+44.2	11,477	8.5
Other deposits	4,165	3.0	3,540	2.7	+17.7	4,249	3.1
<b>Direct customer deposits</b>	<b>136,841</b>	<b>100.0</b>	<b>129,373</b>	<b>100.0</b>	<b>+5.8</b>	<b>134,803</b>	<b>100.0</b>

## Net commissions and other net dealing revenues

Group net commissions were 2,054 million euro, of which 668 taken in the third quarter, down by 9.9% on the first nine months of 2001.

Evolution in the period was conditioned by the progressive worsening in the financial markets' trend, which squeezed revenues from asset management and dealing activities; commissions from management, dealing and advisory showed a fall of 15.8% compared with the same period of 2001, only in part compensated for by the increase recorded in commissions from deposits and current accounts (+11%) and from collection and payment services (+5.6%).

The reduction in commissions was influenced both by the devaluation of the assets under management due to the fall in equity markets and by the recomposition in customer financial assets towards lower value added forms of investment, where client funds were directed in expectation of an improvement in market conditions.

In particular, within indirect deposits, there was a significant growth in asset administration which, thanks to an

increase in the first nine months of 2.7 billion euro, rose to 87.3 billion euro (+3.2% from the beginning of the year).

Assets under management presented in contrast a reduction of 9.3 billion euro, following a devaluation of 11.5 billion euro, only in part compensated for by a net positive



### Net commissions and other net dealing revenues

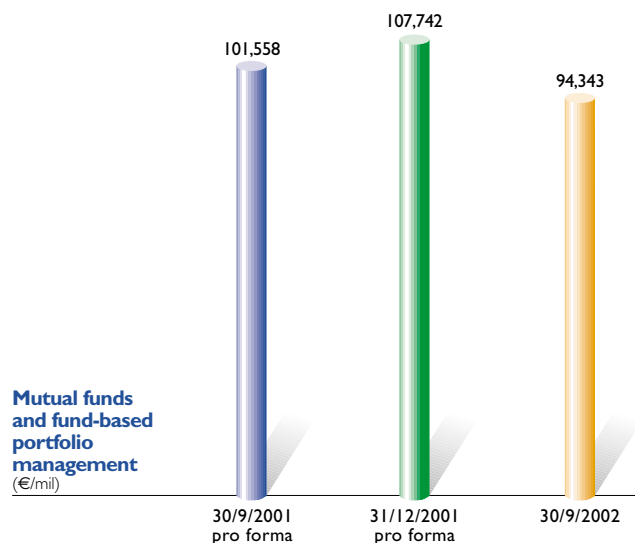
	First nine months 2002	First nine months 2001 pro forma	Change first nine months 2002 / First nine months 2001 pro forma (%)	Year 2001 pro forma
	(€/mil)	(€/mil)		(€/mil)
Management, dealing and advisory services	1,259	1,496	-15.8	1,957
Loans and guarantees	178	175	+1.7	249
Collection and payment services	171	162	+5.6	228
Deposits and current accounts	314	283	+11.0	385
Other services and net dealing revenues	132	164	-19.5	237
<b>Net commissions and other net dealing revenues</b>	<b>2,054</b>	<b>2,280</b>	<b>-9.9</b>	<b>3,056</b>

### Customer financial assets

	30/9/2002		30/9/2001 pro forma		Change 30/9/02-30/9/01 pro forma (%)	31/12/2001 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Asset management	129,164	36.6	129,969	38.3	-0.6	138,479	38.7
Asset administration	87,331	24.7	79,933	23.6	+9.3	84,593	23.6
Direct deposits	136,841	38.7	129,373	38.1	+5.8	134,803	37.7
<b>Customer financial assets</b>	<b>353,336</b>	<b>100.0</b>	<b>339,275</b>	<b>100.0</b>	<b>+4.1</b>	<b>357,875</b>	<b>100.0</b>

flow of 2.2 billion euro; the total amount was 129.2 billion euro, falling by 6.7% from the end of December 2001 and 0.6% on the 12 months. In this context, note that:

- the volumes of mutual funds and fund-based portfolio management fell to 94.3 billion euro (-12.4% since the beginning of the year): the trend in equity markets and the consequent choices of customers led to a significant recomposition in the different types: in particular the proportion on the total of liquidity funds rose from 16.4% at the end of September 2001 to 25.1% at the end of September 2002, while the proportion of equity funds fell from 30.2% to 23.5%. At the end of September, the SAN-PAOLO IMI Group occupied second place in the domestic market, with a share of 18.4%, which will increase following the acquisition of control of Eptaconsors;



### Asset management

	30/9/2002		30/9/2001 pro forma		Change 30/9/02-30/9/01 pro forma (%)	31/12/2001 pro forma	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Mutual funds and fund-based portfolio management	94,343	73.0	101,558	78.2	-7.1	107,742	77.8
Portfolio management	9,378	7.3	10,429	8.0	-10.1	10,698	7.7
Life technical reserves	25,443	19.7	17,982	13.8	+41.5	20,039	14.5
<b>Asset management</b>	<b>129,164</b>	<b>100.0</b>	<b>129,969</b>	<b>100.0</b>	<b>-0.6</b>	<b>138,479</b>	<b>100.0</b>

### Change in assets under management

	First nine months 2002 (€mil)	First nine months 2001 pro forma (€mil)	Year 2001 pro forma (€mil)
Net inflow for the period	2,242	2,679	6,702
- Mutual funds and fund-based portfolio management	-3,353	1	1,886
- Portfolio management	-452	-170	114
- Life policies	6,047	2,848	4,702
Performance effect	-11,557	-14,788	-10,301
<b>Change in assets under management</b>	<b>-9,315</b>	<b>-12,109</b>	<b>-3,599</b>

### Mutual funds by type

	30/9/2002 (%)	30/9/2001 pro forma (%)	31/12/2001 pro forma (%)
Equity	23.5	30.2	32.1
Balanced	12.0	15.0	14.2
Bond	39.4	38.4	36.4
Liquidity	25.1	16.4	17.3
<b>Total Group mutual funds</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

- life technical reserves benefited from the positive trend, already shown in the first two quarters, in the placement of insurance products, representing one of the forms of investment preferred by customers; the net inflow realized by the distribution networks from the beginning of the year, 6 billion euro, took the amount to 25.4 billion euro (+27% from the end of 2001 and +41.5% in the 12 months).

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

Net profits from financial transactions and dividends on shares came to 222 million euro during the first nine months of 2002, of which 13 million realized in the third quarter, with an increase of 39.6% compared with the first nine months of 2001. Revenues for the nine months included the proceeds deriving from dealing in equity and bond portfolios by Group companies.

Profits from companies carried at equity and dividends from shareholdings, 239 million euro, grew by 42.3% on the same period of 2001; the flow in the third quarter, 55 million euro, was lower than for the second quarter, in which the majority of takings from dividends is concentrated, but was higher than for the first quarter. Overall, in the first nine months:

- profits from companies carried at equity were 101 million euro against the 43 million of the same period of 2001; they mainly referred to the insurance subsidiaries and to the other shareholdings with considerable influence in the banking area;

- dividends paid to the Group by minority shareholdings not included in the consolidation area amounted to 138 million euro, compared with 125 million euro for the first nine months of 2001.

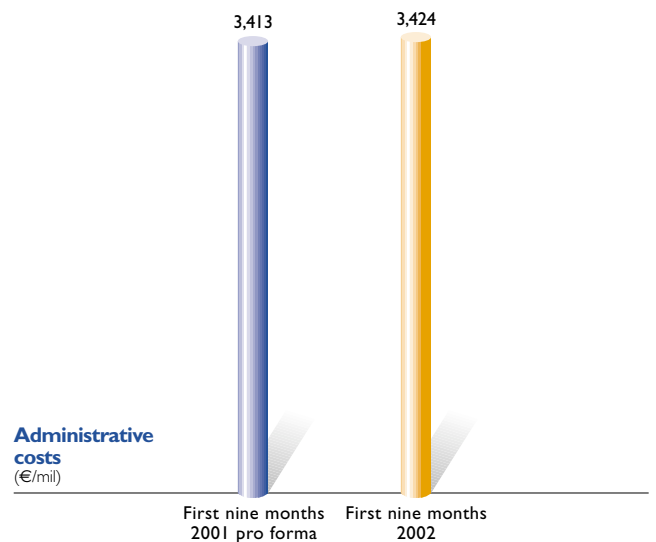
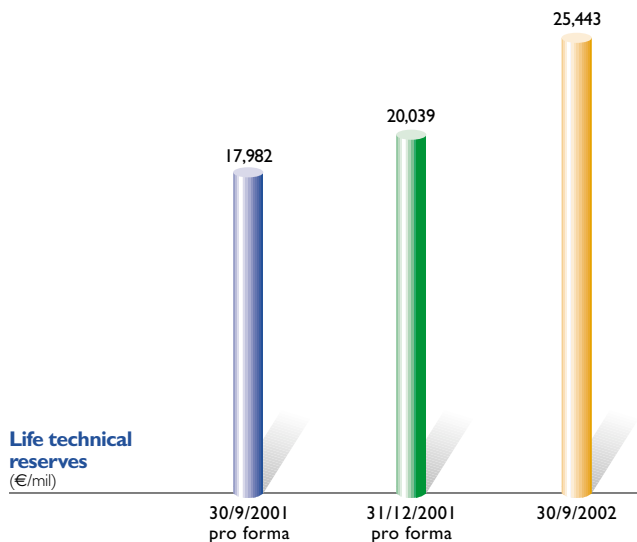
**Costs**

The structural cost containment actions taken as of mid 2001 allowed the Group to contain the movement of administrative costs (+0.3%). In the first nine months of 2002, they were 3,424 million euro, against 3,413 million euro for the same period in 2001.

Personnel costs have fallen on an annual basis (-1.1%), mainly due to the Group’s reduction of staff: from the end of September 2001 there was in fact a reduction of 1,003 employees, concentrated mostly in Banco di Napoli.

Other administrative costs were up by 4%, reaching 1,118 million euro; the increase is linked with promotional initiatives to support the development of products and expenses for the integration of IT systems.

Adjustments to tangible and intangible fixed assets for the first nine months of 2002 were 350 million euro, up 5.1% on the same period of the previous year. The trend is particularly influenced by investments made in 2001 and during the early months of 2002 to strengthen and specialize the commercial network and to enhance the central data processing systems.





Adjustments to goodwill and merger and consolidation differences, 124 million euro, registered a slight increase on an annual basis (+1.6%).

### Provisions and adjustments

Provisions and net adjustments to loans and financial fixed assets were 765 million euro, against 564 million euro for the first nine months of 2001 (+35.6%).

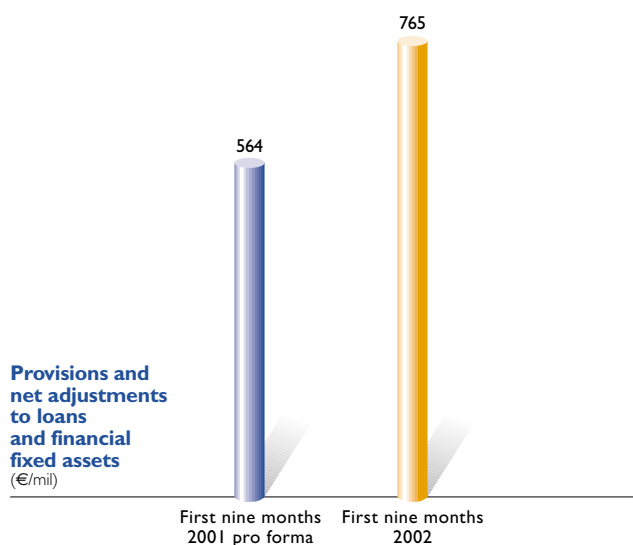
The net flow for the period includes:

- 164 million euro of provisions to the risks and charges fund;
- 337 million euro of provisions and adjustments for credit risks, prudentially posted against a scenario which is still characterized by a considerable degree of uncertainty and aiming at adjusting the estimated realizable value of specific accounts and strengthening the coverage of the physiological risk of the performing loan portfolio, which came to 0.8% of total performing loans at the end of September. For the Parent Bank in particular this coverage represented, on the date, twice the annual expected loss calculated with reference to the credit risk management models;
- 264 million euro of adjustments to financial fixed assets, attributable largely to the shareholdings in Santander Central Hispano (SCH) and FIAT. The value of the shareholding in SCH, held by the Parent Bank and by Sanpaolo IMI International, was aligned with a value assumed to be fair, of 8.1 euro per share, the average of the market prices recorded from April to September. This evaluation involved the booking of capital losses of 179 million euro. In relation to the shareholding in FIAT held by IMI Investimenti, while

believing that the embedded value of the Turin group remains higher than the market prices, also in the light of recent plans to refinance its debt and the industrial reorganization initiatives for the car sector, the book value was prudently aligned with the average market price in September, using the faculty provided for by current standards. The capital losses recorded were 65 million euro.

At the end of September 2002 Group net doubtful loans were 3,018 million euro, 58 million up on the end of December 2001 (+2%). More specifically, in loans to customers:

- net non-performing loans were 1,431 million euro against 1,312 million euro at the end of September 2001 (+9.1%) and 1,400 million at the end of 2001

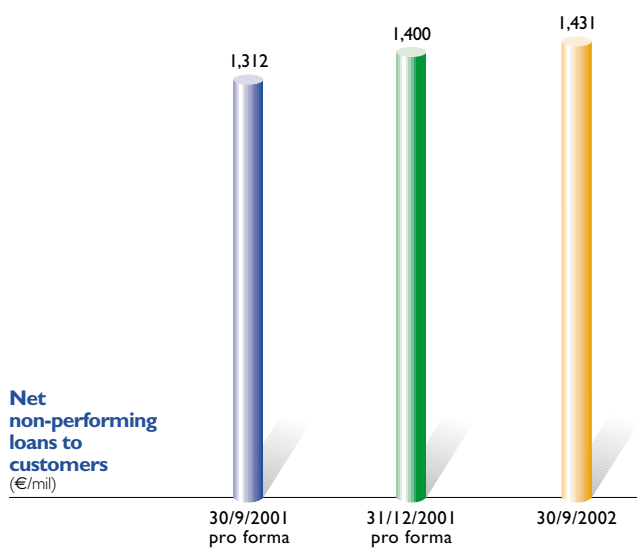


### Analysis of loan portfolio

	30/9/2002		30/9/2001 pro forma		Change 30/9/02-30/9/01 pro forma (%)	31/12/2001 pro forma	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Non-performing loans	1,431	1.1	1,312	1.1	+9.1	1,400	1.1
Problem, restructured and in course of restructuring loans	1,478	1.2	1,363	1.1	+8.4	1,462	1.2
Loans to countries at risk - customers	70	0.1	67	0.1	+4.5	35	0.0
Performing loans	120,723	97.6	119,251	97.7	+1.2	122,013	97.7
<b>Total loans to customers</b>	<b>123,702</b>	<b>100.0</b>	<b>121,993</b>	<b>100.0</b>	<b>+1.4</b>	<b>124,910</b>	<b>100.0</b>
Non-performing and problem loans - banks	1		1		-	1	
Loans to countries at risk - banks	38		67		-43.3	62	

(+2.2%); the ratio of net non-performing loans to net loans to customers was 1.1%, at the same levels recorded at the end of the previous year. At the end of September 2002 the non-performing loans of the Group had a coverage ratio, also taking account of tax write-offs, of 71.4%;

- problem, restructured and in course of restructuring loans were 1,478 million euro, with an increase of 8.4% on an annual basis and of 1.1% from the beginning of the year; the coverage ratio was 25.2%;



- non-guaranteed loans to customers in countries subject to country risk were 70 million euro, similar to those at the end of September 2001.

### Extraordinary income and taxes

Group net extraordinary income in the first nine months of 2002 was 170 million euro, down by 54.8% on the 376 million euro in the same period of 2001. The flow of extraordinary components was mainly concentrated in the first half of the year (136 million euro). The proceeds booked in the first nine months include:

- 62 million euro of capital gains from the sale of 8.6% held in Cardine Banca, related to the operations of shareholding purchase and sale with the Compagnia di San Paolo and minority shareholders of IMI Investimenti;
- 50 million euro of capital gains from the sale of shareholdings;
- 27 million euro related to proceeds and real estate sales by Banco di Napoli;
- 21 million euro for tax reimbursements related to Banque Sanpaolo.

In the first nine months of 2002 the tax rate of the SAN-PAOLO IMI Group was 44.8%, an increase on that recorded in the same period of 2001 (29.3%), which had benefited from the recovery of prior tax losses by Group companies and the lower incidence of the IRAP taxable amount.

## Capital and reserves

### Net shareholders' equity

Group shareholders' equity, 10,328 million euro at 30 September 2002, showed the following movements in the first nine months:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
<b>Net shareholders' equity as of 1 January 2002</b>	<b>8,182</b>
<b>Decreases</b>	<b>-786</b>
- Dividends	-773
- Exchange and other adjustments	-2
- Use of reserve for general banking risks	-11
<b>Increases</b>	<b>2,932</b>
- Merger with Cardine Banca	2,063
- <i>capital</i>	1,212
- <i>reserves</i>	851
- Decrease in own shares held by the Parent Bank	294
- Net income for the period	575
<b>Net shareholders' equity as of 30 September 2002</b>	<b>10,328</b>

At 30 September 2002 the Parent Bank had no own shares in its portfolio. On the same date, own shares held by sub-

sidiaries were 5,022,283, 0.27% of the equity capital, booked in the consolidated financial statements in the dealing portfolio for 29 million euro.

It should be recorded that, during the period, transactions in own shares made by the Parent Bank were particularly directed to:

- effect the program to purchase own shares on the market, to serve the exchange in the context of the merger with Cardine Banca, in line with the active capital management policies adopted by the Group. At the time of the merger, 48 million own shares were used;
- the purchase of the shares necessary to the assignment of shares to employees, in June, in relation to the extended employee stock plan.

### Regulatory capital and solvency ratios

At the end of September 2002 the ratio of regulatory capital to total weighted assets against credit and market risks was estimated at around 10.2%; the ratio of Group primary capital to total weighted assets was estimated at 7.3%.

# Financial risk management

## Financial risks from lending activities

The market risk generated by the Group's lending activities in the first nine months of 2002 was slightly higher than the average level observed last year, suitably restated to take the inclusion of Cardine Banca's accounts into consideration. 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 an average negative value of 222 million euro in the first nine months of 2002. Since June, the shift sensitivity has climbed gradually, reaching a negative value of 257 million euro at the end of September, following the strategy adopted by the Group to increase the position on the fixed rate in anticipation of a drop in interest rates.

The Value at Risk (VaR) of the banking book, calculated as the maximum unexpected potential loss of the market value of the portfolio which could occur in the 10 subsequent working days with a statistical confidence interval of

99%, retained an average value of 87 million euro in the first nine months. The VaR was 123 million euro at the end of September.

## Equity investments in non-Group listed companies

Equity investments held in quoted companies not consolidated line by line or at net equity showed a market value at the end of September of 1,110 million euro, 236 million of which held by IMI Investimenti. The market value of shareholding investments, according to the end of September prices, showed a net potential capital loss on book value of 418 million euro, almost exclusively referring to the interest in Santander Central Hispano. It should be noted that following the recovery of share prices in the subsequent period, the potential capital loss had fallen to approximately 250 million euro at the beginning of November.

The Value at Risk related to the minority investments in quoted companies came to 179 million euro at the end of September; this value was lower than the levels observed at the end of June due to the drop in the portfolio value.

### Trading activities

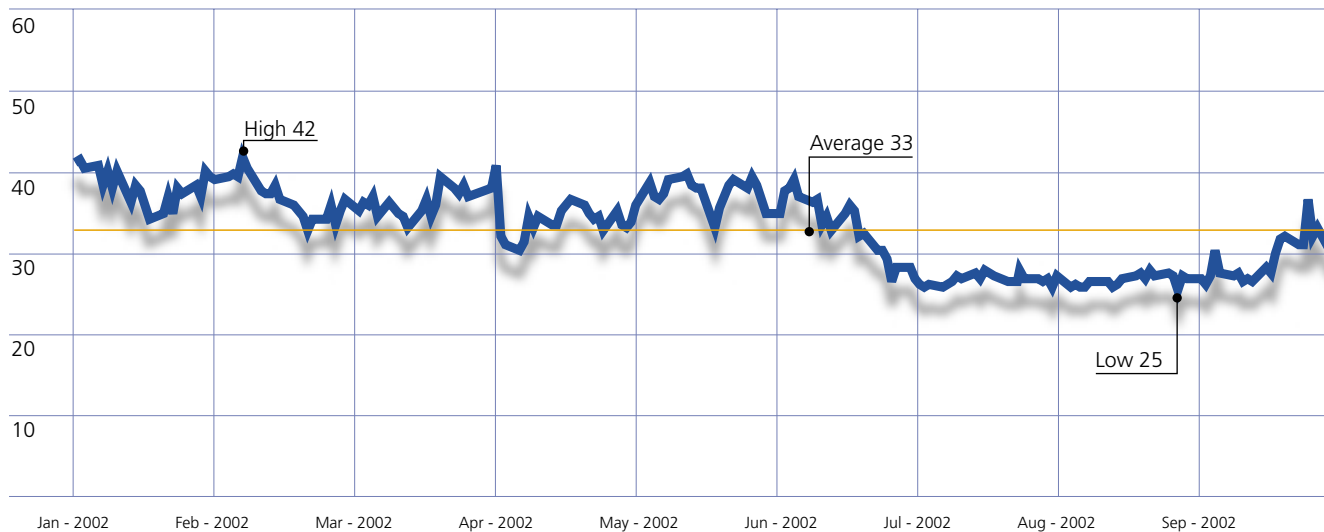
Dealings, mainly in fixed rate and equity securities, exchanges and derivative contracts are measured here.

The VaR of trading activities, concentrated in Banca IMI and its subsidiaries, oscillated in the third quarter between a minimum of 4.8 million euro and a maximum of 15 million euro. At the end of September the VaR was 10 million euro, compared with an average value since the beginning of the year of 7.8 million euro.

In addition to the VaR, the Worst Case Scenario technique

is used to monitor the impact of potential losses that might arise under extreme market conditions. The development of the maximum potential daily loss was largely stable in the first nine months, in terms of potential risks, oscillating around the average of the period of 33 million euro.

Backtesting showed the prudential nature of the internal measurement techniques used, considering the volatility observed on the markets during the period. Actual losses were never higher than the risk measures expressed in terms of maximum potential loss, while the dealing results exceeded the ex ante VaR, measured on a daily basis, in just two cases.



Maximum potential daily loss in trading (€/mil)

## Supplementary information

### Performance of share prices

At the end of September 2002, SANPAOLO IMI's share price was 5.686 euro; this was a fall of 52.8% from the

beginning of the year, against a decline of 31.4% in the MIB bancario. On the same date the SANPAOLO IMI share traded on a price/book value of 1 and a price/earnings, calculated on consensus earnings for 2003, of 8.1.

On 11 November 2002, the quoted price was 6.131 euro, representing a drop of 49.1% since the start of the year.

### Market comparison

	11/11/2002	30/9/2002	28/9/2001	Change 30/9/02-28/9/01 (%)
SANPAOLO IMI share price (€)	6.131	5.686	11.472	-50.4
Banking index (historical MIB bancario)	1,627	1,626	2,178	-25.3

### SANPAOLO IMI share price (1)

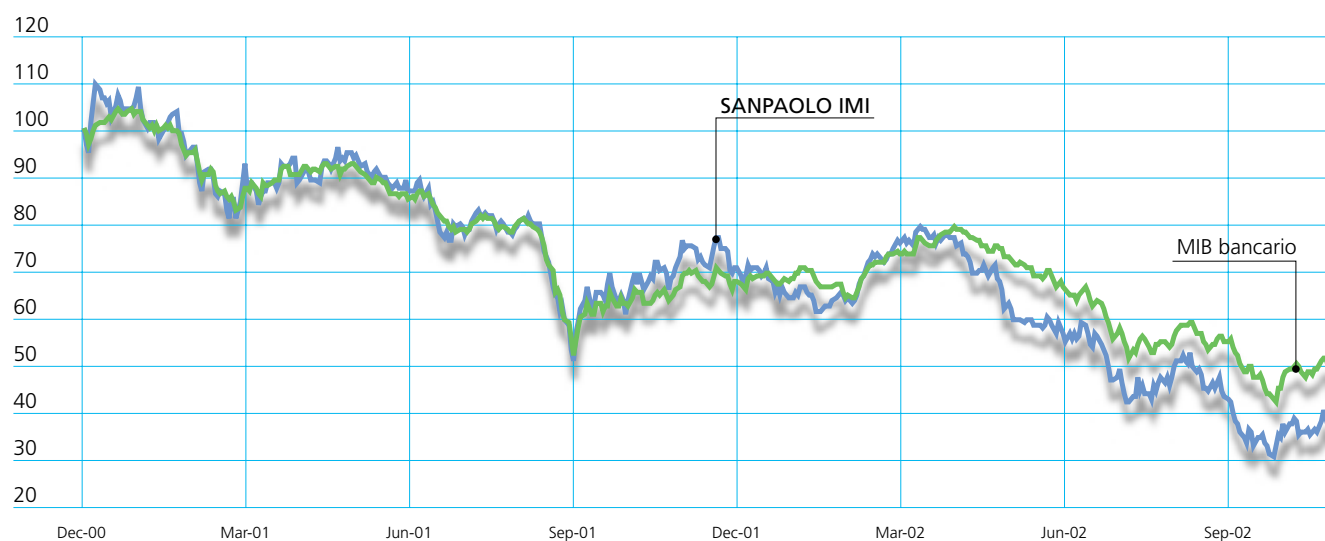
Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002 (until 11/11/2002)	13.702	5.231	9.809

### SANPAOLO IMI market indices

	30/9/2002	28/9/2001
Price/book value	1.0	2.1
Price/earnings on consensus earnings (2)	8.1	11.0

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

(2) Calculated on consensus earnings 2003 for 30/9/2002 and on consensus earnings 2002 for 28/9/2001.



SANPAOLO IMI share price and MIB bancario (29/12/00=100)

## Shareholders

As of 30 September 2002 the shareholder structure of SANPAOLO IMI, based on available information, was as follows:

### Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.48	7.50
Fondazione CR Padova e Rovigo	10.80	4.38
Fondazione CR Bologna	7.69	3.12
Santander Central Hispano	5.11	6.47
IFI / IFIL	3.81	4.83
Deutsche Bank	3.68	4.67
Ente CR Firenze	2.06	2.61
Fondazione Cariplo	1.75	2.21
Caisse des Dépôts et Consignations (CDC)	1.70	2.16
Templeton Global Advisers	1.54	1.95
Società Reale Mutua di Assicurazioni	1.54	1.95
Fondazione CR Venezia	1.50	1.90
Other shareholders (1)	44.34	56.25
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(1) Includes own shares held by the Group.

## Ratings

The following table shows the main ratings assigned to the debt of SANPAOLO IMI.

### SANPAOLO IMI debt ratings

Fitch	
• Short-term debt	F1+
• Medium/long-term debt (senior)	AA-
Moody's Investors Service	
• Short-term debt	P-1
• Medium/long-term debt (senior)	Aa3
Standard & Poor's	
• Short-term debt	A-1
• Medium/long-term debt (senior)	A+

Concerning Group companies, in September Standard & Poor's raised the rating of the medium/long-term debt of Banco di Napoli from A to A+, aligning it with the Group level.

# Group Business Areas

## Organization by Business Areas

The SANPAOLO IMI Group, in the configuration existing after the merger with Cardine, operates through a structure organized by Business Areas in the following business sectors:

- **Domestic Banking Networks:** include the Sanpaolo Network, in-depth present in North West Italy, Cardine, rooted in the North East and the Banco di Napoli, which operates in the South; 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. The banking networks are flanked by specialist units to serve domestic clients: Banca OPI, which provides consultancy and medium- and long-term financing to public bodies and infrastructure, tax collection, as well as, within the Sanpaolo Network and Consumer Banking, companies operating in private banking, consumer credit and leasing. The sector also includes Other Italian Networks, which manage the shareholdings held by the Group in Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì, as well as Large Groups and Structured Finance;
- **Personal Financial Services,** with activities carried out by the networks of financial planners of Banca Fideuram and Banca Sanpaolo Invest to serve customers with a medium-high savings potential;
- **Wealth Management and Financial Markets** which include: the Sanpaolo IMI Wealth Management companies, dedicated to providing asset management products to the Group networks, associated networks, as well as institutional investors and other networks; Eptaconsors,

60.7% held, operating mainly in corporate finance, asset management, securities dealing and trading on line; Banca IMI, the Group's investment bank, whose business priorities concern, on the one side, 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; the new NHS, which operates in private equity;

- **International Activities,** which include the French subsidiary Banque Sanpaolo, the Foreign Network of the Parent Bank, limited to corporate lending, and Sanpaolo IMI Internazionale, established to develop the presence in foreign countries of strategic interest through appropriate growth initiatives, in particular acquisitions and alliances. Holding activities, finance, the Macchina Operativa Integrata and the management of property, shareholding investments and Group's lending policy, are included in the Central Functions.

Criteria for calculating the profitability of the Business Areas are explained in detail in the Explanatory Notes.

## Results of the Business Areas

The table below summarizes the economic results and the profitability ratios for the business sectors in which the Group operates. In relation to the main Business Areas, the most important initiatives for the third quarter are presented below, along with the operating and income results for the first nine months. Where necessary, the figures used to evaluate the performance compared with the previous periods have been consistently reconstructed, assuming that this organizational model was launched as of 1/1/2001.

	Contribution to net income of the Group (1)				Average capital			Annualized profitability		
	First nine months 2002	First nine months 2001	Change first nine months 2002/First nine months 2001 (%)	Year 2001	First nine months 2002	First nine months 2001	Year 2001	First nine months 2002	First nine months 2001	Year 2001
	(€/mil)	(€/mil)		(€/mil)	(€/mil)	(€/mil)	(€/mil)	(%)	(%)	(%)
<b>DOMESTIC BANKING NETWORKS</b>	712	755	-5.7	869	7,665	7,518	7,493	12.4	13.4	11.6
<b>PERSONAL FINANCIAL SERVICES</b>	104	147	-29.3	191	752	745	705	18.4	26.3	27.1
<b>WEALTH MANAGEMENT AND FINANCIAL MARKETS</b>	73	245	-70.2	257	1,111	1,126	1,115	8.8	29.0	23.0
<b>INTERNATIONAL ACTIVITIES</b>	26	42	-38.1	44	776	750	755	4.5	7.5	5.8
<b>CENTRAL FUNCTIONS</b>	-340	-46	n.s.	15	42	-143	-175	n.s.	n.s.	n.s.
<b>GROUP TOTAL</b>	<b>575</b>	<b>1,143</b>	<b>-49.7</b>	<b>1,376</b>	<b>10,346</b>	<b>9,996</b>	<b>9,893</b>	<b>7.4</b>	<b>15.2</b>	<b>13.9</b>

(1) The results for the first nine months of 2002 have been affected by the effects of the evaluations of equity investments.



## Domestic Banking Networks

### Sanpaolo Network and Consumer Banking

Sanpaolo Network and Consumer Banking includes the Sanpaolo Network and the subsidiaries operating in consumer credit (Finconsumo Banca and Finemiro Banca), leasing (Sanpaolo Leasint and Cardine Leasing) and international private banking (Sanpaolo Bank Luxembourg, Sanpaolo Bank Austria and Sanpaolo Bank Switzerland).

The Sanpaolo Network operates through branches specialized for customer segments: the 1,391 branches that perform activities for retail customers are flanked by 130 branches and 61 “detached teams” dedicated to companies and 16 operating points dedicated to the private sector. The Sanpaolo Network also uses the Internet, phone and mobile banking direct channels.

Overall, the Sanpaolo Network and Consumer Banking Area presented 360 million euro net income in the first

	Sanpaolo Network and Consumer Banking				of which: Sanpaolo Network (1)			
	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>								
Net interest and other banking income	2,292	2,328	-1.5	3,090	1,912	1,976	-3.2	2,611
Operating costs	-1,461	-1,438	+1.6	-1,979	-1,323	-1,304	+1.5	-1,787
Operating income	831	890	-6.6	1,111	589	672	-12.4	824
Provisions and net adjustments to loans and financial fixed assets	-166	-142	+16.9	-231	-145	-142	+2.1	-203
Income before extraordinary items	665	748	-11.1	880	444	530	-16.2	621
Net extraordinary income	-3	2	n.s.	7	-4	-3	+33.3	7
Income before taxes	662	750	-11.7	887	440	527	-16.5	628
Income taxes for the period	-302	-334	-9.6	-401	-220	-254	-13.4	-308
Change in reserve for general banking risks and income attributable to minority interests	-	-3	n.s.	-2	-	-	-	-
Net income	360	413	-12.8	484	220	273	-19.4	320
<b>ALLOCATED CAPITAL (€/mil)</b>	2,648	2,723	-2.8	2,708	1,787	1,843	-3.0	1,824
<b>RATIOS (%)</b>								
Annualized RORAC	18.1	20.2		17.9	16.4	19.8		17.5
Cost / Income ratio	63.7	61.8		64.0	69.2	66.0		68.4
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>								
Customer financial assets	151,436	146,359	+3.5	154,347	137,546	132,090	+4.1	139,927
- Direct deposits	36,862	35,661	+3.4	36,505	31,092	29,884	+4.0	31,188
- Asset management	60,599	61,571	-1.6	65,236	60,282	60,959	-1.1	64,583
- Mutual funds and fund-based portfolio management	45,863	50,294	-8.8	52,566	45,734	50,046	-8.6	52,310
- Portfolio management	3,724	4,322	-13.8	4,462	3,536	3,958	-10.7	4,065
- Life technical reserves	11,012	6,955	+58.3	8,208	11,012	6,955	+58.3	8,208
- Asset administration	53,975	49,127	+9.9	52,606	46,172	41,247	+11.9	44,156
Net asset management flows	-123	1,051		2,841	14	1,151		2,916
Net loans to customers excluding NPLs	45,623	43,864	+4.0	43,766	35,037	33,658	+4.1	33,375
<b>OPERATING STRUCTURE</b>								
Employees	17,842	17,855	-0.1	17,809	16,398	16,517	-0.7	16,465
Domestic branches	1,416	1,370	+3.4	1,401	1,391	1,368	+1.7	1,376

(1) Excluding transactions with companies with turnover in excess of 250 million euro.

nine months of 2002, down 12.8% on the same period for the previous year, with an annualized RORAC of 18.1%.

Regarding the Sanpaolo Network in particular, the major initiatives undertaken during the third quarter were aimed, on one side, at strengthening the market position in terms of private and retail customers and, on the other, at the development of relations with companies with appropriate creditworthiness:

- the strengthening of the market position in terms of private customers was firstly sought through initiatives aimed at increased specialization of the distribution model by customer segments: a project aimed at the expansion of the network dedicated to private customers was launched and a project directed at improving the organizational structure serving retail customers was presented; initiatives to provide branches with customer relation support are currently underway, particularly models for evaluating the related financial profile; the creation of protected capital investment products also continued;
- the development of operations for companies was pursued with the launch of targeted projects of a commercial nature; among these, the initiative aimed at expanding the range of financial instruments dedicating to hedging and investment was of particular importance; a project for the revision of the loan policy was also launched and this will involve, among other things, the progressive acknowledgement of indications concerning the evaluation of risk in the new Basle Agreement.

The spread of multi-channel capabilities also continued throughout the third quarter. As of the end of September, the number of contracts allowing private customers to operate in an integrated way through both traditional and direct channels rose to 269,000, with an increase of more than 89,000 since the start of the year. Internet banking contracts with companies grew to more than 16,000, more than doubling since the end of 2001.

Under the operational profile, customer financial assets, 137.5 billion euro at the end of September, are up 4.1% on an annual basis. Loans to customers reached 35 billion euro at the end of September, up 5% since the beginning of the year and 4.1% over the 12 months. Noteworthy overall is the positive performance of retail mortgages for households: disbursements since the beginning of the year were 1.3 billion euro and amounts were up 14%.

The net income for the nine months of 2002 was 220 million euro and the annualized RORAC was 16.4%; against the same period in 2001 there was a fall in profitability, mainly following the reduction, on an annual basis, in the contribution of direct deposits, connected to the decline in interest rates, as well as the lower commission flow from the reduced incidence in customer portfolios of equity and asset allocation products.

### Cardine

Cardine undertakes retail activities in the North East, through the 835 branches of the seven bank networks: Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Cassa di Risparmio di Udine e Pordenone, Cassa di Risparmio di Gorizia, Banca Agricola di Cerea and Banca Popolare dell'Adriatico.

During the third quarter, Cardine continued the activities associated with its integration into the Group, with the rationalization of its operations and with the focusing on its business of reference. The main initiatives were aimed:

- at the realization of an optimal organizational model to fulfill the duties assigned to Cardine Finanziaria within the new Group. These include assisting the Parent Bank in direction, governance and control of the bank networks and also, during the initial phase, providing support to these banks in the IT sector, as well as for administrative, accounting and logistical functions;
- at strengthening the activities connected with the integration underway, with particular regard to the Macchina Operativa Integrata;
- at the conclusion of the activity aiming at centralizing Group finance;
- at programming and realizing projects focused on developing revenues from retail customers and small- and medium-sized companies, through the sharing of the products and know how of SANPAOLO IMI.

Efforts were also directed to continuing the initiatives to integrate the bank networks and strengthen customer service capacity. The actions concerned, in particular, the strengthening of the sales structure, with the adoption of a commercial model based on customer segments and the management of customer portfolios by specialized consultants and the completion of the integration of the banks in the target IT system.

During the first nine months of 2002, the activities of the Cardine bank networks were characterized by developments within all of the main operational aggregates. In asset management, the net inflow from the start of the year, 1.1 billion euro, more than offset the devaluation of the stocks, which at the end of September were 12.5 billion euro, up 7.1% in the 12 months. The trend of direct customer deposits was also positive, showing growth of 7.8% on an annual basis. Loans to customers, net of non-performing loans, were up 5.5% over the 12 months; new disbursements in connection with retail mortgages were also relevant at 582 million euro, 187

million of which regarded the third quarter.

The profit results for the first three quarters showed substantial maintenance of net interest and other banking income (-0.1%) and a 2.9% drop in operating costs, which led to a 3.8% increase in the operating income compared with the first nine months of the previous year; net income grew by 16.6%.

### Banco di Napoli

Banco di Napoli operates in retail banking in the regions of Southern Italy through a network of 720 branches.

#### Cardine (1)

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	1,065	1,066	-0.1	1,432
Operating costs	-601	-619	-2.9	-838
Operating income	464	447	+3.8	594
Provisions and net adjustments to loans and financial fixed assets	-67	-101	-33.7	-158
Income before extraordinary items	397	346	+14.7	436
Net extraordinary income	4	3	+33.3	6
Income before taxes	401	349	+14.9	442
Income taxes for the period	-180	-162	+11.1	-200
Change in reserve for general banking risks	-3	-	n.s.	-4
Net income	218	187	+16.6	238
Contribution to net income of the Group (2)	171	187	-8.6	238
<b>ALLOCATED CAPITAL (€/mil)</b>	<b>2,497</b>	<b>2,453</b>	<b>+1.8</b>	<b>2,440</b>
<b>RATIOS (%)</b>				
Annualized RoE	9.1	10.2		9.8
Cost / Income ratio	56.4	58.1		58.5
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	50,808	47,545	+6.9	49,683
- Direct deposits	26,366	24,456	+7.8	25,820
- Asset management	12,535	11,701	+7.1	12,394
- <i>Mutual funds and fund-based portfolio management</i>	8,199	7,552	+8.6	8,104
- <i>Portfolio management</i>	2,940	3,030	-3.0	3,081
- <i>Life technical reserves</i>	1,396	1,119	+24.8	1,209
- Asset administration	11,907	11,388	+4.6	11,469
Net asset management flows	1,076	-304		-50
Net loans to customers excluding NPLs	23,630	22,396	+5.5	23,433
<b>OPERATING STRUCTURE</b>				
Employees	9,711	9,809	-1.0	9,680
Domestic branches	835	814	+2.6	834

(1) Data referring to the seven bank networks.

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

In the third quarter of 2002 the main initiatives realized by Banco di Napoli were aimed at focusing operations in its area of traditional roots, relaunching activities in the southern regions, as well as improving operating efficiency. In particular, the investment portfolio revision activity continued along with the disposal of assets which were not instrumental to the performance of the core business:

- in July the minority shareholding in Cedel International was sold, realizing capital gains of 6 million euro;
- in September the property of the New York branch was sold, with capital gains of approximately 5 million euro;

- on 1 October the tax collection activities, once performed by Banco di Napoli in its capacity as government commissioner for Naples and Caserta, were transferred to Esaban.

With reference to the Macchina Operativa Integrata project, the activities necessary to guarantee optimal transition to the new IT system are underway.

Furthermore, on 9 and 10 October, the respective Boards of Directors approved a project for merger which provides for incorporation of Banco di Napoli into SANPAOLO IMI. As mentioned in a previous chapter of this Report, this

### Banco di Napoli

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	720	823	-12.5	1,094
Operating costs	-595	-670	-11.2	-881
Operating income	125	153	-18.3	213
Provisions and net adjustments to loans and financial fixed assets	-52	-92	-43.5	-97
Income before extraordinary items	73	61	+19.7	116
Net extraordinary income	60	28	+114.3	-38
Income before taxes	133	89	+49.4	78
Income taxes for the period	-23	-49	-53.1	-75
Net income	110	40	+175.0	3
Contribution to net income of the Group (1)	77	31	+148.4	-13
<b>ALLOCATED CAPITAL (€/mil)</b>	1,354	1,358	-0.3	1,358
<b>RATIOS (%)</b>				
Annualized RoE	7.6	3.0		n.s.
Cost / Income ratio	82.6	81.4		80.5
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	36,702	36,321	+1.0	38,034
- Direct deposits	20,469	22,016	-7.0	22,759
- Asset management	9,781	7,935	+23.3	8,761
- Mutual funds and fund-based portfolio management	7,088	5,518	+28.5	6,255
- Portfolio management	1,300	1,443	-9.9	1,421
- Life technical reserves	1,393	974	+43.0	1,085
- Asset administration	6,452	6,370	+1.3	6,514
Net asset management flows	1,244	1,629		2,480
Net loans to customers excluding NPLs and SGA loans	13,654	14,382	-5.1	15,740
<b>OPERATING STRUCTURE</b>				
Employees	9,066	9,708	-6.6	9,588
Financial planners	203	194	+4.6	200
Domestic branches	720	731	-1.5	731

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

operation is part of the context of a bigger project for the rationalization of the Sanpaolo, Banco di Napoli and Cardine networks, based upon focusing on customer segments corresponding to specific operating structures for retail, private customers and companies. The merger will be followed by the conferral of the Southern Territorial Direction to Nuovo Banco di Napoli, expected for the second half of 2003.

In relation to operating volumes, in the third quarter the recomposition of customer financial assets towards asset management continued; the amount rose at the end of September to 9.8 billion, up by about 1 billion euro from the beginning of the year (+11.6%); the increase was due to positive net flows, 1.2 billion euro, in a market characterized by strong disinvestments out of mutual funds.

Banco di Napoli's profit results benefited from the reduction in structural costs (-11.2% against the first nine months of 2001) and from high net extraordinary income. The latter, mainly attributable to realization from property and share-

holdings, succeeded in contrasting the drop in revenues due to the resizing of corporate activity. Net income was 110 million euro and the annualized RoE, calculated on the basis of the contribution to net income of the Group, was 7.6%.

### Banca OPI

The provision of financial services to the public sector, with particular reference to the financing of infrastructure investments and works, is undertaken by Banca OPI, a company established in July 2000.

In the third quarter of 2002 the bank took on advisory and financial structuring mandates for various major projects in Italy and abroad; it was co-arranger in important international initiatives in the modernization of local transport; it issued new loans, some in the form of project financing, intended mainly for the local public transport sector, as well as for land preservation and environmental protection; in the latter context, it participated jointly with CDC Ixis, in a closed-end investment fund governed by French law,

### Banca OPI

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	93	93	-	127
Operating costs	-14	-12	+16.7	-18
Operating income	79	81	-2.5	109
Provisions and net adjustments to loans and financial fixed assets	-49	-19	+157.9	-65
Income before extraordinary items	30	62	-51.6	44
Net extraordinary income	3	1	+200.0	2
Income before taxes	33	63	-47.6	46
Income taxes for the period	-10	-18	-44.4	-14
Net income	23	45	-48.9	32
Contribution to net income of the Group (1)	53	54	-1.9	69
<b>ALLOCATED CAPITAL (€/mil)</b>	469	349	+34.4	349
<b>RATIOS (%)</b>				
Annualized RoE	15.1	20.6		19.8
Cost / Income ratio	15.1	12.9		14.2
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>				
Net loans to customers excluding NPLs	14,181	11,875	+19.4	13,284
Disbursements in the period	1,933	1,476	+31.0	3,018
<b>OPERATING STRUCTURE</b>				
Employees	127	114	+11.4	114

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

which will invest in companies operating in France in support of the development of renewable energy. In advisory it acquired a new mandate from a public utilities group in Emilia Romagna for the definition of the values and methods for realizing the company aggregation operation (Hera S.p.A.) and successive listing on the Stock Exchange.

In the first nine months of 2002, the bank made new disbursements of 1.9 billion euro, of which 0.3 billion euro in the third quarter, which took total loans at the end of September to 14.2 billion euro, an increase of 6.8% since the beginning of 2002 and 19.4% on the 12 months. The positive trend in volumes allowed for the offsetting of the reduction in spreads and the achievement of net interest and other banking income in line with those of the same period in 2001; however, the main provisions made exclusively for tax purposes, together with a moderate increase in operating costs, determined a drop in net income.

#### Large Groups and Structured Finance

To achieve the quality optimization aims regarding the Group's lending activity and the maximization of the risk/performance profile, it was decided to center the management and booking of the 30 major groups of domestic and international importance, as well as project financing (for energy, oil & gas and telecommunications sectors) and LBO Financing, extended to the whole Group, in the Large Groups and Structured Finance units. In the first nine months of 2002 the Large Groups unit achieved results which were substantially in line with those for the same period in 2001, while the operating margins of the

Structured Finance unit were negatively influenced by continuing weakness of the economic context, which was reflected in an increase in provisions.

#### Other Italian Networks

Other Italian Networks operates in the domestic market through the distribution networks of the Cassa di Risparmio di Firenze, in which the Group has a stake of 19.5%, and the Cassa dei Risparmi di Forlì (21% stake).

In the context of the distribution agreements between SANPAOLO IMI and the other companies in the Area, the following should be noted:

- positive progress in the marketing of mutual funds managed by CR Firenze Gestion Internationale (in which an 80% interest is held by Carifirenze and a 20% interest by SANPAOLO IMI). The net flow for the third quarter, equal to 52 million euro, brought the flow from the beginning of the year to 309 million euro and overall volumes to 2 billion euro;
- placement by the Cariforlì network, in the first nine months of 2002, of SANPAOLO IMI Group asset management products for 63 million euro, 11 million of which achieved in the third quarter. This net flow took the stock, at the end of the period, to 148 million euro, up 64.4% since the beginning of the year.

In profit terms, the contribution to the SANPAOLO IMI Group's net income, accounted for in the context of the profits from companies carried at equity, was 17 million euro for Carifirenze and 6 million euro for Cariforlì.

## Personal Financial Services

### Banca Fideuram

Banca Fideuram, which has a network of 3,641 financial planners and 87 branches in Italy, operates using its own specialized companies dedicated to asset management services.

In the third quarter of 2002 Banca Fideuram continued with the realization of the activities in preparation for integration with Banca Sanpaolo Invest, approved at the end of July in the Extraordinary Shareholders' Meeting and completed at

the beginning of October with the acquisition of the total stake held by SANPAOLO IMI.

The transaction, which is part of the actions to further strengthen the leadership position held by the Group in Personal Financial Services, is aimed at: fully exploiting the potential of Banca Sanpaolo Invest, leveraging on the best practice of Banca Fideuram; allowing strategic coordination of the financial planner networks, with the adoption of consistent marketing and brand policies; realizing considerable scale economies through the creation of a mutual technological platform and a shared product portfolio, appropriately adapted to suit the commercial characteristics of each network.

### Banca Fideuram

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	405	432	-6.3	578
Operating costs	-219	-208	+5.3	-280
Operating income	186	224	-17.0	298
Adjustments to goodwill and merger and consolidation differences	-9	-18	-50.0	-24
Provisions and net adjustments to loans and financial fixed assets	-19	-18	+5.6	-47
Income before extraordinary items	158	188	-16.0	227
Net extraordinary income	7	4	+75.0	10
Income before taxes	165	192	-14.1	237
Income taxes for the period	-22	-22	-	-11
Net income	143	170	-15.9	226
Contribution to net income of the Group (1)	101	136	-25.7	173
<b>ALLOCATED CAPITAL (€/mil)</b>	659	650	+1.4	612
<b>RATIOS (%)</b>				
Annualized RoE	20.4	27.9		28.3
Cost / Income ratio	54.1	48.1		48.4
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	47,472	46,924	+1.2	50,414
- Direct deposits	3,507	3,300	+6.3	3,564
- Asset management	32,986	35,472	-7.0	37,477
- <i>Mutual funds and fund-based portfolio management</i>	24,858	29,366	-15.4	31,022
- <i>Life technical reserves</i>	8,128	6,106	+33.1	6,455
- Asset administration	10,979	8,152	+34.7	9,373
Net asset management flows	-625	-344		339
<b>OPERATING STRUCTURE</b>				
Employees	1,661	1,639	+1.3	1,647
Financial planners	3,641	3,794	-4.0	3,795
Domestic branches	87	80	+8.7	82

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

To serve the conferral of Banca Sanpaolo Invest, which has been valued at 603.8 million euro, Banca Fideuram made a capital increase reserved to SANPAOLO IMI (from 236.4 to 254.9 million euro), through the issue of 71 million ordinary shares of unit value of 0.86 euro (nominal value of 0.26 euro and premium of 0.60 euro). Following the integration the Group's stake in Banca Fideuram rose to 73.4%.

At the end of September 2002, customer financial assets of Banca Fideuram were 47.5 billion euro, slightly up on the end of September 2001 (+1.2%) and down 5.8% since the beginning of the year. Noteworthy overall is the particularly positive trend in asset administration, up by

17.1% since the end of December 2001 and 34.7% on the 12 months; this increase partially compensated for the reduction in assets under management, mainly due to the devaluation of the stock. Profit margins for the six months were generally reduced, above all because of the fall in commission revenues, as well as higher charges for the realization of the development plan for the French subsidiaries.

### Banca Sanpaolo Invest

Banca Sanpaolo Invest operates through a network of 1,310 financial planners, supported by direct sales channels.

### Banca Sanpaolo Invest

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	42	54	-22.2	79
Operating costs	-35	-39	-10.3	-52
Operating income	7	15	-53.3	27
Provisions and net adjustments to loans and financial fixed assets	-22	-1	n.s.	-3
Income before extraordinary items	-15	14	n.s.	24
Net extraordinary income	-	-	-	-
Income before taxes	-15	14	n.s.	24
Income taxes for the period	5	-6	n.s.	-8
Change in reserve for general banking risks	15	3	n.s.	2
Net income	5	11	-54.5	18
Contribution to net income of the Group (1)	3	11	-72.7	18
<b>ALLOCATED CAPITAL (€/mil)</b>	93	95	-2.1	93
<b>RATIOS (%)</b>				
Annualized RoE	4.3	15.4		19.4
Cost / Income ratio	83.3	72.2		65.8
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	8,348	8,919	-6.4	9,677
- Direct deposits	283	269	+5.2	363
- Asset management	6,926	7,750	-10.6	8,108
- <i>Mutual funds and fund-based portfolio management</i>	4,479	5,550	-19.3	5,708
- <i>Portfolio management</i>	483	505	-4.4	524
- <i>Life technical reserves</i>	1,964	1,695	+15.9	1,876
- Asset administration	1,139	900	+26.6	1,206
Net asset management flows	-134	180		470
<b>OPERATING STRUCTURE</b>				
Employees	221	207	+6.8	210
Financial planners	1,310	1,533	-14.5	1,494

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



In the third quarter of 2002, because of market uncertainty, Banca Sanpaolo Invest focused its commercial development policies on enriching its product range, particularly with regard to the SANPAOLO IMI Group products. The period was characterized by the launch of the commercialization of a unit-linked deferred capital policy with a single premium or recurrent premiums, issued by Fideuram Vita, along with a single premium and pre-arranged maturity index-linked policy, created by Sanpaolo Life, with profitability linked to the performance of the Euro Stoxx50 index; individual pension plans, actuated through unit-linked policies managed by Skandia Vita, were also commercialized.

The bank also continued with its activities toward strengthening the operations that it performs through the phone and Internet Banking direct channels: in the third quarter 31,860 securities trades were performed through the phone channel and 8,000 through the Internet, taking the

respective total numbers of transactions since the beginning of the year to 87,420 and 20,028.

At the end of September 2002, the volumes of customer financial assets of Banca Sanpaolo Invest were lower than at the beginning of the year (-13.7%) and in the 12 months (-6.4%); compared with the end of the third quarter of 2001, increases in direct deposits (+5.2%) and asset administration (+26.6%) could not in fact compensate for the reduction in amounts of asset management (-10.6%). Net interest and other banking income for the first nine months was down on the same period during the previous year, and this can be attributed entirely to the drop in commission revenues; the reduction in administrative costs made by the bank was not sufficient to compensate for the reduction in revenues which, together with greater provisions to the risks and charges fund, partially offset by the use of the general banking risks fund, determined a drop in net income.

## Wealth Management e Financial Markets

### Sanpaolo IMI Wealth Management

Wealth Management provides asset management products and services both to the Group's internal distribution networks 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 subsidiaries operating in mutual funds, portfolio management and life insurance.

The main initiatives realized by the Area in the third quarter concerned:

- the assignment of Sanpaolo Fiduciaria to the Parent Bank, consistently with the reorganization and rationalization of the Group's investment portfolio;

- the further expansion of the product range, with the launch of protected value portfolio management;
- the launch of the distribution of Wealth Management products through the new Group networks: in particular, commercialization on the Cardine network was launched and the penetration of the clientele of the Banco di Napoli network was strengthened.

As of the end of September, the Area's assets under management amounted to 81.5 billion euro, down 3.8% from the start of the year. Noteworthy with regard to the total amount is the sustained growth in life technical reserves, which rose to 13.2 billion euro (+35.5% in comparison with the end of 2001). The profit results for the Area, whose assets include a considerable stock component, during the first nine months of the year reflected the negative context of the market, recorded an overall reduction in comparison with the same period in 2001.

### Sanpaolo IMI Wealth Management (1)

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	146	177	-17.5	233
Operating costs	-63	-49	+28.6	-73
Operating income	83	128	-35.2	160
Adjustments to goodwill and merger and consolidation differences	-5	-6	-16.7	-7
Provisions and net adjustments to loans and financial fixed assets	-	-12	n.s.	-7
Income before extraordinary items	78	110	-29.1	146
Net extraordinary income	2	-	n.s.	-
Income before taxes	80	110	-27.3	146
Income taxes for the period	-10	44	n.s.	39
Change in reserve for general banking risks and income attributable to minority interests	-4	-7	-42.9	-8
Net income	66	147	-55.1	177
Contribution to net income of the Group (2)	74	158	-53.2	190
<b>ALLOCATED CAPITAL (€/mil)</b>	595	426	+39.7	422
<b>RATIOS (%)</b>				
Annualized RoE	16.6	49.5		45.0
Cost / Income ratio	43.2	27.7		31.3
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>				
Assets under management	81,469	n.d.	n.d.	84,724
<b>OPERATING STRUCTURE</b>				
Employees	381	345	+10.4	348

(1) Excludes Sanpaolo Bank Luxembourg and its subsidiaries.

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

## 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 consulting in corporate finance. Investment banking activities are undertaken by the Banca IMI group, excluding IMIWeb Bank, which operates in on line trading.

In the third quarter of 2002, with reference to corporate finance and capital markets, Banca IMI:

- in the context of stock placements, took part in the only transaction performed on the Italian market during the period (ASM Brescia);
- with regard to Public Offerings, acted as a coordinating intermediary in the context of the residual offer launched by Ibra Partecipazioni for Ibra Presse ordinary shares;

- in capital increases, concluded, as joint lead manager, the activities regarding the Alitalia capital increase;
- performed the activities in preparation for the listing of Italtenergia (following the forecast merger with Edison), in which it will assume the role of co-sponsor.

With regard to the corporate finance advisory activity, Banca IMI supplied financial consulting to CR Firenze in the partial disposal of a non-performing portfolio and provided assistance to Inferentia in structuring an increase in capital; it operated as advisor to Alitalia in the share swap project with Air France; it continued the consulting activities for existing mandates, such as the global advisory activity for the FIAT Group, assistance to the Albanian government in the project for the privatization of the fixed telecommunication and energy sectors, and advised AEM Torino in the project for the exploitation of certain electricity generation assets.

## Investment Banking

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	124	147	-15.6	197
Operating costs	-114	-117	-2.6	-160
Operating income	10	30	-66.7	37
Provisions and net adjustments to loans and financial fixed assets	-3	-	n.s.	-7
Income before extraordinary items	7	30	-76.7	30
Net extraordinary income	-3	-2	+50.0	-1
Income before taxes	4	28	-85.7	29
Income taxes for the period	-	-11	n.s.	5
Net income	4	17	-76.5	34
Contribution to net income of the Group (1)	4	17	-76.5	34
<b>ALLOCATED CAPITAL (€/mil)</b>	324	306	+5.9	302
<b>RATIOS (%)</b>				
Annualized RoE	1.6	7.4		11.3
Cost / Income ratio	91.9	79.6		81.2
<b>OPERATING DATA (€/mil)</b>				
Banca IMI SpA trading volumes				
- trading	489,636	516,543	-5.2	681,694
- sales	98,009	90,763	+8.0	121,814
- repurchase agreements	1,152,653	1,042,809	+10.5	1,440,015
- placements	5,454	10,517	-48.1	14,506
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING STRUCTURE</b>				
Employees	632	658	-4.0	653
Branches	2	2	-	2

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

During the first nine months, the profit results of Banca IMI were conditioned by the high instability of the financial markets, which determined the booking of capital losses on the securities portfolio. Total revenues, although benefiting from the profits derived from the negotiation of equity and bond portfolios, were lower than revenues for the same period in 2001.

## NHS

The new NHS, established following the partial split of the pre-existing homonymous company, is responsible for the private equity activities of the Group, with the strategic goal of strengthening and consolidating its presence in this sector, which is characterized by high growth potential.

NHS is to operate as a point of reference for venture capital investments in small- and medium-sized companies, supporting the possibilities for their growth, aggregation and reorganization. Accordingly, the company is concentrating its efforts on promotion, management and placement of closed-end private equity funds.

During the third quarter action aimed at centralization in NHS of the private equity activities of the Group resulting from the merger with Cardine continued; they particularly provide for: the attribution of the functions of coordination, control and performance of centralized services for

subsidiaries and advisor for closed-end funds and foreign law investment companies; the transfer to NHS of the total control of the Cardine Investimenti company, which will assume the role of multifund SGR for the management of reserved closed-end funds governed by Italian law, flanking the Cardine Impresa closed-end fund which has already been created; the consolidation of the exclusive role, in the South, of NHS Mezzogiorno SGR, previously authorized to manage a closed-end fund destined to the Southern regions, currently in the subscription phase.

The initiatives also include the activities in preparation for the launch, due for the end of 2002, of the first pan-European LBO fund organized in collaboration with CDC Ixis and Bayerische Landesbank, which will invest in small- and medium-sized European companies, mainly in Italy, France and Germany; in October an agreement was signed for participation in a new investment fund launched by the French government in support of local small- and medium-sized companies, in cooperation with CDC-Pme (subsidiary of Caisse des Dépôts et Consignations) and the EIF (European Investment Fund).

In the period, NHS, together with its subsidiaries, achieved an operating income of about 7 million euro and a loss of over 2 million euro, mainly determined by the amortization of positive differences arising on consolidation and adjustments to financial fixed assets.

## International Activities

### Banque Sanpaolo

Banque Sanpaolo operates in France, through a network of 59 branches, with a customer base of 125,000 private customers with a medium-high savings potential and small- and medium-sized companies.

In the third quarter of 2002 Banque Sanpaolo carried on the specialization of the branch network on the reference customer segments.

In operating terms, during the first nine months of 2002 the

bank reported a positive performance in asset management, with a net flow of 0.6 billion euro. As of the end of September, the amount settled at 5.4 billion euro, stable since the start of the year and up 16.8% over the 12 months. Profit margins displayed a favorable trend for net interest income, which partially offset the drop in commissions. The higher costs that were sustained in connection with the strengthening of the bank's market position as well as higher provisions nevertheless led to a lower net income.

### Foreign Network

The Area is responsible for the foreign network of the Parent Bank composed, following the transfer of Cardine's

### Banque Sanpaolo

	First nine months 2002	First nine months 2001	Change first nine months 2002 / First nine months 2001 (%)	Year 2001
<b>STATEMENT OF INCOME (€/mil)</b>				
Net interest and other banking income	146	151	-3.3	201
Operating costs	-101	-98	+3.1	-134
Operating income	45	53	-15.1	67
Provisions and net adjustments to loans and financial fixed assets	-10	-7	+42.9	-16
Income before extraordinary items	35	46	-23.9	51
Net extraordinary income	1	3	-66.7	3
Income before taxes	36	49	-26.5	54
Income taxes for the period	-13	-18	-27.8	-16
Net income	23	31	-25.8	38
Contribution to net income of the Group (1)	22	35	-37.1	37
<b>ALLOCATED CAPITAL (€/mil)</b>	426	429	-0.7	425
<b>RATIOS (%)</b>				
Annualized RoE	6.9	10.9		8.7
Cost / Income ratio	69.2	64.9		66.7
	30/9/2002	30/9/2001	Change 30/9/02-30/9/01 (%)	31/12/2001
<b>OPERATING DATA (€/mil)</b>				
Customer financial assets	12,053	12,120	-0.6	12,340
- Direct deposits	4,388	4,146	+5.8	4,532
- Asset management	5,397	4,620	+16.8	5,362
- <i>Mutual funds and fund-based portfolio management</i>	3,661	2,831	+29.3	3,514
- <i>Portfolio management</i>	897	1,048	-14.4	1,104
- <i>Life technical reserves</i>	839	741	+13.2	744
- Asset administration	2,268	3,354	-32.4	2,446
Net asset management flows	617	80		310
Net loans to customers excluding NPLs	3,475	3,446	+0.8	3,406
<b>OPERATING STRUCTURE</b>				
Employees	1,230	1,231	-0.1	1,257
Branches	59	63	-6.3	59

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

operating points, of 12 branches and 17 representative offices, as well as for the subsidiary Sanpaolo IMI Bank Ireland. To strengthen the presence in its reference markets, the organization of the Area was based on three regional offices (Americas, Europe and Asia) to direct and control the various operating points.

The activity, targeted at development of the business with Italian and foreign multinationals, was designed to improve the quality in the loan portfolio rather than growth in operating volumes, in a market biased by the recent accounting irregularities and financial deficiencies, which presents growing levels of risk in the corporate sector. To this end, the foreign network lending activity aims to consolidate the position achieved by containing the risk through greater diversification in both the number of customers and economic sectors.

In profit terms, corporate lending activities in the first nine months of 2002 confirmed a substantial maintenance in operating income. The aforementioned worsening of the risk level in the sector led to higher provisions for loans, mainly connected to the adjustments to the Marconi position.

### Sanpaolo IMI Internazionale

Sanpaolo IMI Internazionale was formed for the purpose of developing the presence in those foreign countries that were deemed to be of strategic interest through appropriate growth initiatives, including, in particular, operations involving acquisitions and alliances. The Group shareholdings in Central Eastern Europe will be transferred to it, in particular: Banka Koper, in which SANPAOLO IMI has a share of 62.1%, operating in Slovenia through a network of 37 branches; Inter-Europa Bank (32.5%), which has 21 branches in Hungary; West Bank (72.4%) with 15 operating points in Romania.

In the third quarter of 2002, the Area continued the initiatives aimed at exploiting the potential of the two most recently acquired banks, Banka Koper and West Bank; for this purpose, actions aimed at enabling the sharing of the Group's know how in the operating areas that offer greater development opportunities in the reference markets were identified and undertaken.

### **IMI Investimenti**

IMI Investimenti manages the Group's relevant industrial shareholdings. In the third quarter of 2002, operating

income was heavily penalized by the significant adjustments (devaluation of the FIAT shareholding) made to the equity portfolio, despite being mitigated by capital gains realized on the sale of part of the ENI stock held by the company.

# Explanatory Notes

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ACCOUNTING AND VALUATION PRINCIPLES

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CHANGES IN THE CONSOLIDATION AREA

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CONSOLIDATED PRO FORMA STATEMENTS FOR 2001  
AND FOR THE FIRST QUARTER OF 2002

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CRITERIA FOR CALCULATING THE PROFITABILITY OF THE BUSINESS AREAS

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## Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group at 30 September 2002 has been prepared according to Consob Regulation 11971 of 14 May 1999 and successive modifications and integration.

The balance sheet at 30 September 2002 and the statement of income for the first nine months of 2002 have been prepared using accounting and valuation principles consistent with the Annual Report 2001 to which reference is made for further detail. Here, the following should be noted:

- the quarterly accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial period. Accordingly, the quarterly statement of income reflects both the ordinary and extraordinary components of income pertaining to the period, in accordance with the accrual principle. In particular, income tax reflects the cost attributable to the period according to 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 30 September 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 information made available by them also using, for the statement of income for the period, prudent estimates;
- the positive differences, generated by line by line, proportional and net equity consolidation, have been taken against the total of negative differences at first consolidation pre-existing or arising in the same year and to their extent, pursuant to art. 32 of D. Lgs. n. 87 of 27/1/1992 and successive applicative instructions issued by Bank of Italy;
- adjustments and provisions made exclusively for tax purposes by the Parent Bank and by consolidated companies are reversed;
- only significant balances and transactions with Group companies have been eliminated.

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

## Changes in the consolidation area

The principal changes in the line by line and proportional consolidation area against 31 December 2001 concern:

- inclusion in the line by line consolidation area, with acquisition of related financial flows since the beginning of 2002:
  - of the former Cardine Group companies following the merger of the Cardine Banca Parent Bank with SANPAOLO IMI S.p.A., which became legally effective as of 1 June 2002;
  - of Compagnia di San Paolo Investimenti Patrimoniali S.p.A., acquired by SANPAOLO IMI S.p.A. and included in the Group financial statements as of 30 June 2002;
- the inclusion in the proportional consolidation area of the Slovenian company Banka Koper, following the increase in the stake already held in the previous year by the Parent Bank, as of 1 January 2002.

In addition to the changes above, the following should be noted with respect to 30 September 2001:

- the inclusion in the proportional consolidation area of Centradia Group, Centradia Limited and Centradia Services Ltd from 31 December 2001;
- the exclusion from the line by line consolidation area, following their sale, of SIM BancoNapoli & Fumagalli Soldan S.p.A. and Datitalia S.p.A. from 31 December 2001.

## Consolidated pro forma statements for 2001 and for the first quarter of 2002

To allow consistent comparison of the results, the balance sheet and statement of income figures for last year and for the first quarter of 2002 used as a comparable basis for the analyses and comments contained in this Quarterly report are presented in pro forma versions, which conventionally assume the merger of Cardine Banca S.p.A. with SANPAOLO IMI S.p.A. as of 1 January 2001. The pro forma accounts for last year also suppose the proportional consolidation from 1 January 2001 of the Slovenian company Banka Koper, which entered the proportional consolidation area in the first quarter of 2002.

Therefore, attached to the present Explanatory Notes are the statements of reclassified consolidated pro forma statements of income for the first nine months of 2001 and for 2001 and the reclassified consolidated pro forma balance sheets as of 30 September 2001 and 31 December 2001, while for the same statements of reconciliation for the other periods of 2001 and the first quarter of 2002 reference should be made to the Half Year Report of the SANPAOLO IMI Group for 2002.

In methodological terms, the preparation of the 2001 pro forma versions has been based on the use of the consoli-

dated stand-alone accounting of the SANPAOLO IMI Group and the former Cardine Group at their respective dates. In particular, the figures of the former Cardine Group for the first three quarters of 2001 have been properly adjusted in accordance with criteria which are consistent with those used by the same Group for the year end financial statements with regard to the effects of the tax benefits provided for by D. Lgs. 153 dated 17/5/99 (Legge Ciampi). Taxes have been restated without taking account of the incentive in question and further provisions have been made to neutralize the prior benefits envisaged by the same law. Furthermore, the figures of the former Cardine Group have been adjusted to take account of the reversal of the extraordinary component, net of the related tax effect, due to the change of valuation principles for the dealing securities portfolio made in the previous year and attributable on an accrual basis to the year 2000.

To prepare the pro forma totals, the following adjustments were made to take account of, as by convention:

- the acquisition on 1/1/2001 by SANPAOLO IMI of own shares to reach the number effectively used for the exchange. It has been conventionally simulated that the acquisition is posted against borrowings, with the consequent recording of the related economic effects;
- of the effects of the merger. In particular, the conventional procedure is to cancel the shareholding in Cardine Banca held by SANPAOLO IMI on the basis of the percentage stake and book value effectively cancelled on merger. This cancellation was made at the various dates in exchange of the corresponding portion of the net shareholders' equity of Cardine Banca, excluding current income. As effectively occurred in the merger, the goodwill thus generated is posted to "equity investments", thus generating a positive difference on consolidation whose related quota of amortization is reflected in the statement of income;
- other adjustments designed to eliminate related transactions between the two Groups, as well as the alignment to consistent accounting principles, including: 1) the determination by the former Cardine Group of the actualization reserve for doubtful loans and latent capital losses on the investment portfolio which, net of related tax effects, have been posted to adjust equity at first consolidation; 2) the compensation, by the values present in the quarterly financial statements for 2001 of the former Cardine Group, of the positive differences of consolidation with the negative differences; consequently the related share of amortization posted to the statement of income has been adjusted;

- the contribution for 2001 of the proportional consolidation of Banka Koper.

The amounts of the adjustments made in preparing the pro forma statements as of 30/9/2001 and 31/12/2001 are explained in the detailed notes reported in the attachments.

Please note that the above pro forma schedules are unaudited.

### Criteria for calculating 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 the subsidiaries, consolidation of the accounts of the Parent Bank attributable to the relevant Area has been effected with the income statement captions of the subsidiary companies. The attribution to individual Areas of Parent Bank accounts, 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 interest 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.

Capital has been attributed to each Area according to the following criteria:

- for those Areas whose business is carried out both by the Parent Bank and by the 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 approach, 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 the 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 approach;

- 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, 12 November 2002

The Board of Directors

# Attachments

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STATEMENTS OF RECLASSIFIED CONSOLIDATED PRO FORMA  
STATEMENTS OF INCOME AND BALANCE SHEETS

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# Statement of reclassified consolidated pro forma statement of income for the first nine months of 2001

(€/mil)

	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	Acquisition of SANPAOLO IMI own shares (c)	Proper merger effects (d)	Other adjustments (e)	Pro forma Banka Koper contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
<b>NET INTEREST INCOME</b>	<b>2,091</b>	<b>878</b>	<b>-17 (2)</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>2,958</b>
Net commissions and other net dealing revenues	1,952	321	-	-	-	7	2,280
Profits and losses from financial transactions and dividends on shares	173	-15	-	-	-	1	159
Profits from companies carried at equity and dividends from shareholdings	153	15	-	-	-	-	168
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>4,369</b>	<b>1,199</b>	<b>-17</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>5,565</b>
Administrative costs	-2,655	-745	-	-	-	-13	-3,413
- <i>personnel</i>	-1,654	-473	-	-	-	-8	-2,135
- <i>other administrative costs</i>	-847	-223	-	-	-	-5	-1,075
- <i>indirect duties and taxes</i>	-154	-49	-	-	-	-	-203
Other operating income, net	179	86	-	-	-	10	275
Adjustments to tangible and intangible fixed assets	-273	-58	-	-	-	-2	-333
<b>OPERATING INCOME</b>	<b>1,620</b>	<b>482</b>	<b>-17</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>2,094</b>
Adjustments to goodwill and merger and consolidation differences	-105	-21	-	-3 (3)	13 (4)	-6	-122
Provisions and net adjustments to loans and financial fixed assets	-390	-168	-	-	-	-6	-564
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,125</b>	<b>293</b>	<b>-17</b>	<b>-3</b>	<b>13</b>	<b>-3</b>	<b>1,408</b>
Net extraordinary income	348	28	-	-	-	-	376
<b>INCOME BEFORE TAXES</b>	<b>1,473</b>	<b>321</b>	<b>-17</b>	<b>-3</b>	<b>13</b>	<b>-3</b>	<b>1,784</b>
Income taxes for the period	-369	-161	7 (2)	-	-	-	-523
Change in reserve for general banking risks	3	-3	-	-	-	-	-
Income attributable to minority interests	-114	-4	-	-	-	-	-118
<b>NET INCOME</b>	<b>993</b>	<b>153</b>	<b>-10</b>	<b>-3</b>	<b>13</b>	<b>-3</b>	<b>1,143</b>

(1) The figures for the first nine months of 2001 of the Cardine Group have been reconstructed according to criteria consistent with the principles used for the Annual Report 2001.

(2) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the number of own shares used in the exchange and the related tax effect.

(3) The adjustment concerns the amortization of the positive differences of consolidation generated by the allocation of merger goodwill.

(4) The adjustment concerns the change in amortization of the positive differences of consolidation made by the Cardine Group as a result of the new positive differences (post compensation).

# Statement of reclassified consolidated pro forma balance sheet at 30/9/2001

	(€/mil)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	Acquisition of SANPAOLO IMI own shares (c)	Proper merger effects (d)	Other adjustments (e)	Pro forma Banka Koper contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
<b>ASSETS</b>							
Cash and deposits with central banks and post offices	505	187	-	-	-	18	710
Loans	114,999	29,597	-	-	-317	395	144,674
- due from banks	19,261	3,539	-	-	-202 (4)	83	22,681
- loans to customers	95,738	26,058	-	-	-115 (4)(5)	312	121,993
Dealing securities	17,869	5,682	-	-	-	173	23,724
Fixed assets	10,813	1,913	-	-105	-36	35	12,620
- investment securities	4,321	710	-	-	-36 (6)	-	4,995
- equity investments	4,383	328	-	-105 (3)	-	15	4,621
- intangible fixed assets	368	72	-	-	-	2	442
- tangible fixed assets	1,741	803	-	-	-	18	2,562
Differences arising on consolidation and on application of the equity method	1,068	216	-	39 (3)	-137 (7)	74	1,260
Other assets	21,665	2,029	-	-	48 (5)(6)	21	23,763
<b>Total assets</b>	<b>166,919</b>	<b>39,624</b>	<b>-</b>	<b>-66</b>	<b>-442</b>	<b>716</b>	<b>206,751</b>
<b>LIABILITIES</b>							
Payables	130,537	32,726	450	-	-223	672	164,162
- due to banks	27,359	7,625	-	-	-223 (4)	28	34,789
- due to customers and securities issued	103,178	25,101	450 (2)	-	-	644	129,373
Provisions	3,012	924	-7	-	-	16	3,945
- for taxation	793	240	-7 (2)	-	-	1	1,027
- for termination indemnities	745	221	-	-	-	-	966
- for risks and charges	1,433	168	-	-	-	15	1,616
- for pensions and similar	41	295	-	-	-	-	336
Other liabilities	19,213	2,208	17 (2)	-	-	31	21,469
Subordinated liabilities	5,400	221	-	-	-	-	5,621
Minority interests	787	95	-	-	-	-	882
Shareholders' equity	7,970	3,450	-460 (2)	-66 (3)	-219 (5)(6)(7)	-3	10,672
<b>Total liabilities</b>	<b>166,919</b>	<b>39,624</b>	<b>-</b>	<b>-66</b>	<b>-442</b>	<b>716</b>	<b>206,751</b>

(1) The figures as of 30 September 2001 of the Cardine Group have been reconstructed according to criteria consistent with the principles used for the Annual Report 2001.

(2) The adjustment reflects the acquisition (and related indebtedness) of SANPAOLO IMI own shares necessary to reach the amount used for the exchange.

(3) The adjustment reflects the cancellation of the accounting value (105 million euro) of the Cardine Banca shares held by SANPAOLO IMI at the time of the merger against the corresponding portion of net shareholders' equity of the incorporated company (63 million euro). The merger difference (39 million euro), net of the share of amortization attributable to the period, is registered in the "equity investments" caption establishing a positive difference of consolidation of the same amount.

(4) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 30 September 2001 (202 million euro of loans to banks, 21 million euro of loans to customers and 223 million euro due to banks).

(5) The adjustment reflects the actualization of doubtful loans of the Cardine Group to take account of the adoption of SANPAOLO IMI accounting principles. The adjustment to loans is estimated at 94 million euro with a positive tax effect of 35 million euro included in "other assets".

(6) This is the adjustment to net shareholders' equity of the newly consolidated companies to reflect the capital losses on investment securities of 36 million euro, with a positive tax effect of 13 million euro included in "other assets".

(7) This reflects the compensation, in accordance with current Italian banking regulations, of positive differences of consolidation against the negative differences of the Cardine Group as of 30 September 2001.

# Statement of reclassified consolidated pro forma statement of income for 2001

	(€/mil)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	Acquisition of SANPAOLO IMI own shares (c)	Proper merger effects (d)	Other adjustments (e)	Pro forma Banka Koper contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
<b>NET INTEREST INCOME</b>	<b>2,788</b>	<b>1,186</b>	<b>-22 (4)</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>3,959</b>
Net commissions and other net dealing revenues	2,608	439	-	-	-	9	3,056
Profits and losses from financial transactions and dividends on shares	274	25	-	-	-	1	300
Profits from companies carried at equity and dividends from shareholdings	207	21	-	-	-	-	228
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>5,877</b>	<b>1,671</b>	<b>-22</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>7,543</b>
Administrative costs	-3,600	-1,029	-	-	-	-18	-4,647
- <i>personnel</i>	-2,221	-630	-	-	-	-11	-2,862
- <i>other administrative costs</i>	-1,180	-332	-	-	-	-7	-1,519
- <i>indirect duties and taxes</i>	-199	-67	-	-	-	-	-266
Other operating income, net	234	107	-	-	-	12	353
Adjustments to tangible and intangible fixed assets	-393	-83	-	-	-	-3	-479
<b>OPERATING INCOME</b>	<b>2,118</b>	<b>666</b>	<b>-22</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>2,770</b>
Adjustments to goodwill and merger and consolidation differences	-150	-28	-	-4 (5)	18 (6)	-8	-172
Provisions and net adjustments to loans and financial fixed assets	-737	-263	-	-	-	-7	-1,007
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,231</b>	<b>375</b>	<b>-22</b>	<b>-4</b>	<b>18</b>	<b>-7</b>	<b>1,591</b>
Net extraordinary income	392	22 (2)	-	-	-	-	414
<b>INCOME BEFORE TAXES</b>	<b>1,623</b>	<b>397</b>	<b>-22</b>	<b>-4</b>	<b>18</b>	<b>-7</b>	<b>2,005</b>
Income taxes for the period	-318	-209 (3)	9 (4)	-	-	1	-517
Change in reserve for general banking risks	-1	-5	-	-	-	-	-6
Income attributable to minority interests	-101	-5	-	-	-	-	-106
<b>NET INCOME</b>	<b>1,203</b>	<b>178</b>	<b>-13</b>	<b>-4</b>	<b>18</b>	<b>-6</b>	<b>1,376</b>

(1) The figures for 2001 approved by the Competent Bodies of Cardine Banca have been adjusted as specified in the following detailed notes.

(2) The caption has been reduced to reflect the reversal of the extraordinary component due to the change in valuation principles of dealing securities attributable to the preceding year (12 million euro).

(3) The caption has been reduced to reflect the tax effect (5 million euro) related to note (2).

(4) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the number of own shares used in the exchange and the related tax effect.

(5) The adjustment concerns the amortization of the positive differences of consolidation generated by the allocation of merger goodwill.

(6) The adjustment concerns the change in amortization of the positive differences of consolidation made by the Cardine Group as a result of the new positive differences (post compensation).

# Statement of reclassified consolidated pro forma balance sheet at 31/12/2001

	(€/mil)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	Acquisition of SANPAOLO IMI own shares (c)	Proper merger effects (d)	Other adjustments (e)	Pro forma Banka Koper contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
<b>ASSETS</b>							
Cash and deposits with central banks and post offices	818	331	-	-	-	23	1,172
Loans	118,627	32,686	-	-	-397	430	151,346
- due from banks	21,571	5,053	-	-	-282 (3)	94	26,436
- loans to customers	97,056	27,633	-	-	-115 (3)(4)	336	124,910
Dealing securities	18,819	5,561	-	-	-	177	24,557
Fixed assets	10,098	1,932	-	-105	-36	-	11,889
- investment securities	3,308	714	-	-	-36 (5)	-	3,986
- equity investments	4,697	327	-	-105 (2)	-	-21	4,898
- intangible fixed assets	367	75	-	-	-	2	444
- tangible fixed assets	1,726	816	-	-	-	19	2,561
Differences arising on consolidation and on application of the equity method	1,053	212	-	38 (2)	-132 (6)	72	1,243
Other assets	20,776	2,334	-	-	48 (4)(5)	62	23,220
<b>Total assets</b>	<b>170,191</b>	<b>43,056</b>	<b>-</b>	<b>-67</b>	<b>-517</b>	<b>764</b>	<b>213,427</b>
<b>LIABILITIES</b>							
Payables	134,706	35,717	445	-	-303	720	171,285
- due to banks	27,922	8,834	-	-	-303 (3)	29	36,482
- due to customers and securities issued	106,784	26,883	445 (1)	-	-	691	134,803
Provisions	3,246	1,024	-9	-	-	17	4,278
- for taxation	901	326	-9 (1)	-	-	1	1,219
- for termination indemnities	734	221	-	-	-	-	955
- for risks and charges	1,568	177	-	-	-	16	1,761
- for pensions and similar	43	300	-	-	-	-	343
Other liabilities	17,752	2,502	22 (1)	-	-	33	20,309
Subordinated liabilities	5,607	222	-	-	-	-	5,829
Minority interests	698	95	-	-	-	-	793
Shareholders' equity	8,182	3,496	-458 (1)	-67 (2)	-214 (4)(5)(6)	-6	10,933
<b>Total liabilities</b>	<b>170,191</b>	<b>43,056</b>	<b>-</b>	<b>-67</b>	<b>-517</b>	<b>764</b>	<b>213,427</b>

(1) The adjustment reflects the acquisition (and related indebtedness) of SANPAOLO IMI own shares needed to reach the number used for the exchange.

(2) The adjustment reflects the cancellation of the accounting value (105 million euro) of the Cardine Banca shares held by SANPAOLO IMI at the time of the merger against the corresponding portion of net shareholders' equity of the incorporated company (63 million euro). The merger difference (38 million euro), net of the share of amortization attributable to the period, is registered in the "equity investments" caption establishing a positive difference of consolidation of the same amount.

(3) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 31 December 2001 (282 million euro of loans to banks, 21 million euro of loans to customers and 303 million euro due to banks).

(4) The adjustment reflects the actualization of doubtful loans of the Cardine Group to take account of the adoption of SANPAOLO IMI accounting principles. The adjustment to loans is estimated at 94 million euro with a positive tax effect of 35 million euro included in "other assets".

(5) This is the adjustment to net shareholders' equity of the newly consolidated companies to reflect the capital losses on investment securities of 36 million euro, with a positive tax effect of 13 million euro included in "other assets".

(6) This reflects the compensation, in accordance with Italian current banking regulations, of positive differences of consolidation against the negative differences of the Cardine Group as of 31 December 2001.



