SANPAOLO IMI

- **THE BOARD EXAMINES QUARTERLY RESULTS AT 31 DECEMBER 2001**

- **PURCHASE OF OWN SHARES IN MERGER WITH CARDINE**

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THE BOARD EXAMINES QUARTERLY RESULTS AT 31 DECEMBER 2001

Consolidated net income of 1,203 million Euro (-2.3%) - The fourth quarter shows signs of operating recovery - A dividend of € 0.5, as last year, will be proposed to shareholders

Turin, 14 February 2002 - The first signs of operational recovery, following the serious deterioration in the external environment evidenced in the third quarter, allowed SANPAOLO IMI to conclude the year with a partial recovery of profitability. The Group in fact closed 2001 with a **consolidated net income** of 1,203 million Euro, down by 2.3% compared to the result recorded at the end of 2000 on a consistent basis. The Board of Directors, meeting today in Turin to examine the accounts of the Group at 31 December 2001, noted the above results.

These results, which are not however significantly different from those of the previous year, will allow the Board to confirm the pay out policy followed so far, proposing to the Shareholders' Meeting, on the occasion of approving the definitive results, the payment of a **dividend** of € 0.57, unchanged on 2000. At the average SANPAOLO IMI share price in the past six months the dividend yield would thus be around 4.8%.

Examining the consolidated figures at 31 December 2001 in greater detail, it should be noted that **net interest income** amounted at the end of the year to 2,786 million Euro, down by 3.1% compared to the same period in 2000, a reduction moreover influenced by factors not attributable to ordinary operational conditions, without which the reduction would have been contained to 1.5%. It is also useful to note, confirming the recovery signals above, that compared to the preceding quarter net interest income for the fourth quarter of 2001 shows a growth of 4%.

Direct customer deposits showed an particularly strong performance in the final part of the year: the flow in the fourth quarter of 2001, 4.9 billion Euro, brought the total amount to 108 billion Euro, with an increase from the beginning of the year of 3.7%. Customer financial assets are in total in excess of 306.6 billion Euro (+0.8%).

Group **net loans to customers**, excluding non-performing loans and loans to SGA, the company into which the doubtful loans of Banco di Napoli were transferred, were 94.3 billion Euro at the end of the year, presenting a fall in the 12 months of 0.7%.

The performance of **net interest and other banking income**, down in the 12 months by 4.9%, was above all influenced by lower commission income, falling by 8.7% to 2,605 million Euro. On the other hand, the flow in commissions in the final three months of the year, helped by the recovery in asset management, was 653 million Euro, up compared to the 623 million Euro recorded in the preceding quarter. This also had a positive impact on net interest and other banking income which between the third and fourth quarters recorded a growth of more than 12.3%.

In terms of operating volumes, after the difficulties of September, the amount of **assets under management** in the Group showed a reversal in trend, growing in the final quarter by 7.9 billion Euro: both the significant net inflow, 3.8 billion Euro, and a positive performance effect of 4.1 billion Euro helped by the recovery in equity markets contributed to this increase. At the end of 2001 the volumes of asset management amounted to 126 billion Euro; from the beginning of the year there was a reduction of 2.9 billion Euro (-2.2%) determined by a fall in value in the stock of 9.6 billion Euro in part balanced by a net inflow of 6.7 billion Euro. In this context, **life technical reserves** continued to grow during the year, representing one of the forms of investment preferred by customers; the net inflow from distribution networks, 4.4 billion Euro, took the amount at the end of 2001 to 18.8 billion Euro (+27.1%).

The actions in structural containment of costs launched in the first part of the year allowed the Group to record **administrative costs** in 2001 substantially in line with those of the preceding year (+0.8%). In particular personnel costs fell by 1.6%: not only the savings realised by Banco di Napoli following from the reduction in the number of employees and effects of the spin-off of the supplementary personnel pension fund, but also the greater flexibility in remuneration methods introduced by Group companies contributed to the reduction which allowed, against the reduction in revenues, the containment of the variable part of remuneration. Other administrative costs showed an increase of 6.4% compared to 2000 due above all to non-recurring charges taken by the Group in the final part of the year and determined by operations currently in course to achieve external growth as well as the completion of procedural measures and actions connected to the introduction of the Euro.

Provisions and net adjustments to loans and financial fixed assets amounted to 703 million Euro, with an increase of 10% against 2000. The flow in 2001 incorporates greater provisions for credit risks, prudently taken in view of the deterioration in the economic scenario and designed both to book specific positions to market values, among which Enron, and to reinforce the coverage of inherent risk in the performing loan portfolio. On the other hand, provisions for risks and charges were at normal levels, following the peak recorded in 2000 to cover the effects of the possible renegotiation of subsidised building mortgages. In particular for **Enron**, specific adjustments of approximately 50 million Euro were made, taking to 70% the coverage of non-guaranteed loans and making a prudent provision of 10% also against positions amply supported by real guarantees. Net non-guaranteed exposure is thus approximately 20 million Euro. Adjustments were also made to the shareholding portfolio and merchant banking investments for approximately 220 million Euro.

At the end of 2001 Group **net doubtful loans** recorded a reduction of 18.3% compared to 31 December 2000. In this context the **ratio of net non-performing loans/net loans to customers** fell in the 12 months from 1% to 0.9% and the relative percentage coverage, also taking account of tax writeoffs, was 76.2%. It should also be noted that **non-guaranteed loans to customers in countries subject to risk** fell from 106 million Euro to 33 million Euro; mainly following a return in positions to clients resident in Argentina which, in net terms, were substantially written off by the end of the year.

In relation to the above, Group **revenues before extraordinary items** amounted to 1,258 million Euro, down by 26% compared to 2000, while **extraordinary income** was 381 million Euro (-5.2%); extraordinary income includes in particular 228 million Euro attributable to the capital gain from the sale of 6.2% held by NHS in Montedison.

The **actions to reinforce competitive positioning** in the market realised by the SANPAOLO IMI Group in the fourth quarter of 2001 were:

- concentration on the integration project with Cardine Banca, expressed in the industrial integration plan setting out the principal strategic lines of the Group following the merger, the shareholding and organisational structure, as well as the profit and operational objectives for the four years 2002-2005;

- actions directed to external development, among which the collaboration arrangements with the French Group CDC - Caisse des Dépôts et Consignations and the launch of a Public Offer for the Slovenian Banka Koper should be noted;
- realisation of initiatives to strengthen and rationalise the structure of the Group, with the priority objective of reinforcing the management of the various business sectors and making it ever more efficient and incisive.

SANPAOLO IMI: PURCHASE OF OWN SHARES IN MERGER WITH CARDINE

As a consequence of the merger between SANPAOLO IMI and Cardine, the Group to be created from the merger will have much higher primary capital levels that regarded as optimal by market practice and the Regulatory Authorities.

Also in consideration of this aspect, last December, in the course of approving the integration project with Cardine, the Board of Directors of SANPAOLO IMI reserved the right to use its own shares for the exchange up to a maximum of 70 million. The Bank will thus launch, before the merger with the Emiliano-Veneto Bank, an appropriate programme to purchase own shares in the market.

Through this operation SANPAOLO IMI intends to optimise its capital structure, keeping capital ratios however in line with the best European standard and recent indications from Italian and international regulatory authorities. In particular, the Group aims to maintain a Tier 1 target ratio, net of preferred securities, of more than 6% and to reach progressively a Total target ratio of more than 10%. In this respect, a mandate has been given to the Managing Directors to open procedures with the US monetary authorities to seek status as a Financial Holding Company which, as is known, require a particularly strong capital structure.

This confirms the choices of active capital management similar to those made in recent years and which were expressed in the allocation of capital by business areas following the merger between Sanpaolo and IMI, the property spin-off in 1999, various securitisations and the financing of the acquisition of Banco di Napoli through the issue of Tier 2 and preferred securities.

Finally, it should be noted that the operation is destined to unwind in the exchange and in any case however leaves space for future further purchases of own shares by SANPAOLO IMI.

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Reclassified consolidated statement of income

	2001 (€/mil)	2000 pro forma (1) (€/mil)	Change 2001 / 2000 pro forma (%)	2000 Financial Statement (€/mil)
NET INTEREST INCOME	2,786	2,874	-3.1	2,572
Net commissions and other net dealing revenues	2,605	2,852	-8.7	2,641
Profits and losses from financial transactions and dividends on shares	272	296	-8.1	263
Profits from companies carried at equity and dividends from shareholdings	206	147	+40.1	146
NET INTEREST AND OTHER BANKING INCOME	5,869	6,169	-4.9	5,622
Administrative costs	-3,601	-3,572	+0.8	-3,076
- personnel	*-2,220*	*-2,256*	*-1.6*	*-1,929*
- other administrative costs	*-1,180*	*-1,109*	*+6.4*	*-958*
-indirect duties and taxes	*-201*	*-207*	*-2.9*	*-189*
Other operating income, net	235	247	-4.9	213
Adjustments to tangible and intangible fixed assets	-393	-330	+19.1	-299
OPERATING INCOME	2,110	2,514	-16.1	2,460
Adjustments to goodwill and merger and consolidation differences	-149	-176	-15.3	-90
Provisions and net adjustments to loans and financial fixed assets	-703	-639	+10.0	-581
INCOME BEFORE EXTRAORDINARY ITEMS	1,258	1,699	-26.0	1,789
Net extraordinary income	381	402	-5.2	396
INCOME BEFORE TAXES	1,639	2,101	-22.0	2,185
Income taxes for the period	-333	-770	-56.8	-785
Change in reserves for general banking risks	-1	2	n.s.	2
Income attributable to minority interests	-102	-102	-	-94
Reversal of second half income Banco di Napoli group (2)	-	-	n.s.	-16
NET INCOME	1,203	1,231	-2.3	1,292

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

(2) The caption refers to the share of the net result of the second half of 2000 of the Banco di Napoli group included in the price of the various tranches acquired by SANPAOLO IMI during 2000. As described in the Explanatory Notes to the Consolidated financial statements at 31/12/2000, the reversal is made necessary in the income statement contribution of the Neapolitan group into the preceding year's consolidated financial statements was reflected line by line throughout the whole of the second half.

The pro forma statements of income for the year 2000, as well as the statement of income for 2001, are not audited.

Quarterly analysis of the reclassified consolidated statement of income

	2001				2000 pro forma (1)			
	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)	4th quarter (€/mil)	3rd quarter (€/mil)	2nd quarter (€/mil)	1st quarter (€/mil)
NET INTEREST INCOME	695	668	697	726	759	719	709	687
Net commissions and other net dealing revenues	653	623	676	653	735	679	692	746
Profits and losses from financial transactions and dividends on shares	99	35	73	65	76	55	49	116
Profits from companies carried at equity and dividends from shareholdings	53	9	85	59	41	30	41	35
NET INTEREST AND OTHER BANKING INCOME	1,500	1,335	1,531	1,503	1,611	1,483	1,491	1,584
Administrative costs	-946	-871	-911	-873	-932	-888	-897	-855
- personnel	*-566*	*-538*	*-561*	*-555*	*-601*	*-561*	*-550*	*-544*
- other administrative costs	*-333*	*-284*	*-295*	*-268*	*-278*	*-276*	*-296*	*-259*
-indirect duties and taxes	*-47*	*-49*	*-55*	*-50*	*-53*	*-51*	*-51*	*-52*
Other operating income, net	56	56	69	54	65	62	63	57
Adjustments to tangible and intangible fixed assets	-120	-100	-93	-80	-127	-76	-66	-61
OPERATING INCOME	490	420	596	604	617	581	591	725
Adjustments to goodwill and merger and consolidation differences	-44	-36	-36	-33	-49	-41	-44	-42
Provisions and net adjustments to loans and financial fixed assets	-313	-139	-150	-101	-263	-105	-159	-112
INCOME BEFORE EXTRAORDINARY ITEMS	133	245	410	470	305	435	388	571
Net extraordinary income	33	171	104	73	41	51	201	109
INCOME BEFORE TAXES	166	416	514	543	346	486	589	680
Income taxes for the period	36	-54	-120	-195	-97	-184	-200	-289
Change in reserves for general banking risks	-4	-1	2	2	-1	-	3	-
Income attributable to minority interests	12	-56	-35	-23	-22	-26	-29	-25
NET INCOME	210	305	361	327	226	276	363	366

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

The pro forma quarterly statements of income for 2000 and the quarterly statements of income for 2001 are not audited.

Reclassified consolidated balance sheet

ASSETS	31/12/2001 (€/mil)	31/12/2000 (€/mil)	Change 31/12/01-31/12/00 (%)
Cash and deposits with central banks and post offices	839	708	+18.5
Loans	118,908	117,825	+0.9
- due from banks	*21,780*	*19,119*	*+13.9*
- loans to customers	*97,128*	*98,706*	*-1.6*
Dealing securities	19,841	18,329	+8.2
Fixed assets	10,240	12,396	-17.4
- investment securities	*3,425*	*6,671*	*-48.7*
- equity investments	*4,701*	*3,573*	*+31.6*
- intangible fixed assets	*381*	*359*	*+6.1*
- tangible fixed assets	*1,733*	*1,793*	*-3.3*
Differences arising on consolidation and on application of the equity method	1,026	989	+3.7
Other assets	20,615	21,854	-5.7
Total assets	171,469	172,101	-0.4

LIABILITIES	31/12/2001 (€/mil)	31/12/2000 (€/mil)	Change 31/12/01-31/12/00 (%)
Payables	135,977	133,740	+1.7
- due to banks	*27,935*	*29,596*	*-5.6*
- customer deposits and securities issued	*108,042*	*104,144*	*+3.7*
Provisions	3,201	4,601	-30.4
- for taxation	*904*	*1,230*	*-26.5*
- for termination indemnities	*734*	*743*	*-1.2*
- for risks and charges	*1,520*	*1,500*	*+1.3*
- for pensions and similar	*43*	*1,128*	*-96.2*
Other liabilities	17,830	20,534	-13.2
Subordinated liabilities	5,607	5,158	+8.7
Minority interests	670	715	-6.3
Shareholders' equity (1)	8,184	7,353	+11.3
Total liabilities	171,469	172,101	-0.4

(1) Reserves are net of own shares held by the Parent Bank, 39,345,982 at a book value of 697 million Euro at 31 December 2000, and 17,080,403 at a book value of 294 million Euro at 31 December 2001.

The pro forma balance sheet data 31/12/2001 are not audited.