

Quarterly Report 30 June 2000

SANPAOLO IMI
SOCIETÀ PER AZIONI

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN

SECONDARY OFFICE: VIALE DELL'ARTE 25, ROME

REGISTERED WITH THE TURIN COURT, COMPANY NO. 4382/91

EQUITY CAPITAL EURO 3,929,629,754.4 WHOLLY PAID

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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Key figures

	1st half 2000 (Euro/mil)	1st half 1999 (Euro/mil)	1999 (Euro/mil)	Change 1st half '00 - 1st half '99 (%)	1st half 2000 (L/bln)
CONSOLIDATED STATEMENT OF INCOME					
Net interest income	1,068	1,032	2,047	+3.5	2,068
Net commissions and other dealing revenues	1,247	965	2,066	+29.2	2,415
Administrative expenses	-1,286	-1,211	-2,466	+6.2	-2,490
Operating income	1,185	950	1,985	+24.7	2,294
Provisions and net adjustments to loans and financial fixed assets	-214	-227	-481	-5.7	-415
Income before extraordinary	971	723	1,504	+34.3	1,879
Extraordinary income	305	301	294	+1.3	592
Group net income	741	605	1,050	+22.5	1,435
CONSOLIDATED BALANCE SHEET					
Total assets	140,611	138,731	139,887	+1.4	272,261
Loans to customers	75,966	71,963	73,174	+5.6	147,091
Securities	20,559	25,352	18,401	-18.9	39,808
Equity investments	3,567	2,351	3,347	+51.7	6,907
Customer deposits and securities issued	78,302	81,521	78,957	-3.9	151,614
Subordinated liabilities	2,174	1,346	1,524	+61.5	4,209
Group shareholders' equity	8,083	8,626	8,036	-6.3	15,651
FINANCIAL ASSETS OF CUSTOMERS					
Total financial assets	266,811	242,094	260,026	+10.2	516,618
- Direct deposits	78,302	81,521	78,957	-3.9	151,614
- Current accounts and deposits	37,662	33,362	36,096	+12.9	72,924
- Certificates of deposit	7,274	8,923	9,090	-18.5	14,084
- Bonds	22,371	24,389	23,643	-8.3	43,316
- Commercial paper	2,013	2,202	2,584	-8.6	3,898
- Repo and securities lending	4,990	6,257	3,758	-20.2	9,662
- Other deposits	3,992	6,388	3,786	-37.5	7,730
- Indirect deposits	188,509	160,573	181,069	+17.4	365,004
- Asset administration	68,413	62,519	70,597	+9.4	132,467
- Asset management	120,096	98,054	110,472	+22.5	232,537
- Mutual funds	78,079	70,087	76,019	+11.4	151,181
- Portfolio management in funds	23,530	12,926	17,836	+82.0	45,560
- Portfolio management	6,659	5,868	6,117	+13.5	12,893
- Life assurance	11,828	9,173	10,500	+28.9	22,903
PROFITABILITY RATIOS (%)					
Annualized RoE (Net income / Shareholders' equity less current income)	19.2	15.4	14.0		
Cost / Income ratio (Administrative expenses and amortization and depreciation net of recoveries / Net interest and other banking income)	52.8	57.0	56.6		
Net commissions / Administrative costs	97.0	79.7	83.8		
CREDIT RISK RATIOS					
Net non-performing loans / Customer loans	1.1	2.6	2.3		
Net problem and loans in restructuring / Customer loans	1.3	2.0	1.6		
CAPITAL ADEQUACY RATIOS (%)					
Tier 1 capital / Weighted assets	9.5 (*)	9.7	9.6		
Total capital / Weighted assets	11.0 (*)	10.6	10.3		
SANPAOLO IMI SHARES					
Number of shares (millions)	1,403	1,402	1,402	+0.1	
- number of shares in circulation	1,399	1,402	1,375	-0.2	
- number of own shares held by the Parent Bank	4	-	27	n.s.	
Quoted price per share (Euro; lire)					
- average	14.790	14.043	13.191	+5.3	28,637
- low	11.658	12.330	11.102	-5.5	22,573
- high	18.368	16.035	16.035	+14.5	35,565
Earnings per share in circulation (Euro; lire)	0.53	0.43	0.75	+22.7	1,026
Dividend per share in circulation (Euro; lire)			0.52		
Dividend / average annual price (%)			3.92		
Shareholders' equity per share in circulation (Euro; lire)	5.78	6.15	5.84	-6.1	11,187
OPERATING STRUCTURE					
Employees	24,608	24,224	24,133	+1.6	
Domestic branches	1,381	1,351	1,355	+2.2	
Foreign branches and representative offices	84	76	76	+10.5	
Financial planners	4,989	4,667	4,865	+6.9	

(*) Estimate.

The data for the first half of 2000 have not been audited.

Group structure

Retail Banking

- **Commercial Banking**
 - Parent Bank
 - Banque Sanpaolo (France)
 - Sanpaolo IMI Asset Management
 - Sanpaolo Vita
 - Sanpaolo Life (Ireland)
 - Sanpaolo Bank (Luxembourg)
 - Sanpaolo Bank (Austria)
 - Sanpaolo Fiduciaria
 - Sanpaolo Gestion Internationale (Luxembourg)
 - Sanpaolo Leasint
 - Finconsumo (*)
- **Cassa di Risparmio di Firenze (**)**

Personal Financial Services

- **Banca Fideuram Group**
 - Banca Fideuram
 - Fideuram Fondi
 - Fideuram Vita
 - Fideuram Capital
 - Fonditalia Mgt (Luxembourg)
 - Fideuram GPM
 - Fideuram Bank (Luxembourg)
 - Interfund Advisory Co (Luxembourg)
 - Fideuram Assicurazioni
 - Fideuram Fund (Luxembourg)
 - Fideuram Fiduciaria
 - Turis (Switzerland)
 - ISAC (Luxembourg)
 - Fideuram Gestions (Luxembourg)
 - Imitec
- **Sanpaolo Invest Banca**
- **@IMIWEB**

Wholesale Banking

- **Large Corporate**
 - Parent Bank
 - Sanpaolo IMI Bank Ireland (Ireland)
- **Public works and Infrastructure**
 - Banca OPI
- **Investment Banking**
 - Banca IMI Group
 - Banca IMI
 - IMI Sigeco UK (United Kingdom)
 - IMI Bank (Luxembourg)
 - IMI Investments (Luxembourg)
 - IMI Capital Markets USA (United States)
 - Banca IMI Securities (United States)
- **Merchant Banking**
 - NHS - Nuova Holding Subalpina
 - LDV Holding

Corporate Centre

- **Shareholding Investments**
 - Banco Santander Central Hispano (2.8%)
 - INA (9.2%)
 - Beni Stabili (14.0%)
 - Royal Bank of Scotland (0.3%)
 - Other shareholdings
- **Treasury**
 - Parent Bank
 - Sanpaolo US Financial (United States)
 - Sanpaolo IMI Bank International Madeira (Portugal)
- **Workout**
 - Parent Bank
 - Sanpaolo Immobiliare
- **Property**
 - Parent Bank
- **Parent Bank functions**
 - Parent Bank

(*) Company controlled jointly with Banco Santander Central Hispano S.A..

(**) Interest of 19.1%, 15% held by the Parent Bank and 4.1% by NHS.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

	1st half 2000 (Euro/mil)	1st half 1999 (Euro/mil)	1999 (Euro/mil)	Change 1st half '00 - 1st half '99 (%)	1st half 2000 (L/blr)
NET INTEREST INCOME	1,068	1,032	2,047	+3.5	2,068
Net commissions and other dealing revenues	1,247	965	2,066	+29.2	2,415
Profits and losses from financial transactions and dividends	122	144	251	-15.3	236
Profits from companies carried at equity and dividends from shareholdings	73	69	205	+5.8	141
NET INTEREST AND OTHER BANKING INCOME	2,510	2,210	4,569	+13.6	4,860
Administrative costs	-1,286	-1,211	-2,466	+6.2	-2,490
- <i>personnel</i>	-778	-765	-1,534	+1.7	-1,506
- <i>other administrative costs</i>	-423	-363	-763	+16.5	-819
- <i>indirect duties and taxes</i>	-85	-83	-169	+2.4	-165
Other operating income net	92	85	175	+8.2	178
Adjustments to tangible and intangible fixed assets	-131	-134	-293	-2.2	-254
OPERATING INCOME	1,185	950	1,985	+24.7	2,294
Net adjustments to loans and provisions	-210	-201	-394	+4.5	-407
Net adjustments to financial fixed assets	-4	-26	-87	-84.6	-8
INCOME BEFORE EXTRAORDINARY ITEMS	971	723	1,504	+34.3	1,879
Net extraordinary income	305	301	294	+1.3	592
INCOME BEFORE TAXES	1,276	1,024	1,798	+24.6	2,471
Income taxes	-489	-398	-685	+22.9	-947
Change in reserve for general banking risks	3	-	-1	n.s.	6
Income attributable to minority interests	-49	-21	-62	+133.3	-95
NET INCOME	741	605	1,050	+22.5	1,435

The statement of income for the first half of 2000 has not been audited.

ANALYSIS OF QUARTERLY CONSOLIDATED STATEMENT OF INCOME

	2000		1999			
	2nd quarter (Euro/mil)	1st quarter (Euro/mil)	4th quarter (Euro/mil)	3rd quarter (Euro/mil)	2nd quarter (Euro/mil)	1st quarter pro forma (Euro/mil)
NET INTEREST INCOME	539	529	516	499	520	512
Net commissions and other dealing revenues	600	647	579	522	491	474
Profits and losses from financial transactions and dividends	38	84	80	27	53	91
Profits from companies carried at equity and dividends from shareholdings	38	35	84	52	36	33
NET INTEREST AND OTHER BANKING INCOME	1,215	1,295	1,259	1,100	1,100	1,110
Administrative costs	-667	-619	-645	-610	-617	-594
- <i>personnel</i>	-392	-386	-387	-382	-386	-379
- <i>other administrative costs</i>	-233	-190	-217	-183	-189	-174
- <i>indirect duties and taxes</i>	-42	-43	-41	-45	-42	-41
Other operating income net	52	40	50	40	43	42
Adjustments to tangible and intangible fixed assets	-66	-65	-88	-71	-64	-70
OPERATING INCOME	534	651	576	459	462	488
Net adjustments to loans and provisions	-121	-89	-103	-90	-97	-104
Net adjustments to financial fixed assets	-2	-2	-52	-9	-26	-
INCOME BEFORE EXTRAORDINARY ITEMS	411	560	421	360	339	384
Net extraordinary income	196	109	-5	-2	297	4
INCOME BEFORE TAXES	607	669	416	358	636	388
Income taxes	-221	-268	-159	-128	-248	-150
Change in reserve for general banking risks	3	-	-1	-	-	-
Income attributable to minority interests	-27	-22	-18	-23	-11	-10
NET INCOME	362	379	238	207	377	228

The pro forma statement of income for the first quarter of 1999 has been restated consistently with those of successive quarters.

The quarterly statements of income have not been audited.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	30/6/2000 (Euro/mil)	30/6/1999 (Euro/mil)	31/12/1999 (Euro/mil)	Change 30/6/00 - 30/6/99 (%)	30/6/2000 (L/blr)
ASSETS					
Cash and deposits with central banks and post offices	494	431	528	+14.6	957
Loans	97,709	91,968	95,318	+6.2	189,191
- due from banks	21,743	20,005	22,144	+8.7	42,100
- loans to customers	75,966	71,963	73,174	+5.6	147,091
Dealing securities	18,890	23,665	16,645	-20.2	36,576
Fixed assets	6,582	5,780	6,490	+13.9	12,745
- investment securities	1,669	1,687	1,756	-1.1	3,232
- equity investments	3,567	2,351	3,347	+51.7	6,907
- intangible fixed assets	260	267	267	-2.6	503
- tangible fixed assets	1,086	1,475	1,120	-26.4	2,103
Differences arising on consolidation and on application of the equity method	18	45	58	-60.0	35
Other assets	16,918	16,842	20,848	+0.5	32,757
Total assets	140,611	138,731	139,887	+1.4	272,261
LIABILITIES					
Payables	108,995	107,200	106,969	+1.7	211,044
- due to banks	30,693	25,679	28,012	+19.5	59,430
- due to customers and securities issued	78,302	81,521	78,957	-3.9	151,614
Reserves:	1,992	1,601	1,950	+24.4	3,857
- for taxation	952	727	1,029	+30.9	1,843
- for termination indemnities	447	434	438	+3.0	866
- for risks and charges	534	375	421	+42.4	1,034
- for pensions and similar	59	65	62	-9.2	114
Other liabilities	18,782	19,788	20,869	-5.1	36,367
Subordinated liabilities	2,174	1,346	1,524	+61.5	4,209
Minority interests	585	170	539	+244.1	1,133
Shareholders' equity (*)	8,083	8,626	8,036	-6.3	15,651
- capital	3,930	4,345	3,926	-9.6	7,609
- reserves (**)	3,412	3,676	3,060	-7.2	6,607
- net income	741	605	1,050	+22.5	1,435
Total liabilities	140,611	138,731	139,887	+1.4	272,261

(*) Shareholders' equity reflects the property spin-off closed on 31/10/99 with a reduction of Euro 701 million, of which Euro 413 million attributable to equity capital.

(**) Reserves are net of own shares held by the Parent Bank: 27,431,500 with a book value of Euro 336 million at 31 December 1999 and 3,709,000 with a book value of Euro 47 million at 30 June 2000 (at 30 June 1999, no own shares were held).

The balance sheet data at 30/6/00 have not been audited.

ANALYSIS OF QUARTERLY CONSOLIDATED BALANCE SHEET

	2000		1999			
	30/6 (Euro/mil)	31/3 (Euro/mil)	31/12 (Euro/mil)	30/9 (Euro/mil)	30/6 (Euro/mil)	31/3 pro forma (Euro/mil)
ASSETS						
Cash and deposits with central banks and post offices	494	359	528	761	431	574
Loans	97,709	94,981	95,318	88,955	91,968	87,598
- due from banks	21,743	19,956	22,144	18,752	20,005	18,009
- loans to customers	75,966	75,025	73,174	70,203	71,963	69,589
Dealing securities	18,890	16,383	16,645	18,125	23,665	23,369
Fixed assets	6,582	6,928	6,490	6,503	5,780	5,901
- investment securities	1,669	1,711	1,756	1,479	1,687	1,901
- equity investments	3,567	3,871	3,347	3,320	2,351	2,132
- intangible fixed assets	260	257	267	254	267	280
- tangible fixed assets	1,086	1,089	1,120	1,450	1,475	1,588
Differences arising on consolidation and on application of the equity method	18	47	58	43	45	51
Other assets	16,918	18,622	20,848	14,982	16,842	19,799
Total assets	140,611	137,320	139,887	129,369	138,731	137,292
LIABILITIES						
Payables	108,995	105,291	106,969	101,362	107,200	104,350
- due to banks	30,693	25,457	28,012	22,034	25,679	23,417
- due to customers and securities issued	78,302	79,834	78,957	79,328	81,521	80,933
Reserves:	1,992	2,213	1,950	1,769	1,601	2,225
- for taxation	952	1,293	1,029	876	727	1,330
- for termination indemnities	447	448	438	440	434	442
- for risks and charges	534	411	421	391	375	388
- for pensions and similar	59	61	62	62	65	65
Other liabilities	18,782	19,303	20,869	15,736	19,788	20,305
Subordinated liabilities	2,174	1,494	1,524	1,301	1,346	1,362
Minority interests	585	560	539	550	170	153
Shareholders' equity (*)	8,083	8,459	8,036	8,651	8,626	8,897
- capital	3,930	3,926	3,926	4,345	4,345	4,345
- reserves (**)	3,412	4,154	3,060	3,494	3,676	4,324
- net income	741	379	1,050	812	605	228
Total liabilities	140,611	137,320	139,887	129,369	138,731	137,292

(*) Shareholders' equity reflects the property spin-off closed on 31/10/99 with a reduction of Euro 701 million, of which Euro 413 million attributable to equity capital.

(**) Reserves are net of own shares held by the Parent Bank: 27,431,500 with a book value of Euro 336 million at 31 December 1999, 3,251,000 with a book value of Euro 40 million at 31 March 2000 and 3,709,000 with a book value of Euro 47 million at 30 June 2000.

The change in reserves between 31/3 and 30/6 has been influenced by the distribution of dividends in May 1999 and 2000.

The pro forma balance sheet at 31/3/99 has been restated consistently with respect to other quarters.

The balance sheets at 30/6/00, 31/3/00, and 30/9/99 and the pro forma balance sheet at 31/3/99 have not been audited.

Report on Group operations

Action points

In the first six months of 2000 the SANPAOLO IMI Group has operated in accordance with the strategic lines set out in the three-year plan. These identified as a priority objective a strong strengthening in business with families and small- and medium-sized companies, through the commercial bank, in sales networks and in innovative distribution channels. Attention has also been directed to the other areas of business of the Group, where the work of rationalization and selective investment has been continued.

The priority objective has been pursued mostly internally, through the strengthening of distribution structures. These initiatives have concerned both new electronic channels, where Group investments have been concentrated, and the branch and financial sales networks, which have been targeted for reinforcement and specialization.

Growth has also been effected externally and through alliances: in the first six months, plans have been laid for taking control of the Banco di Napoli which, with more than 700 branches, is the biggest banking presence in southern Italy; a collaboration agreement with the Cassa di Risparmio di Firenze, which has 400 branches in central Italy, through the purchase of a further 15% stake in the Tuscan bank, has also been completed.

The strengthening of the Group has been effected without recourse to capital increases: in particular, the taking of control of the Banco di Napoli, which will be closed in the second half of the year, will be wholly financed through the issue of preferred shares and subordinated loans, as well as the freeing of the capital invested in the minority stake in INA. This will allow the achievement of an efficient and balanced capital structure, better concentrated on operations.

Group operations have been aligned with the following:

- the central importance of the customer: actions aimed to consolidate relationships with the customer base, through marketing, organizational and technological initiatives, have been undertaken;

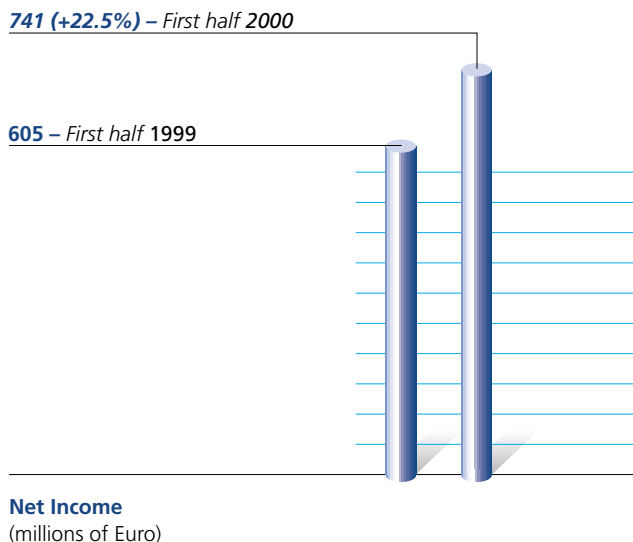
- the importance of proper lending and market risk management: instruments to support risk management and control have been further refined;
- the need for constant containment of ordinary operating costs: rationalization measures have been pursued, which have in part balanced costs attendant upon the substantial investments made in innovative distribution channels.

Group performance

In a generally favorable external context, the SANPAOLO IMI Group registered net income of Euro 741 million in the first six months of 2000, with an increase of 22.5% compared to the corresponding period of 1999.

All the principal income items have shown growth:

- net interest and other banking income rose by 13.6%, helped by the positive movement in net commissions and the reversal of trend in net interest income, in recovery following the fall in 1999;



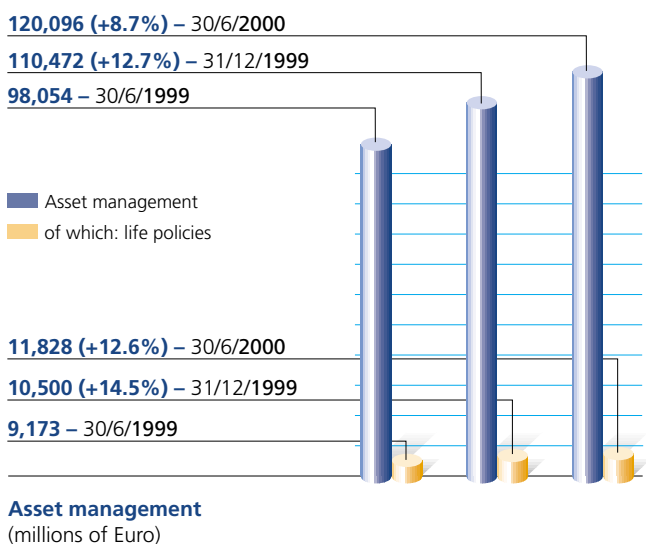
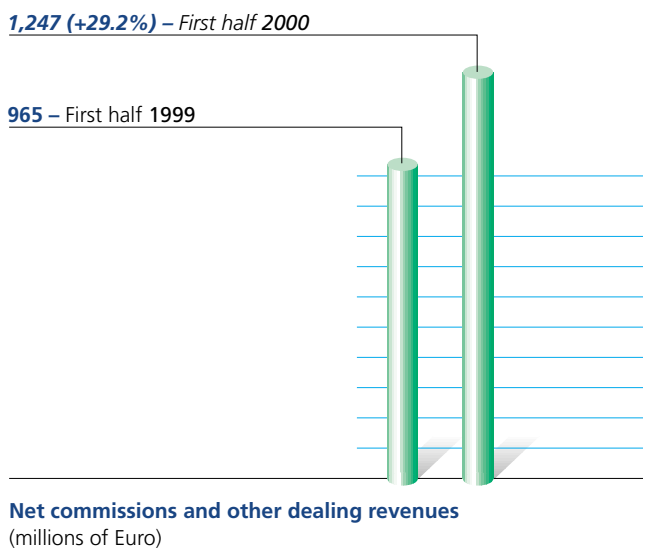
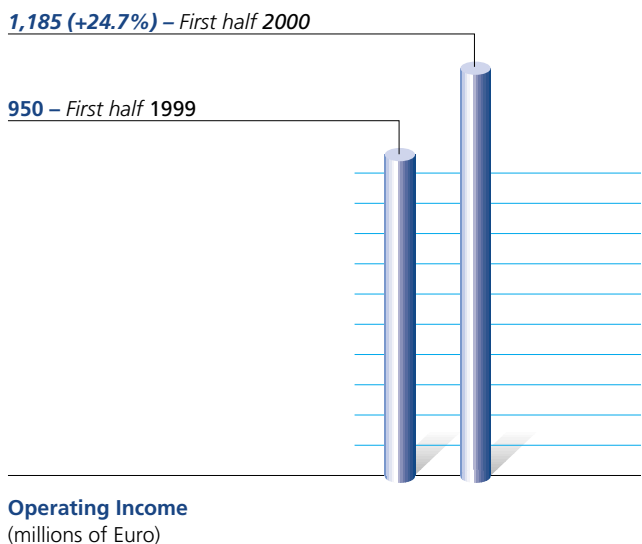
- operating income increased by 24.7%, notwithstanding the substantial extraordinary expenses related to investments to develop technological channels and the strengthening of the network;
- ordinary income rose by 34.3%, thanks also to a further containment in provisions and adjustments compared to the first six months of 1999.

Results from commissions should be noted as of primary importance: the rate of growth was 29.2%, ahead of the 18.5% in 1999. The most significant contribution came from earnings in asset management where the SANPAOLO IMI Group maintained a volume performance ahead of the system, further reinforcing its market position.

In the six months, the net inflow in asset management achieved by the Bank branches and the Fideuram and Sanpaolo Invest sales forces was 8,974 million and the total volume jumped to Euro 120 billion. In this context:

- mutual funds and portfolio management in funds of the Group amounted to Euro 102 billion, with an increase of Euro 7,754 million compared to the end of 1999 and an improvement in market share from 17.5% to 18%. Customers turned largely towards products with greater added value, such as equity funds, whose weight in the total increased from 38% to 43%;
- the technical reserves of the life companies showed an increase of Euro 1,328 million, reaching Euro 11,828 million at the end of the six months; market share in new production is estimated at around 11% in the *bancassurance* sector.

The growth registered in net interest income also contributed to the positive performance of total revenues, which trended upwards in the first months of the year, closing the six months with a change of 3.5%. The improvement is attributable both to a more favorable market interest rate structure, which was reflected in a greater return on liquid funds and to a widening of spreads, and to the performance of volumes with customers. In particular:



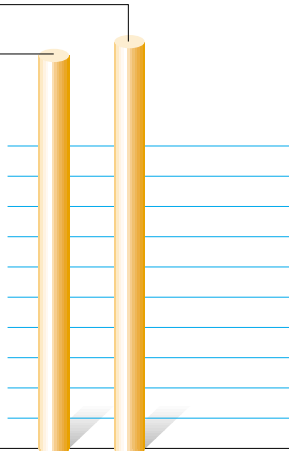
- short-term funds (current accounts and deposits) with Italian branches registered an annual change of 10.3% reaching Euro 27,204 million at the end of June; in time deposits, there was a change towards the shorter end and, above all, towards asset management;
- in loans, there was an expansion in loans made to customers by all the areas and companies of the Group. Net loans, excluding non-performing loans, after a year of general stability, returned to growth, reaching Euro 75,127 million, with a change of 7.1% on an annual basis. Consistently with the performance of the system, the most important movements were in the short term and, in the medium- to long-term sector, loans to households. In fact, mortgage loans to private customers registered drawdowns of more than Euro 800

million from the beginning of the year, and consumer credit, also extended by the subsidiary Finconsumo, showed sustained growth, with an increase in the six months of 12%. In addition, the foreign network, composed of the Parent Bank's foreign branches and Banque Sanpaolo, increased its lending exposure, benefiting from the positive environment in the Euro area.

The growth of financing to customers occurred within the criteria of selectivity adopted by the Group. Again in view of a further improvement in asset quality, a non-recourse sale of 40,000 non-performing loans, largely in the property sector, for a total amount of approximately Euro 650 million was concluded in May, with a positive impact on the six month income statement.

1,068 (+3.5%) – First half 2000

1,032 – First half 1999

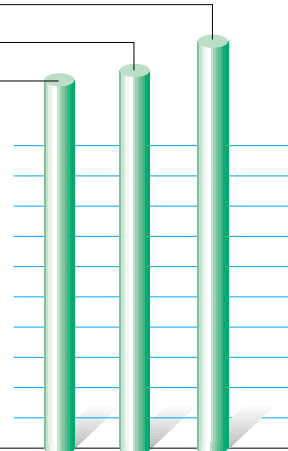


Net Interest Income
(millions of Euro)

75,127 (+5.1%) – 30/6/2000

71,480 (+1.9%) – 31/12/1999

70,120 – 30/6/1999

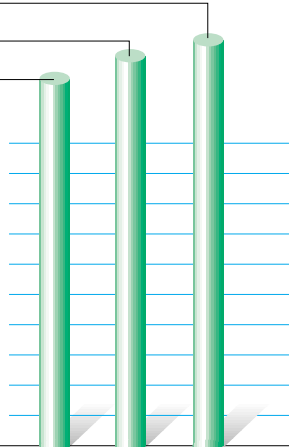


Net loans to customers excluding net non-performing loans
(millions of Euro)

27,204 (+6.3%) – 30/6/2000

25,590 (+3.8%) – 31/12/1999

24,663 – 30/6/1999

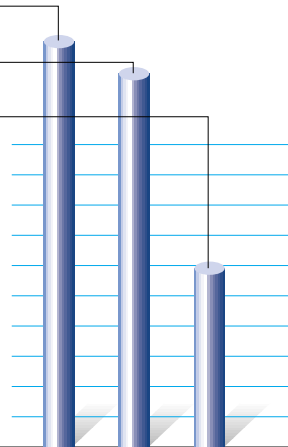


Short term deposits with Italian branches of the Parent Bank
(millions of Euro)

1,843 – 30/6/1999

1,694 (-8.1%) – 31/12/1999

839 (-50.5%) – 30/6/2000



Net non-performing loans
(millions of Euro)

Net non-performing loans of the Group, also taking account of the substantial recovery efforts undertaken, fell to Euro 839 million, around half with respect to the Euro 1,694 million at the end of 1999; the proportion to loans to customers fell from 2.3% to 1.1%. Problem loans, loans being restructured and loans to residents in countries at risk, net of value adjustments, fell in total by 10.8% in the six months and their proportion of loans to customers was 1.4% compared to 1.7% at the end of December 1999.

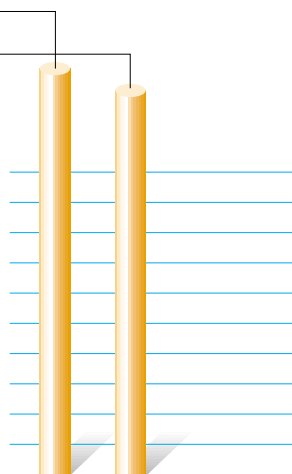
The improvement in asset quality has allowed a further reduction in provisions and losses on loans and financial fixed assets compared to the first half of 1999, notwithstanding provisions prudentially taken against risks connected to the reduction in interest receivable on subsidized mortgages (as required by Decree 110 of 24 March 2000 from the Treasury Ministry), as well as through the strengthening of general adjustments against performing loans.

Operating costs, net of recoveries, and amortization, grew by 5.2%, caused by extraordinary expenditure in investments undertaken to develop innovative distribution channels and broaden the sales network.

A final contribution to the pre-tax result came from Euro 305 million of extraordinary items, of which approximately 150 million was due to the disposal of the remaining 40% stake held in Crediop, Euro 82 million on the disposal of own shares by the Parent Bank and Euro 46 million connected to disposals made by NHS.

227 – First half 1999

214 (-5.7%) – First half 2000



Provisions and net adjustments to loans and financial fixed assets
(millions of Euro)

Group operating sectors

Retail Banking

Retail Banking which serves families and small and medium-sized companies, is undertaken by Commercial Banking and, in the future, also by Banco di Napoli.

In the six months, *Commercial Banking*, which uses the network of 1,309 banking branches of the Parent Bank in Italy, undertook measures designed to reinforce its competitive positioning in its market. Actions have been directed in particular towards:

- the new electronic channels: the development of a new IT architecture which, through change in the branch technological environment, will allow full integration of all the distribution channels (branches, Internet, call centres, remote banking, ATM and PoS) has been put in train;
- the branch network: the operational logic is based on selective reinforcement and specialization; the number of Italian branches registered a net increase of 17 units in the six months; the branches dedicated to Private Banking rose from eight to 12; a project to differentiate the branch network into "retail" and "corporate" was launched;
- production rationalization: an initiative to concentrate the various product companies operating in asset management was launched as well as expansion in international private banking;
- the realization of new technological instruments to support the branches: new workstations for the specialists in asset management and lending have been completed;
- the revision of the network compensation system: incentive schemes based on results achieved have been reinforced.

In the six months, Commercial Banking was marked by a positive performance in operating volumes and performance results. The expansion of volumes in asset management continued, with a net inflow of approximately 3,694 million to the Parent Bank and foreign banks, of which 800 million in the insurance sector. In this context (more than the previously mentioned recomposition towards equity mutual funds) there was a growth in portfolio management, which benefited from the innovations introduced in the first four months of the year. Asset management totals reached Euro 71,700 million; in particular, technical reserves in insurance were Euro

6,035 million. The growth in financing has been encouraged by a marked reduction of the real cost of borrowing, which has halved in the course of the past two years, and a greater propensity to debt on the part of Italian families, thus bringing them into line with the average European behavior.

Personal Financial Services

Personal Financial Services, which includes the sales networks of Banca Fideuram and Sanpaolo Invest, as well as @IMIWeb, the on-line trading company, was also marked by considerable investments, aimed at reinforcing the Group in a sector with high growth potential.

Banca Fideuram has effected a number of growth initiatives, through:

- the growth of the distribution network, effected through a net increase of 120 new sales consultants and the opening of nine more branches;
- the further consolidation of the product range, with the creation of Unit Linked policies specially aimed at Private Banking;
- the realization of the first phase of the Internet project, which provides on-line trading services for Italian securities and envisages its early extension also for foreign securities, multi-sector mutual funds and current accounts;
- the launch of initiatives aimed to expand abroad in Private Banking, starting with Switzerland and France.

Banca Fideuram registered a net inflow of Euro 4,637 million in the first six months of 2000, reaching a total of Euro 40,900 million in asset management, an increase of 13% compared to the end of December 1999.

For Sanpaolo Invest, the following should be underlined:

- the recent transformation of the company into banking status, organizationally autonomous from the Parent Bank;
- the technological strengthening of operational support for the sales forces;
- agreements for the distribution of major international managed funds in Italy;
- the establishment of Sanpaolo Invest Ireland, which will begin to offer specialized products from October.

In the six months, Sanpaolo Invest has achieved a net inflow of Euro 643 million, bringing the total stock to approximately Euro 7,500 million (up almost 9% compared to the end of 1999).

In financial services to families, substantial investments have also been dedicated to developing the on-line trading services offered by @IMIWeb. The company:

- has reached a strategic agreement with the Internet Provider Tiscali, which envisages the joint realization of on-line financial services to be progressively extended to the European market;
- was the first Italian broker to allow access to the Internet through WAP-enabled cellular telephones.

Six months from its launch, @IMIWeb has achieved a market share of approximately 15% in on-line trading, with 10,000 customers, 30,000 subscribers and 4,000 orders each day.

Wholesale Banking

Selective development and rationalization have been undertaken in the wholesale business areas of the Group; in particular:

- Large Corporate has reinforced the structures dedicated to project and export financing, has reinforced the London, New York and Tokyo branches through the deployment of high profile resources and has rationalized the European branches through the centralization of IT procedures; it has also set in train a securitization which will be closed in the coming months and which will reduce the amount of risk in the loan portfolio;
- Public Entities and Infrastructure has completed its planned transformation into a limited company. The new Banca OPI, operational from July, has set itself the objective of achieving a position of market leadership, thanks also to the synergies available with the branch network of the Parent Bank;
- Banca IMI, to which Investment Banking reports, has completed the concentration of the capital markets activities previously undertaken by various units within the Group, increased its business in the issue of quoted covered warrants and has acquired an option to operate directly on the German equity and derivatives market; it has also launched a web service platform for institutional customers;
- NHS, which undertakes merchant banking within the Group, has continued the work of rationalization of its shareholding portfolio in order to concentrate its investments in companies operating in sectors with high growth potential. The company has further undertaken the role of sponsor in a foreign private equity closed fund aimed at taking equity stakes in medium-sized manufacturing companies.

Financial risk management

Market risk generated by the Group's lending business in the six months remained contained, showing a reduction with respect to that observed in the course of the preceding year. The change in market value of the banking book, measured in terms of shift sensitivity, as an upward, parallel and uniform movement of 100 basis points in the interest-rate curve, had an average negative value of Euro 88 million during the six months. The Value at Risk (VaR) of the banking book, calculated as maximum unexpected potential loss of the market value of the portfolio which could occur in the 10 following working days with a statistical confidence interval of 99%, was maintained at an average value of Euro 196 million, amounting to approximately Euro 190 million at the end of June.

Own financial risks related to the trading activities of the Group, concentrated in the subsidiary Banca IMI, registered an average value of Euro 12 million, measured in terms of Value at Risk, during the six months.

The market value of minority shareholding investments held by the Parent Bank and the subsidiary SANPAOLO IMI Bank International in quoted companies - excluding the 9.2% stake in INA which will be cancelled in the spin-off transaction leading to control of the Banco Napoli - amounted to Euro 1,828 million at 30 June 2000, showing a potential capital gain with respect to book value of Euro 246 million, due essentially to the interests in Banco Santander Central Hispano and Beni Stabili. The market value of the quoted shareholding portfolio of the merchant bank NHS, controlled by SANPAOLO IMI with a share of 51%, amounted to Euro 324 million at the end of June; the potential capital gain, with respect to book value, was Euro 92 million.

The VaR relative to minority shareholding investments in quoted companies held by the Parent Bank and the subsidiaries SANPAOLO IMI Bank International and NHS (in the latter case, through the share concerning Sanpaolo IMI) was Euro 208 million in total at the end of June.

Important facts

The acquisition of the Banco di Napoli

In the first six months SANPAOLO IMI defined the steps for taking control of the Banco di Napoli. In particular:

- Sanpaolo IMI has reached an agreement with the Banca Nazionale del Lavoro for the acquisition of the 49% stake in Banco di Napoli Holding held by BNL; Banco di Napoli Holding has 56.1% of the ordinary capital of the Banco di Napoli; the transaction was concluded in July at a price of Euro 874 million;
- The Boards of Directors of SANPAOLO IMI and INA have decided to propose to their respective Shareholders' Meetings, called for the end of July, a non-proportional spin-off of INA. The spin-off will involve the acquisition by SANPAOLO IMI of the 51% stake in Banco di Napoli Holding held by INA, whose value has been estimated at Euro 945 million; this will be taken against the cancellation of the 9.2% stake held by SANPAOLO IMI in INA, valued at Euro 910 million, and the assignment of 3.6 million of SANPAOLO IMI's own shares to INA shareholders other than those of Generali, the majority shareholder. The transaction ought to close in October.

Furthermore, the conditions for the obligatory OPA required by CONSOB for the remaining 43.9% of the ordinary capital of the Banco di Napoli held by other shareholders and by the market have been determined. The Offer, which will take place in the final part of the current year following the closing of the spin-off transaction, will be at a price of Euro 1.533 per share; in the case of full acceptance, the transaction will mean a total outlay of Euro 1,255 million by SANPAOLO IMI.

The acquisition of the Banco di Napoli constitutes an important step in the strategy pursued by SANPAOLO IMI of reinforcing its presence in retail banking. The Bank has in fact a strong competitive position in southern Italy, complementary to that of Sanpaolo IMI, with more than 700 counters which serve more than one million retail clients.

Other important facts

Among the other important facts during the first half of 2000 should be noted:

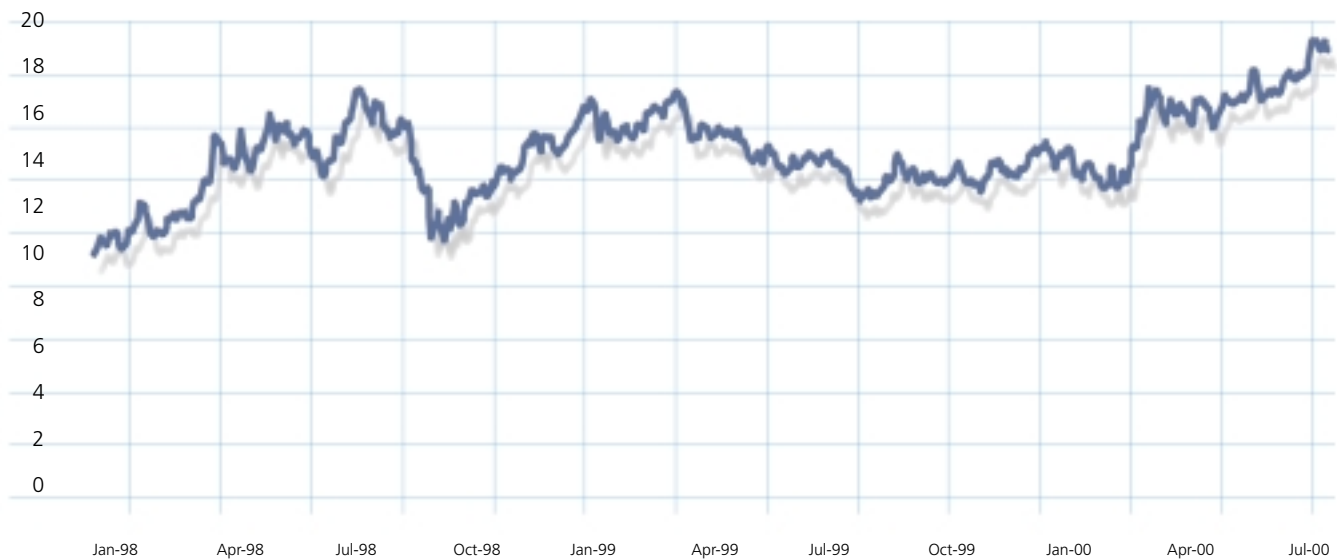
- the conclusion of the strategic agreement with the Cassa di Risparmio di Firenze, which involved, on one side, the increase from 4.1% to 19.1% of the stake held by SANPAOLO IMI Group in the Tuscan bank and, on the other side, the acquisition by Ente Cassa di Risparmio di Firenze of a stake of 2% in the capital of Sanpaolo IMI;
- the disposal to the Franco-Belgian Dexia Group of the residual interest of 40% held by SANPAOLO IMI in

Crediop; the sale, following agreements reached at the end of 1998, involved the posting of a gross capital gain of approximately Euro 150 million;

- the increase from 2% to 2.8% of the shareholding held in Banco Santander Central Hispano, with an investment of Euro 442 million. The stake will be further increased up to 3%, to reinforce further the collaborative link between the two Groups. Shortly after the closing of the first half, an agreement to provide for the reciprocal provision of products and

services for customers in Italy and South America was also signed.

Earnings projections for the second half of the year are confirmed as positive: the impact of further substantial investments to develop distribution channels and the operational strength of the Group will be amply compensated for by the expected positive performance in commission and interest income.



SANPAOLO IMI share price
(in Euro)

Explanatory notes

The Quarterly Report of the SANPAOLO IMI Group at 30 June 2000 has been prepared according to Consob Regolamentoo 11971 of 14 May 1999.

The balance sheet and income statement at 30 June 2000, as reclassified consistently with those in the Annual Report at 31 December 1999, have been based on the same accounting principles and valuation used in the Annual report to which reference for greater detail is made. In summary, they are as follows:

- the infrannual position has been established using the discrete approach where the period of reference is treated as an independent accounting period. Thus, infrannual income statement reflects the ordinary and extraordinary items relating to the period in accordance with accrual principles. In particular, income taxes reflect the charge relative to the period on the basis of the current and deferred taxation structure, calculated prudently without taking account of advantages pursuant to the Ciampi Law (L. 461/98 and D. Lgs. 153/99);
- the accounts used for consolidation are the preliminary accounts prepared by subsidiaries at 30 June 2000 (consolidated line-by-line or at equity), adjusted, where necessary, in line with Group accounting principles;
- valuations according to the equity method in companies subject to a significant degree of influence, in the income statement, have been made on the basis of information provided by the companies themselves or, if not provided, prudent estimates;
- adjustments and provisions made exclusively for tax purposes by consolidated subsidiaries have been reversed;
- own shares held by the Parent Bank are valued at cost and placed against net shareholders' equity reserves;
- only significant intercompany transactions and balances have been eliminated.

The scope of consolidation, compared to the quarterly report at 31 March 2000, excludes Imil Ltd, which has been placed in liquidation.

Furthermore, it should be noted that Finconsumo S.p.A. and the newly established F.C. Factor S.r.l. (100% controlled by Finconsumo), where joint control is assumed, have been proportionally consolidated.

Following the loss of SANPAOLO IMI's control of Crediop from June 1999 and given the importance of Crediop's contribution to the Group, the balance sheet and income

statement for the first quarter of 1999 have been presented on a pro forma basis. This reflects the consolidation of Crediop and its subsidiaries on an equity basis rather than fully consolidated.

The quarterly balance sheet and income statement at 30 June 2000 have not been independently audited.

Turin, 28 July 2000

The Board of Directors