

GRUPPO SANPAOLO IMI

Morgan Stanley

Southern European Banking Conference

Madrid – 10 April, 2003

Disclaimer:

As in most presentations, the following discussion contains forward looking statements, and our actual results may differ from those discussed here. Additional information concerning factors that could cause such a difference can be found in our annual report and other publicly disclosed financial reports.

AGENDA

- ✓ 2002 Results
 - Group strategy
 - Financial targets and results to date

P&L EXTRACT 2002

€ MM	2002	2001 <small>Pro forma</small>	% change
Net interest income	3,773	3,959	-4.7
Net commissions	2,809	3,056	-8.1
Net interest and other banking income	7,160	7,543	-5.1
Administrative costs	(4,648)	(4,647)	+0.0
Operating income	2,360	2,770	-14.8

PRESSURE ON REVENUES

- Fall in average euribor: 95pb
- Market performance effect
 - ▶MSI global index: -21.7%

PRESSURE ON COSTS

- New labour contract +3.8%
- Integration costs

POSITIVE OPERATING TRENDS IN LENDING

SELECTIVE LOAN GROWTH

C MM	Flows 2002	Change 2001/2002
Sanpaolo Network	4,204	+9.7%
Cardine	1,155	+4.7%
Banca OPI	1,451	+9.9%
Consumer Banking	286	+8.0%
Leasing	740	+20.3%
Banco di Napoli	-2,473	-18.6%
Large Domestic Groups	-574	-6.0%
International	-836	-8.9%
Others	-1,307	-62.1%
Total	2,646	+2.2%

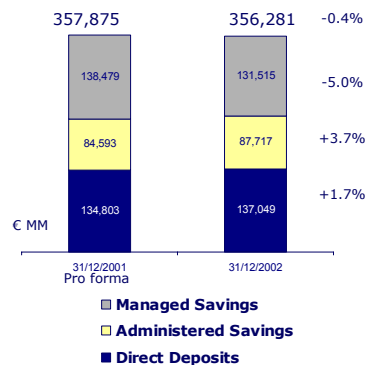
STRONG ASSET GATHERING CAPACITY

EXCELLENT NET INFLOWS

C MM	2002 inflows
Managed savings	3,197
▪ <i>life premiums</i>	7,691
Administered savings	3,124
Direct deposits	2,246
Total	8,567

C MM	2002
Life Embedded value	1,743

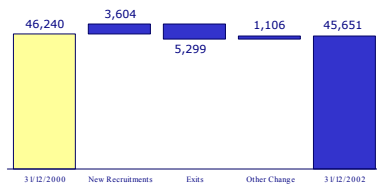
TFA STOCK BREAKDOWN



GOOD COST CONTROL

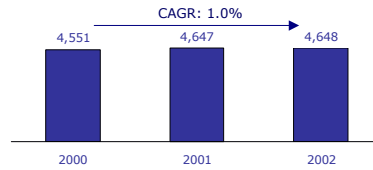
Group Headcount

of Employees



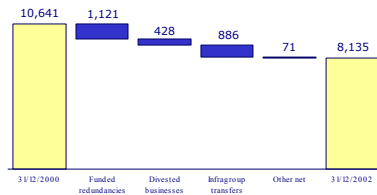
Impact on Cost Base

Group Administrative Costs (€ MM)

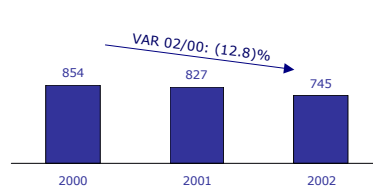


BdN Headcount (#)

Reduction in # Employees



BdN Administrative Costs (€ MM)



P&L EXTRACT 2002

€ MM	2002	2001 Pro forma	% change
Net adjustments and provisions	-1,426	-1,007	+41.6
Income before extraordinary items	722	1,591	-54.6
Net extraordinary income	296	414	-28.5
Net income	889	1,376	-35.4

- ✓ Ordinary income hit by extraordinary write downs on financials assets

Adjustment

Book value p.s.
(as of 31/12/02)

Financial assets

- ✓ Extraordinary income 28% lower
- ✓ Tax rate worsened both by higher incidence of IRAP and write down of SCH
- ✓ Reserve for general banking risks (364 € MM) used to offset extraordinary elements
- ✓ Capital ratios unchanged due to significant fiscal benefit to reserves from Banco di Napoli merger (250 € MM)

FIAT	82 € MM	8.7 €
SCH	399 € MM	6.5 €

MAINTAINING GOOD ASSET QUALITY AND ADEQUATE COVERAGE RATIOS

€ MM	2002			
	Gross exposure	Total adjustments	Net exposure	Coverage
Doubtful loans	6,447	3,607	2,840	
▪ Non-performing loans	4,294	2,960	1,334	68.9%
▪ Problem loans	1,767	565	1,202	31.9%
Performing loans	124,854	1,064 (*)	123,861	0.9% (*)
Total loans	131,301	4,600	126,701	

	2002	2001
NPL'S ratio	1.1%	1.1%
Watchlist ratio	1.1%	1.2%

(*) Includes 71 € MM of reserve for credit risks

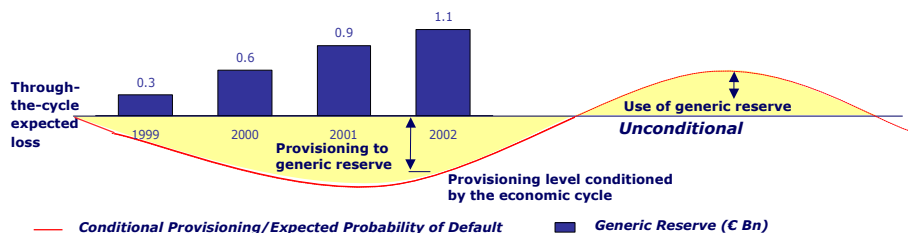
FORWARD LOOKING PROVISIONING POLICY

Guidelines

- Since the merger the Group has adopted a forward looking provisioning policy in line with best international practice
- Enabling fair distribution of the cost of risk and not penalising shareholders in a more challenging economic scenario

Key Data

- Generic reserves are now over €1.1 Bn which represents around 90 bps of the performing loan portfolio
- Increase in credit provisioning (+12%), including generic reserve to bring Cardine into the Group model

Protection from Forward Looking Provisioning Policy

AGENDA

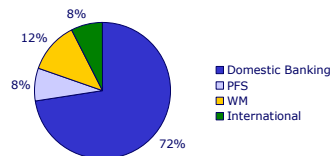
- 2002 Results
- ✓ **Group strategy**
- Financial targets and results to date

GROUP STRATEGY HAS BEEN FOCUSED ON BUILDING CORE DOMESTIC BANKING ASSETS

Results

- An increase in capital allocated to the retail business
- An increase in the contribution from retail banking to the revenue mix
- An increase in the customer base and an improvement in its geographical distribution

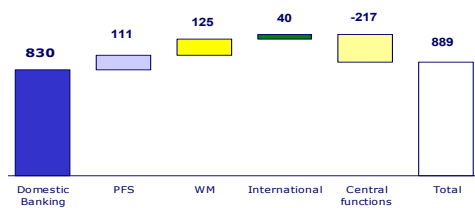
Capital allocated to business areas **2002**



Customer Base (# of customers)

	1999	2002
Total	4.5MM	7.0MM
SME	70,000	150,000

Net Income **2002**



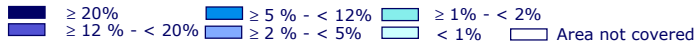
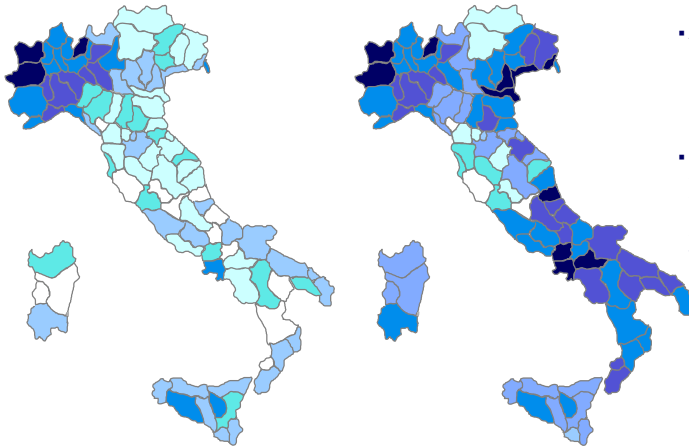
RETAIL BANKING DISTRIBUTION MODEL

The Group has built a national distribution network

1999

2002

Results



- A significant increase in the number of retail branches – from 1,355 in 1999 to 3,069 in 2002
- Excellent geographical coverage through its branch distribution footprint

RETAIL BANKING DISTRIBUTION MODEL

and is extending the successful branch distribution model

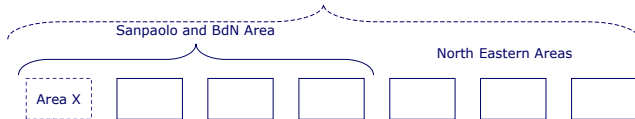
Retail Headquarters

- Strategic Issues
- Commercial Policies
- Credit Policies
- Control Systems
- Personnel Control

Sanpaolo IMI Group

Area Management

- Strong empowered regionally based management
- Coordination of customer segments



Front office

- 3.000 branches with good coverage and high concentration
- Specialisation
- Brand differentiation
- Multi-channel approach

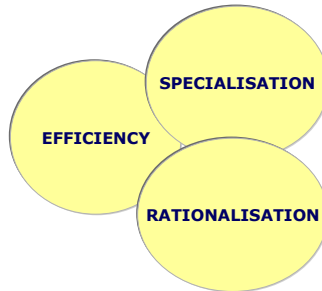


RETAIL BANKING DISTRIBUTION MODEL

Which enables specialization, efficiency and rationalization

EFFICIENCY

- Improving operating efficiency through the reorganization of business processes including full direct banking services
- Strong empowered local coordination of front office business by area management structures



SPECIALISATION

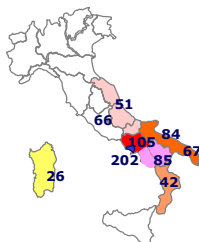
- Branch specialisation by customer segmentation enables more effective commercial approach
- Specialisation of professional role enables high service level

RATIONALISATION

- Single branch network enabling the rationalisation of headquarters and area managers structures
- Single operating platform reduces organizational overlaps

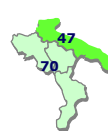
MERGER OF BANCO DI NAPOLI

Banco di Napoli
branch management areas:
11 areas of which
8 in continental South



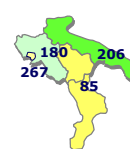
+

Sanpaolo
2 areas



=

Post merger :
4 areas



SANPAOLO
BANCO DI NAPOLI

Benefits from integration

Efficiency

- Rationalisation of area management and Corporate Center structures

Effectiveness

- Increase in managerial lever on the operating business
- Extension of branch distribution model
- Transference of best practice

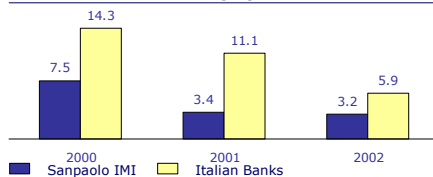
RETAIL BANKING DISTRIBUTION MODEL

Confirming the implementation time table

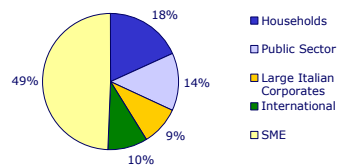
<u>Steps</u>	<u>Deadlines</u>
▪ Banco di Napoli Merger	31/12/2002
▪ Rationalisation of SP & BdN Areas	31/12/2002
▪ Former BdN branches on SP system	03/06/2003
▪ First Cardine Bank to move on Sanpaolo IT operating platform	30/09/2003
▪ Integration of Cardine Finanziaria	31/12/2003
▪ Completion of migration of Cardine banks on Sanpaolo IT operating platform	01/07/2004

A CONSERVATIVE AND BALANCED APPROACH TO LOAN GROWTH

Domestic Loan Growth (%)⁽¹⁾



2002 Loan Book Breakdown (%)



1999 – 2002 refocusing of the loan book

- Focus on increasing risk adjusted profitability in SME lending
- Refocusing of the loan book to increase capital allocation to SME and retail segments
- Reduction of BdN large corporates exposures and disposal of BdN overseas activities
- Rebalance of international exposure
- Reduction of concentration in the portfolio

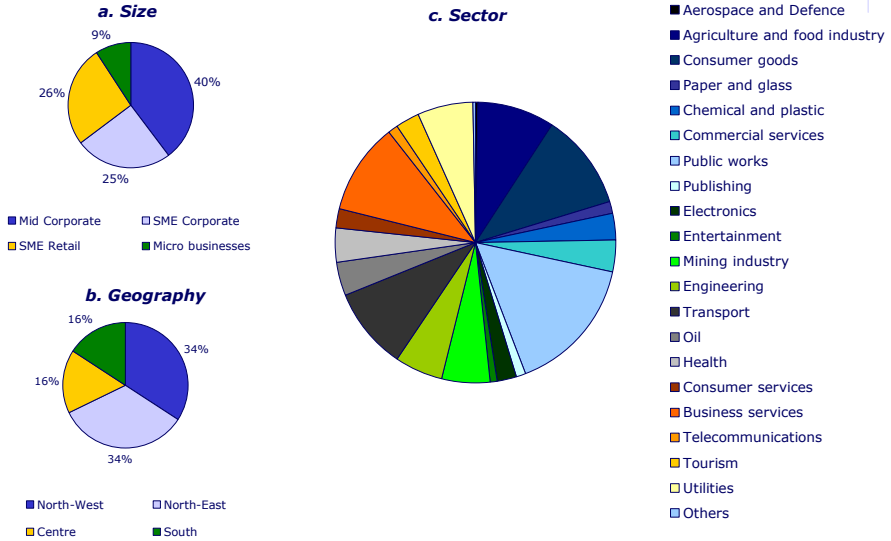
(1) Average growth rate except for 2000 (year end)

2003 - 2005 growing a refocusing loan book

- Exploit the Group's strong market positioning in fast growing specialist markets
 - ▶ Retail mortgages
 - ▶ Public sector and Infrastructure financing
 - ▶ Consumer finance
- Develop our large and diversified SME customer base

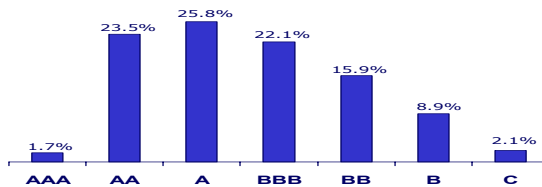
A CONSERVATIVE AND BALANCED APPROACH TO LOAN GROWTH The SME sector brings significant diversification to loan portfolio

Breakdown of Italian SME customer base by:



A CONSERVATIVE AND BALANCED APPROACH TO LOAN GROWTH The portfolio covers a balanced range of risk return lending activity

Group portfolio rating profile



Projected capital release on current Basel 2 rules (including increment in capital for operational risks and equity deductions for life subsidiaries)

Approach	Total Capital Ratio	Capital requirement (RWA*8%)	
		Amount € MM	Change % from current
Standardised	9.0%	12,306	+6.3%
IRB Foundation	10.3%	10,920	-5.7%
IRB Advanced	11.1%	10,282	-11.2%

A CONSERVATIVE AND BALANCED APPROACH TO LOAN GROWTH Strengths of Italian SME sector

- Family businesses financially supported by significant household savings
- More flexible labour market conditions
- Geographically organised into sector-specialised industrial districts

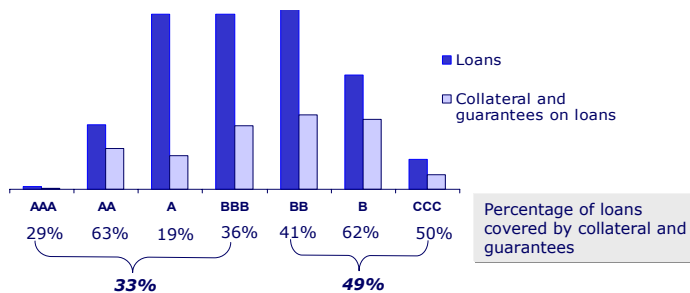
ITALIAN SME INDUSTRIAL DISTRICTS



A CONSERVATIVE AND BALANCED APPROACH TO LOAN GROWTH Reducing risk in SME lending

- ✓ Local presence and concentrated branch coverage
- ✓ Proven risk management tools
- ✓ Access to on and off balance sheet assets

SME guarantees by rating



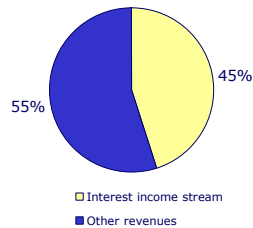
A CONSERVATIVE AND BALANCED APPROACH TO LOAN GROWTH

Increasing returns in SME lending

Increasing the value of the relationship to the Group and to the customers by :

- Enhancing the service level through a specialized network of 130 branches and 56 teams all staffed with dedicated professionals
- Leveraging risk management skills and introducing Basel II pricing models ahead of competitors enabling optimal risk pricing
- Improving the service role by offering a broader range of value added products

Sanpaolo Network SME revenues



STRONG COMPETITIVE POSITIONING IN AUM

Improving despite difficult market conditions

CMM	Stock		Change 02/01	Market share		Ranking 2002
	2001	2002		2001	2002	
Mutual funds	107,742	94,918	-11.9	18.9%	21.3% ⁽¹⁾	1° ⁽¹⁾
Bancassurance	20,039	27,154	+35.5	9.7%	11.6% ⁽²⁾	1°
Management portfolio	10,698	9,443	-11.7	12.1%	10.5% ⁽³⁾	n.a.

- (1) As of January 2003 with Eptaconsors
 (2) Group and networks technical reserves market share
 (3) Group and networks market share

STRONG COMPETITIVE POSITIONING IN AUM

Powerfully placed distribution channels

Drivers to growth in AUM

- ✓ High savings ratios
- ✓ Developing pension gap
- ✓ Long term investment needs

Group distribution

- ✓ Branches: ~3,000
2° Ranking in Italy
- ✓ PFS: ~5,000
1° Ranking in Italy

Group guidelines

- ✓ Increase the service level across all the franchises
- ✓ Increase the level of intermediation in customer asset management by introducing the role of financial advisors in the new networks
- ✓ Align asset allocation to meet customers' longer term savings needs through a comprehensive product range

ON GOING INTEGRATION AND RATIONALISATION OF THE GROUP

Further significant steps taken in the last few months

Initiatives

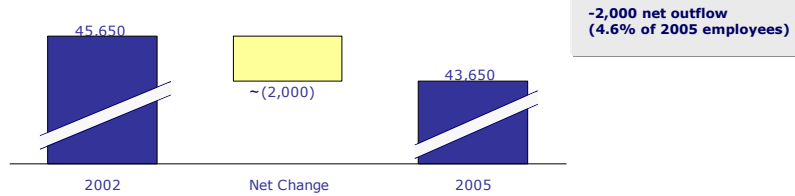
- ✓ Centralisation of corporate functions
- ✓ Rationalisation of business portfolio

Key actions

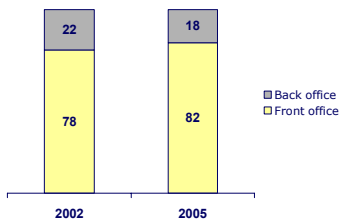
- Treasury, IT systems, logistics, "buyer unico"
- Selling of 50% stake in Finconsumo to SCH and concentration of activity in Finemiro
- Concentration of all public authority lending in Banca OPI
- Integration of all private equity activities into a single company
- Merger of Leasing businesses
- Holding company for foreign banking shareholdings and Public Offer for Inter-Europa Bank shares
- Public Offer for all the shares of Banca Popolare dell'Adriatico to obtain total control and delisting
- Merger of Banca Agricola Cerea into Cassa di Risparmio di Padova e Rovigo
- Increasing the stake in Cassa dei Risparmi di Forlì from 21% to 29.7%

ON GOING INTEGRATION AND RATIONALISATION OF THE GROUP Managing human resources

Reducing headcount



Enhancing efficiency in Retail Banking



- ✓ +4% in front office branch personnel
- ✓ Reduction in workforce dedicated to transactional banking by ~ 5,000 staff
- ✓ Reduction in average age

ON GOING INTEGRATION AND RATIONALISATION OF THE GROUP Cost discipline remains a strategic priority

Business Area	Actions	Pre-Tax Impact (€MM) 2005
Human Resources		
Sanpaolo IMI	✓ Efficiency (MOI/"Buyer Unico"/Logistics)	+170
Banco di Napoli	✓ Merger with Sanpaolo, corporate centre restructuring and the Networks integration	
Cardine	✓ Cardine Finanziaria and Direzioni Generali Banche Reti restructuring ✓ Efficiency (MOI/"Buyer Unico"/Logistics)	
Other Group Companies	✓ Efficiency hypothesis on participations	
MOI Implementation	✓ MOI integration (excluding personnel)	+90
Logistics/"buying process" efficiency	✓ Centralization of "buying process" ✓ Real estate rationalisation	+65
Total		+325

AGENDA

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- Group strategy
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OPERATIVE TRENDS IN 2003 REMAIN POSITIVE

€ MM

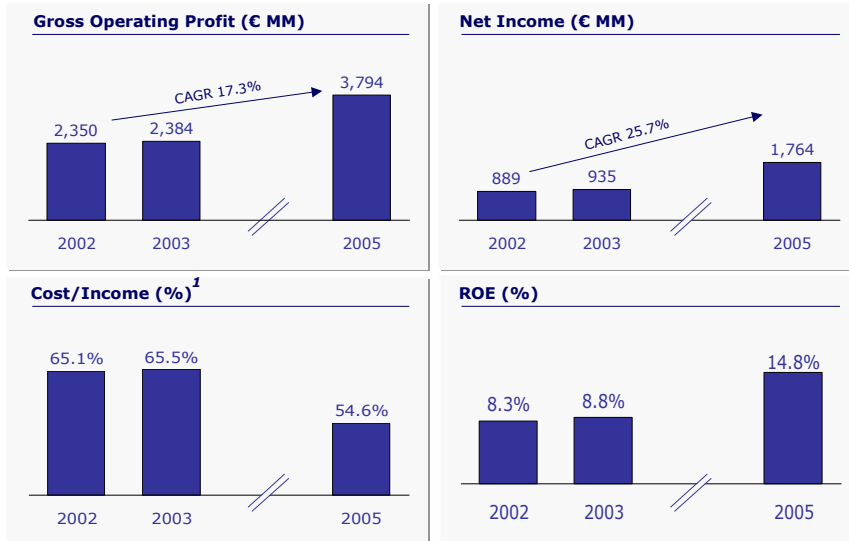
Aggregate	YE2002	2003 Inflows	2003 Performance	2003 YTD (*)	2003 budget
AFI	356,281			+3,153	381,100
AUM	131,515	+2,972	-2,369	+603	143,400
- Life assurance	27,154	+1,311	-618	+693	
- Mutual funds	94,918	+1,769	-1,792	-23	
Loans	126,701			+2,147	129,000

IN A CHALLENGING BUSINESS ENVIRONMENT

Aggregate	Assumptions 03	YTD (*)
GDP	1.5%	-
Comit Global	8.0%	-2.2%
AUM Performance effect	+3.0%	-1.8%
Loans	+5.5%	+6.6%
Deposits	+4.5%	+5.3%

(*) As of end February

GROUP GOALS: GROWTH AND PROFITABILITY



¹ Total administrative expenses (excluding direct and indirect taxes) and amortization (excluding value adjustments on goodwill and merger and consolidation differences)/total income (including other net operating income)