

GRUPPOSANPAOLOIMI

SEMINAR ON CREDIT RISK MANAGEMENT AND SME BUSINESS

BRUNO PICCA

Head of Sanpaolo/BdN Network

Turin, June 12, 2003

AGENDA

- ✓ Overview of the Sanpaolo/Banco di Napoli network
- Strategic business guidelines
- Conclusions

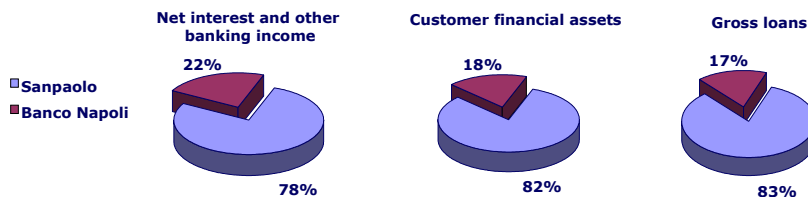
SANPAOLO/BANCO DI NAPOLI RETAIL NETWORK
IN THE GROUP CONTEXT

	Sanpaolo Banco di Napoli Network *	%weight on Group
Net interest and other banking income	860	48%
Operating income	287	47%
Net income	130	46%
Capital allocated	3,044	28%
RORAC	17.1%	Group 10.5%
Cost to Income	66.5%	Group 63.6%
Customer financial assets	182,102	50%
Gross loans to customer	51,552	40%
Employees	22,964	50%
Domestic branches	2,118	69%

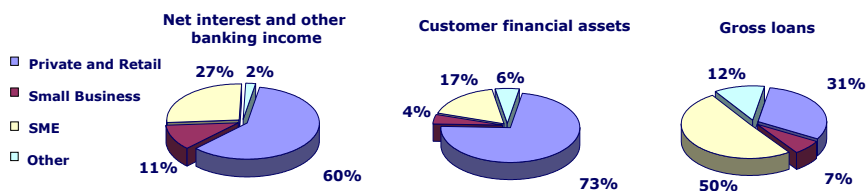
*Q1 2003 results in € mln

BREAKDOWN OF KEY NETWORK AGGREGATES *

Sanpaolo/Banco Napoli



Sanpaolo customer segments



*Q1 2003 results in € mln

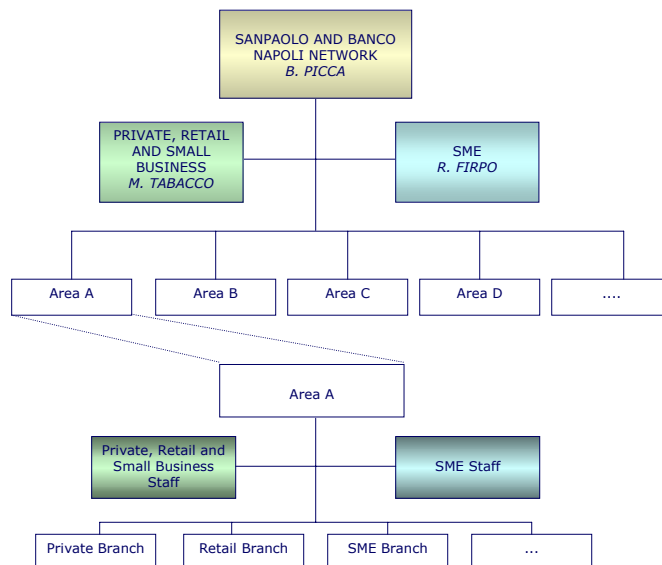
BRANCH DISTRIBUTION NETWORK

	Sanpaolo	Banco di Napoli	Sanpaolo/ Banco di Napoli	Cardine and others	Sanpaolo IMI Group
Branches	1,393	725	2,118	954	3,072

Sanpaolo/Banco di Napoli Network

<i>Specialised branches</i>	<i>31/03/03</i>	<i>31/12/03</i>
➤ <i>SME branches</i>	130	151
➤ <i>SME additional teams</i>	61	62
➤ <i>Private branches</i>	19	27
➤ <i>Private additional teams</i>	37	57

SANPAOLO NETWORK BUSINESS MODEL



AGENDA

- An overview of the Sanpaolo/Banco di Napoli network
- ✓ Strategic business guidelines
- Conclusions

INTEGRATION OF SANPAOLO AND BANCO DI NAPOLI BRANCHES

Structural drivers

- ✓ **Legal merger of Banco di Napoli**
- ✓ **Unification of Area management**
- ✓ **Migration of IT systems onto target platform**

ENABLE

Introduction of Sanpaolo business model and processes

Specialization of business activity by customer segment

Branch management reshuffle

Single divisional reporting and management system

Extension of professional roles and incentivisation schemes

HIGHLIGHTS NEW SANPAOLO BANCO DI NAPOLI SPA *

Branches	750
Specialised branches (as of 31/12/03)	
➤ <i>Private (branches and teams)</i>	14
➤ <i>SME (branches and teams)</i>	33
Employees	6,000
➤ <i>Headcount</i>	50
➤ <i>Network</i>	5,950
Customer financial assets	38,013
Gross loans to customer	8,771
Shareholders' equity	1,200
Total capital ratio	8%

*Pro-forma data 2002 in € mln

COMMERCIAL GUIDELINES

	Private, Retail and Small Business	SME
Objectives	Increase market share and defend profitability	Increase profitability maintaining market share and portfolio risk profile
Development	Increase market share by broadening customer base and winning greater share of customer wallet	Grow loan volumes in line with the market and strong growth of corporate derivatives products
Profitability	Aligning price levels to product and service levels	Strengthening of price lever to fully price cost of risk and capital absorption
Quality	Increase service level through projects focused on front-line customer management and investment policy	Maintenance of focus on credit quality and professional service
Costs	Reduction of cost to serve through development of Direct Banking channels	

SANPAOLO NETWORK AND BANCO DI NAPOLI Q1 2003 RESULTS

IN LINE
WITH
BUDGET

	Q1 2003 *	% y-o-y
Net interest and other banking income	860	+ 0.7%
Operating income	287	+ 0.3%
Net income	130	+ 11.1%
<hr/>		
Capital allocated	3,044	+ 6.5%
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RORAC	17.1%	+0.7 p.p.
Cost to income	66.5%	+0.0 p.p.
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Customer financial assets	182,102	- 0.3%
Gross loans to customer	51,552	+ 7.7%
Employees	22,964	-1.3%

* Data in € mln

EXPECTED OUTLOOK FOR H203

DIFFICULT OPERATING SCENARIO

- Pressure on mark down as a consequence of ECB rate reductions
- Reduction of profitability of AUM mix
- Increase of credit risk due to economic stagnation

OPERATIONAL RESPONSE

- Hedge interest rate risk on stable retail sight deposits
- Move to begin alignment of household financial assets with longer term savings needs
- Develop further revenues from services
- Continue action on loan repricing

CONCLUSIONS

- Integration of Sanpaolo and Banco di Napoli branch network in line with objectives
- Performance in first four months 03 up on 02 and in line with budget
- Weakening macro scenario being addressed by actions directed at increasing revenues

Disclaimer:

As in most presentations, forward looking statements are made 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.