

# GRUPPO SANPAOLO IMI

## Q3 2003 RESULTS

12 November 2003

## **DISCLAIMER**

This presentation has been prepared by Sanpaolo IMI and provides information on the management's business plans and strategies. As such, the presentation contains forward-looking information which reflects management's current views with respect to certain future events and the financial performance of the Group. These views are based upon assumptions of future events which may not prove to be accurate and actual results may differ materially from those projected or implied in the forward-looking statements. Undue reliance should not, therefore, be placed on such forward-looking information and Sanpaolo IMI assumes no responsibility to update any such forward-looking information.

## SUMMARY OF 9-MONTH RESULTS

▶ Positive revenues in a difficult macro-environment

- ▶ Net interest income +2.6% 9-months 03/9-months 02
- ▶ Commission income +6.5% 9-months 03/9-months 02
- ▶ Trading gains +47.6% 9-months 03/9-months 02
- ▶ Profits from life companies +8.2% 9-months 03/9-months 02

Total revenues +5.1%

▶ Underpinned by good operating trends

- ▶ Selective loan growth of 1.4% year on year
- ▶ Customer financial assets up 4.2%
- ▶ Further confirmation of asset gathering strength: 10 billion euro

Operating income +13.5%

▶ Good cost control despite significant integration charges and salary inflation (+3.8%)

▶ Good asset quality confirmed, lower net non performing and watchlist loans, levels of coverage increased and prudential generic charge of 74 € million

- ▶ NPL ratio 1.1%
- ▶ NPL coverage 69.2%
- ▶ Watchlist loans coverage 34.4%

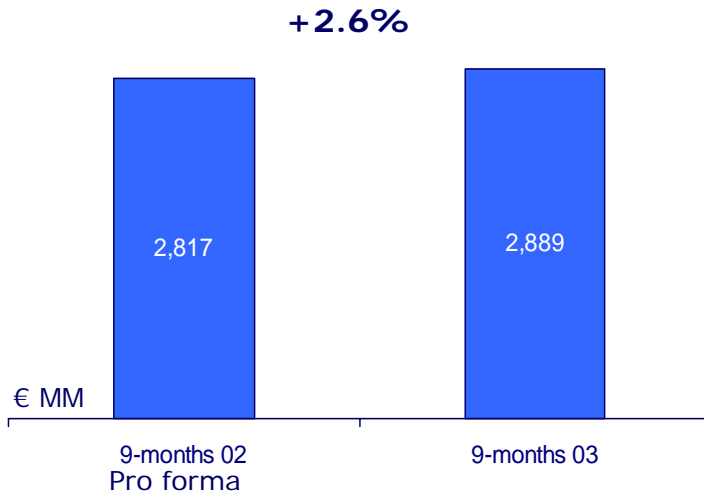
Income before  
extraordinaries +67.7%

▶ Planned extraordinary charge of 363 € million taken to fund redundancies in part offset by capital gains of 137 € million

Net income +36.7%

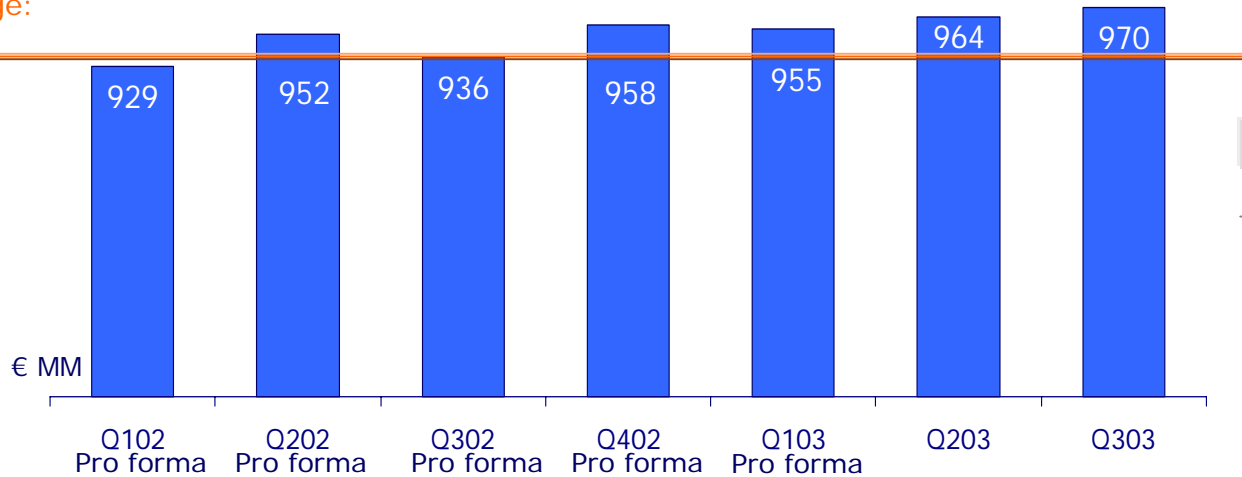
▶ Business plan targets confirmed

# POSITIVE GROWTH IN NET INTEREST INCOME



- ▶ Growth driven by:
  - ▶ domestic loan growth in key markets
  - ▶ effective management of falling interest rate environment
  - ▶ higher customer deposits in low interest bearing current accounts

2002 average:  
944 € MM



Q303/Q203	Q303/Q302
+0.6%	+3.6%

## SELECTIVE LOAN GROWTH

- ▶ The loan policy remains focussed on:
  - ▶ asset quality
  - ▶ appropriate risk adjusted pricing
- ▶ Continuing positive trends :
  - ▶ New domestic residential mortgage lending 2.6 € billion YTD
  - ▶ public authority lending up 12.4% Y/Y

€ MM	Stock 30/09/03	Var. 30/09/03- 30/09/02 pro forma
<b>GROUP:</b>	<b>123,414</b>	<b>+1.4%</b>
▶ Medium-long term	78,817	+6.6%
▶ Short term	44,597	-6.7%
<b>PRINCIPLE BUSINESS UNIT NUMBERS:</b>		
▶ Sanpaolo Network	51,401	+7.7%
▶ Cardine	25,627	+8.5%
▶ Large Domestic Groups	9,482	-15.7%
▶ Banca OPI	18,164	+12.4%
▶ Consumer Banking	3,261	+10.2%
▶ Foreign Network	4,084	-34.1%

## WITHOUT IMPACTING NEGATIVELY ON MARGINS

- ▶ Falling rates impact on mark down although contained by improvement in mark up and repricing of liabilities
- ▶ ALM benefits from centralised treasury operations

### Average spread on customer business

	Var. Y/Y	Var. Q/Q
Average spread (*)	+22 bps	+19 bps
▶ Mark up	+52 bps	+29 bps
▶ Mark down	-30 bps	-10bps
3 month Euribor (*)	-122 bps	-22 bps

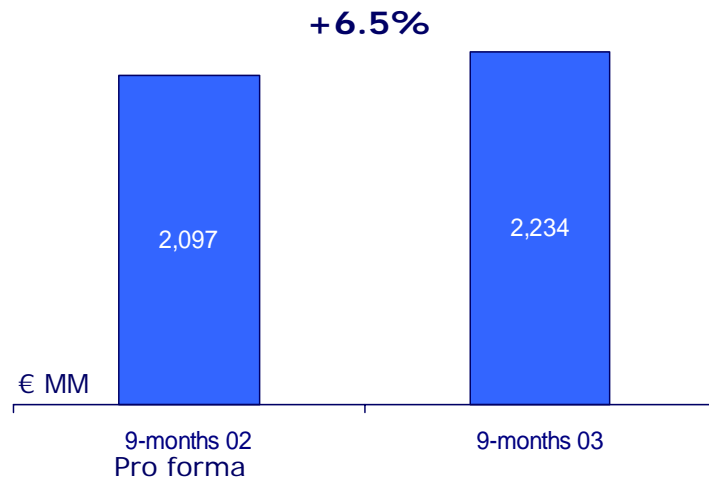
(\*) Quarterly average

## SOLID GROWTH IN CURRENT ACCOUNTS

- ▶ Overall customer deposits down 2.7% Y/Y but current accounts and deposits up 0.9%

€ MM	30/09/03	%	30/09/02 pro forma	%	Var. 30/09/03- 30/09/02 pro forma
Current account and deposits	69,166	51.6	68,576	49.8	+0.9
CDs	8,598	6.4	6,616	4.8	+30.0
Bonds	38,805	29.0	40,523	29.5	-4.2
Commercial paper	2,750	2.1	3,529	2.6	-22.1
Repos	11,694	8.7	14,205	10.3	-17.7
Other	2,954	2.2	4,168	3.0	-29.1
Total	133,967	100.0	137,617	100.0	-2.7

## RECOVERY IN FEE INCOME



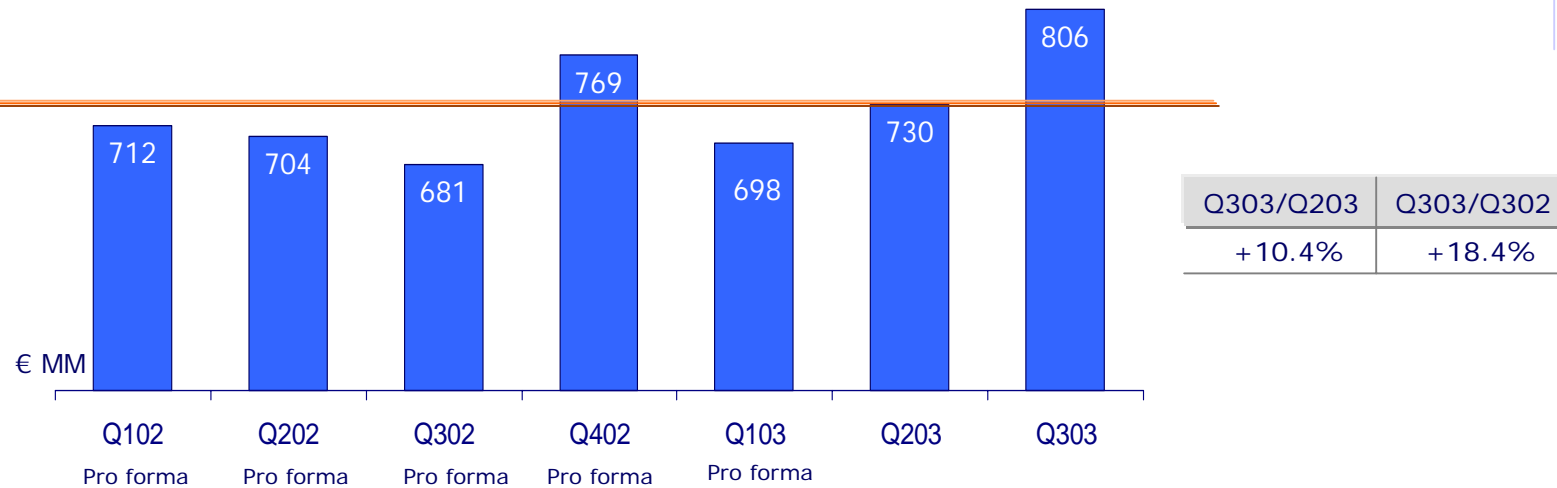
- ▶ Good growth in traditional banking and brokerage fees
- ▶ Asset management fees weaker Y/Y but quarterly trend encouraging

€ MM	9-months 03	9-months 02 pro forma	Var. 9-months 03/9-months 02 pro forma
Asset Management, Dealing and advisory services	1,316	1,285	+2.4
▶ <i>asset management</i>	1,078	1,088	-0.9
▶ <i>dealing, advisory and custody, currencies</i>	238	197	+20.8
Loans and guarantees	192	183	+4.9
Collection and payment services	186	177	+5.1
Deposit and current accounts	366	317	+15.5
Other services and net dealing revenues	174	135	+28.9
Net Commission and other dealing revenues	2,234	2,097	+6.5



## FEE INCOME QUARTERLY ANALYSIS

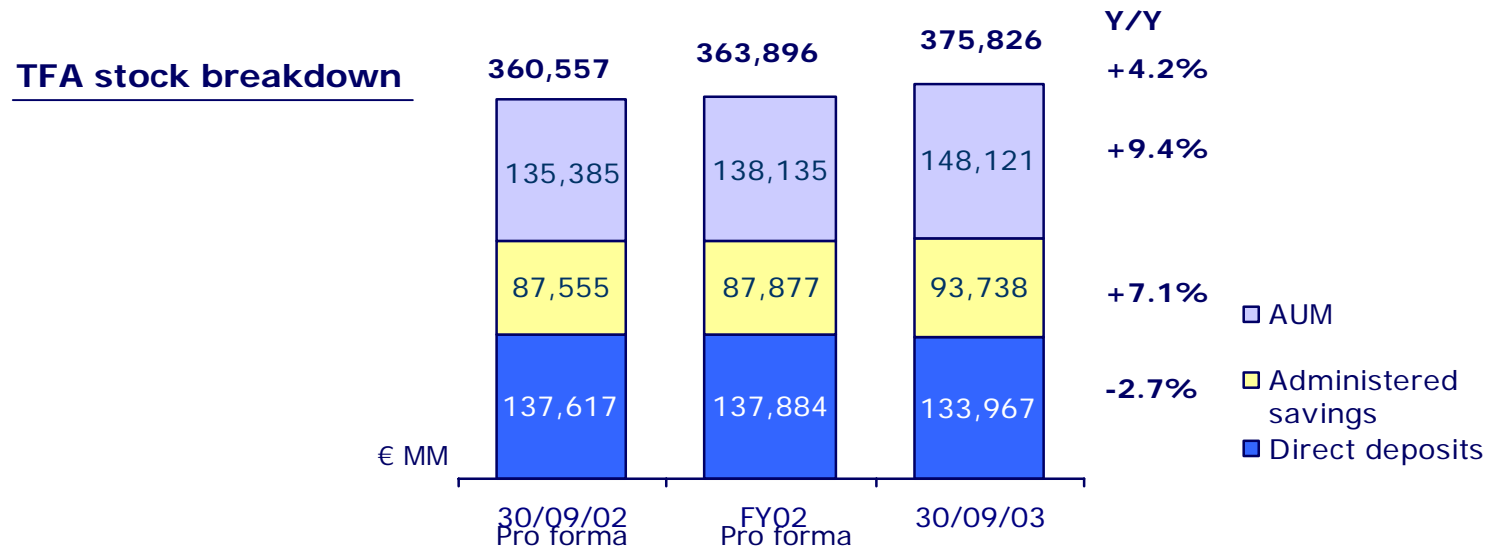
2002 average:  
717 € MM



€ MM	Q303	Q203	Q302	Var. Q303/Q302	Var. Q303/Q203
Asset Management, Dealing and advisory services	480	425	413	+16.2%	12.9%
▶ <i>asset management</i>	391	342	353	+10.8%	+14.3%
▶ <i>dealing and custody, currencies</i>	89	83	60	+48.3%	+7.2%
Loans and guarantees	67	61	72	-6.9%	+9.8%
Collection and payment services	66	61	61	+8.2%	+8.2%
Deposit and current accounts	128	123	117	+9.4%	+4.1%
Other services and net dealing revenues	65	60	18	+261%	+8.3%
<b>Net Commission and other dealing revenues</b>	<b>806</b>	<b>730</b>	<b>681</b>	<b>+18.4%</b>	<b>+10.4%</b>

## DETAIL ON CUSTOMER FINANCIAL ASSETS

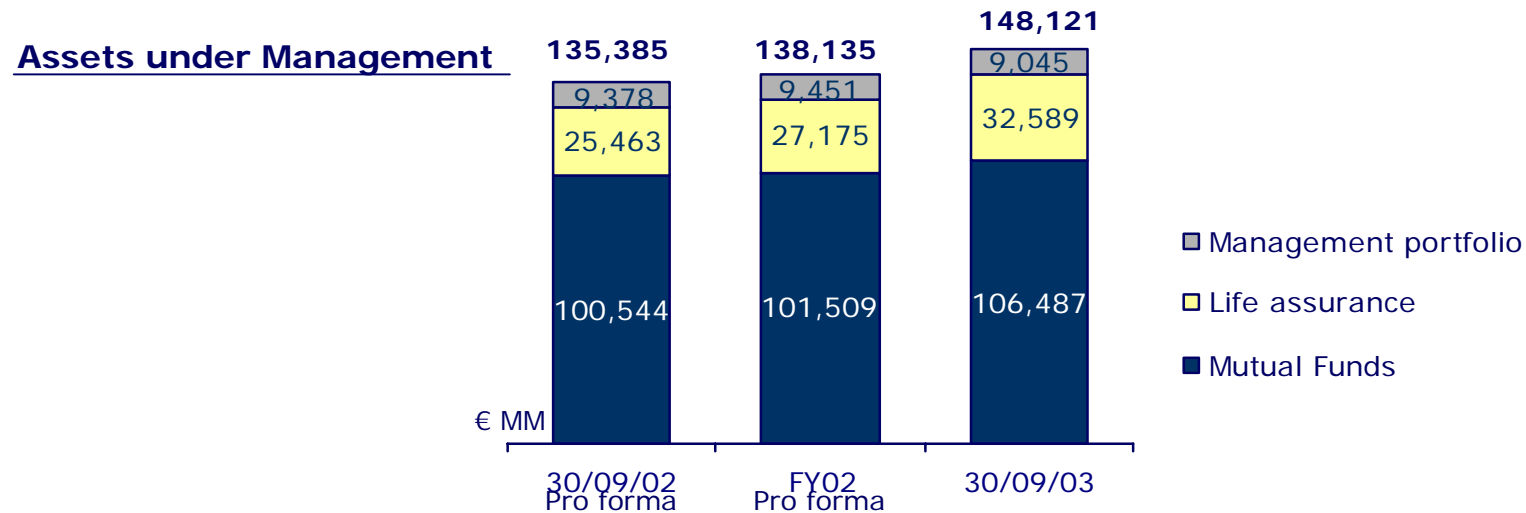
- ▶ Yet again strong asset gathering capacity of the Group confirmed
- ▶ Reflecting underlying strength in customer relationships



€ MM	30/09/03 stock	9-months 03 flows	9-months 03 performance	Net change year to date
<b>TFA</b>	<b>375,826</b>	<b>+7,785</b>	<b>4,145</b>	<b>+11,930</b>
AUM	148,121	+7,819	+2,167	+9,986
▶ Life assurance	32,589	+4,598	+816	+5,414
▶ Mutual funds	106,487	+3,699	+1,279	+4,978
▶ GPM	9,045	-478	+72	-406
Administered	93,738	+3,883	+1,978	+5,861
Direct deposits	133,967	-3,917	-	-3,917

## DETAIL ON ASSETS UNDER MANAGEMENT

- ▶ Positive net inflows of 7.8 billion euro YTD
- ▶ Good performance across all distribution channels
- ▶ Market performance effect positive for 2.2 billion euro YTD



€ MM	9-months 03 Flows				30/09/03 Stock		
	Life assurance	Mutual funds	GPM	Total	Total	Var. Y/Y	Var. Q/Q
<b>Sanpaolo Network</b>	2,861	1,422	-762	<b>3,521</b>	76,049	+8.5%	+1.3%
<b>Cardine</b>	415	775	188	<b>1,378</b>	14,264	+13.8%	+2.0%
<b>Fideuram</b>	988	1,623	42	<b>2,653</b>	43,373	+8.9%	+2.5%
<b>Other</b>	334	-121	54	<b>267</b>	14,435	+11.5%	-0.3%
<b>Total</b>	<b>4,598</b>	<b>3,699</b>	<b>-478</b>	<b>7,819</b>	<b>148,121</b>	<b>+9.4%</b>	<b>+1.5%</b>

## DETAIL ON MUTUAL FUNDS

- ▶ Market leader in net inflows to mutual funds: 5,722 € MM as at 31/10/03
- ▶ Over 20% market share confirmed
- ▶ Weaker asset allocation Y/Y of customer assets

### Mutual fund portfolio composition

€ MM	30/09/03	30/09/02 Pro forma	FY02 Pro forma
▶ Equity	20.7%	23.6%	22.4%
▶ Balanced	8.7%	11.6%	10.5%
▶ Bond	41.5%	39.2%	39.3%
▶ Money	29.1%	25.6%	27.8%
Mutual funds stock	100.0%	100.0%	100.0%

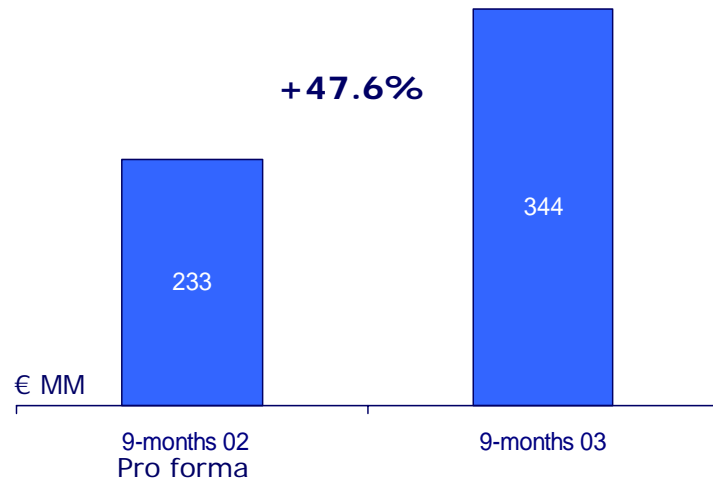
**Market share: 21.1%** as of October 2003

## DETAIL ON LIFE ASSURANCE

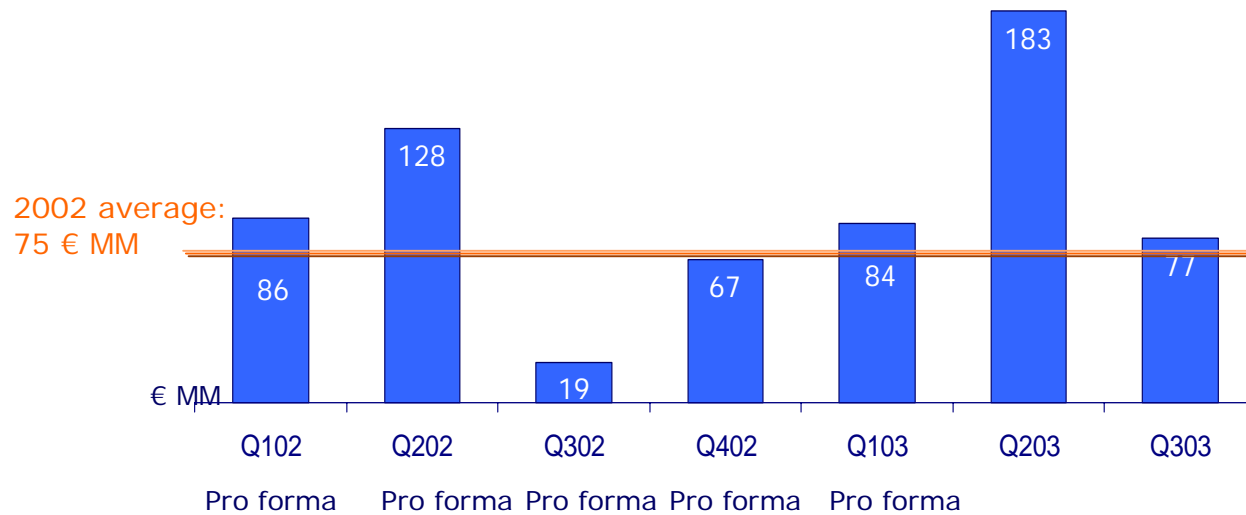
- ▶ Leading bancassurance Group in Italy with a 10.6% market share of technical reserves
- ▶ Technical reserves up 28% Y/Y
- ▶ 16% share of the bancassurance market for new business in 9-months 03
- ▶ **Significant embedded value in life portfolio: 1,873 € MM (June 03)**

€ MM	30/09/03 stock	Var. 30/09/03- 30/09/02 pro forma	Var. 30/09/03- 30/06/03 pro forma
<b>Total</b>	<b>32,589</b>	<b>+28.0%</b>	<b>+6.3%</b>
▶ Traditional	11,905	+11.0%	+2.9%
▶ Unit linked	9,580	+47.5%	+8.1%
▶ Index linked	6,835	+63.2%	+14.7%
▶ Third parties	4,269	+5.3%	+0.0%

# PROFITS ON FINANCIAL TRANSACTIONS AND DIVIDENDS ON SHARES

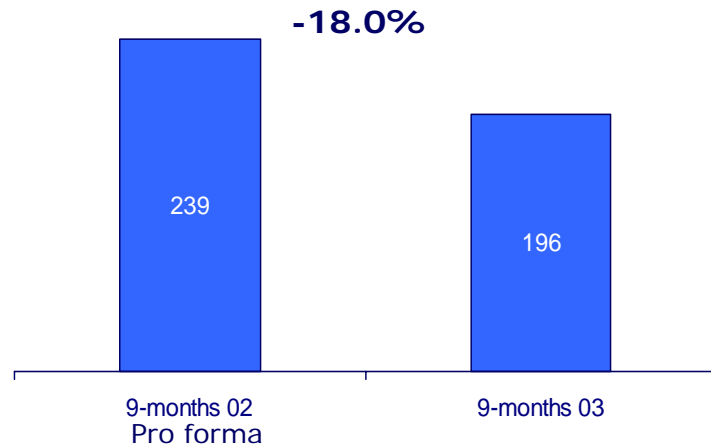


► Low risk trading portfolio  
(9-months 03 average Var: 11.9 € MM)

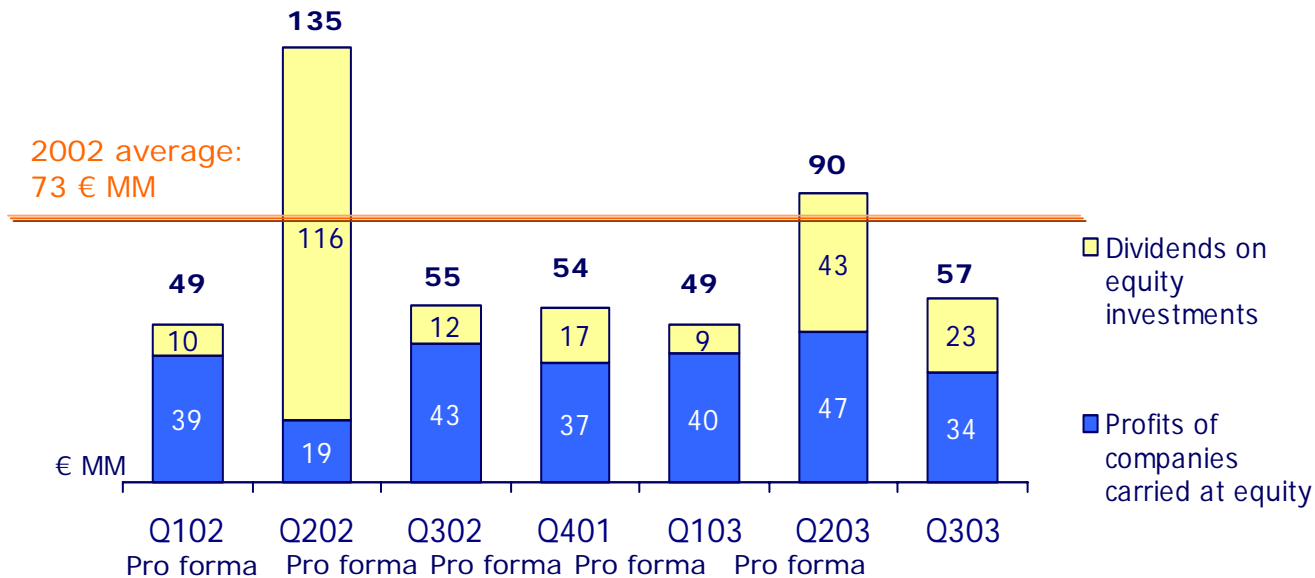


Q303/Q203	Q303/Q302
-57.9%	+305.3%

# PROFITS OF COMPANIES CARRIED AT EQUITY AND DIVIDENDS ON EQUITY INVESTMENTS



- ▶ Equity accounted insurance contribution up 8.2% Y/Y to 79 € MM
- ▶ Lower dividends due to extraordinary dividend paid last year by Cardine of 49 € MM



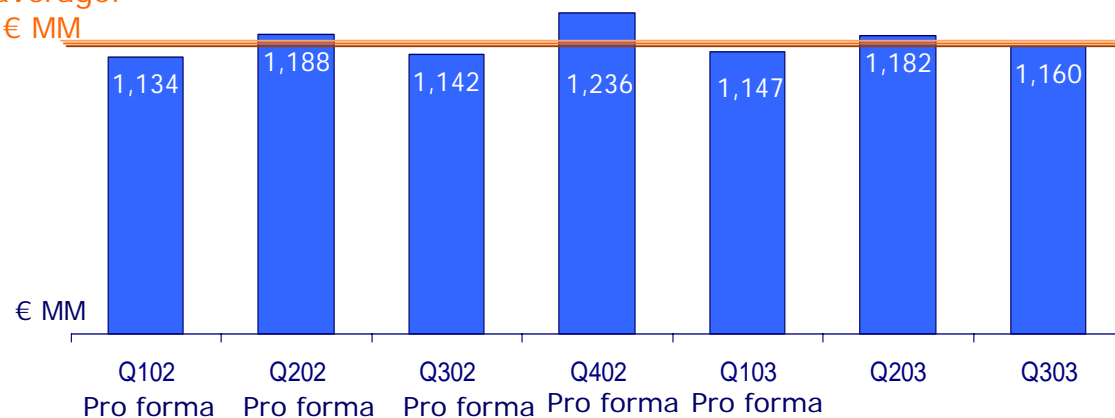
Q303/Q203	Q303/Q302
-36.7%	+3.6%

## GOOD COST CONTROL

- ▶ Salary inflation of ~3.8% in part offset by net headcount reduction of 1,039 Y/Y
- ▶ Good cost control of other administrative costs

€ MM	9-months 03	9-months 02 Pro forma	Var. 9-months 03/ 9-months 02 pro forma	FY02 Pro forma
Administrative costs	3,489	3,464	+0.7%	4,700
▶ Personnel expenses	2,165	2,136	+1.4%	2,888
▶ Other administrative costs	1,121	1,136	-1.3%	1,551
▶ Indirect duties and taxes	203	192	+5.7%	261
Depreciation	347	359	-3.3%	521

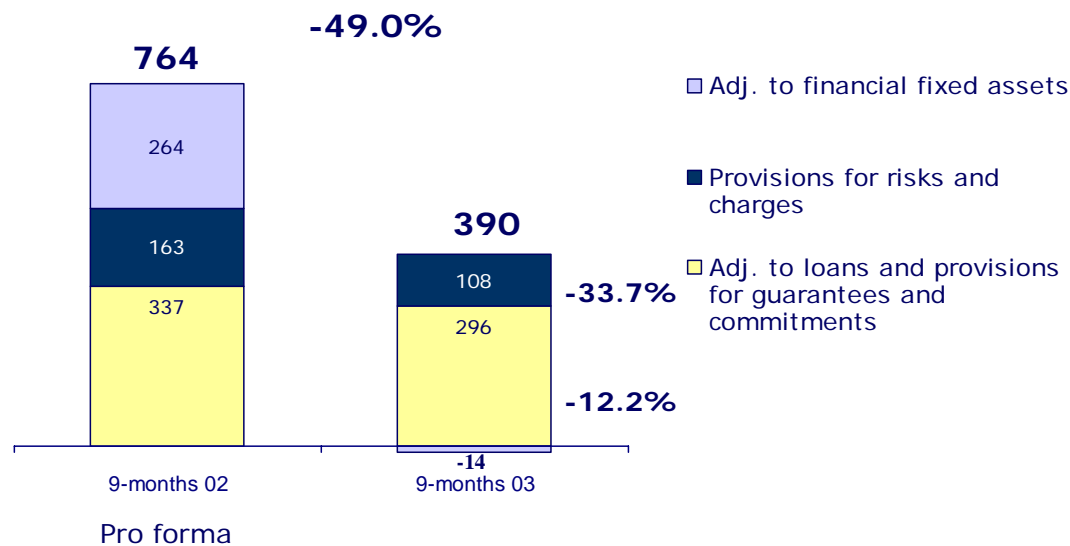
2002 average:  
1,175 € MM



Q303/Q203	Q303/Q302
-1.9%	+1.6%



## TOTAL NET PROVISIONS



- ▶ Credit provisioning level reflects good asset quality and dynamic provisioning approach
- ▶ Prudential accounting of financial assets

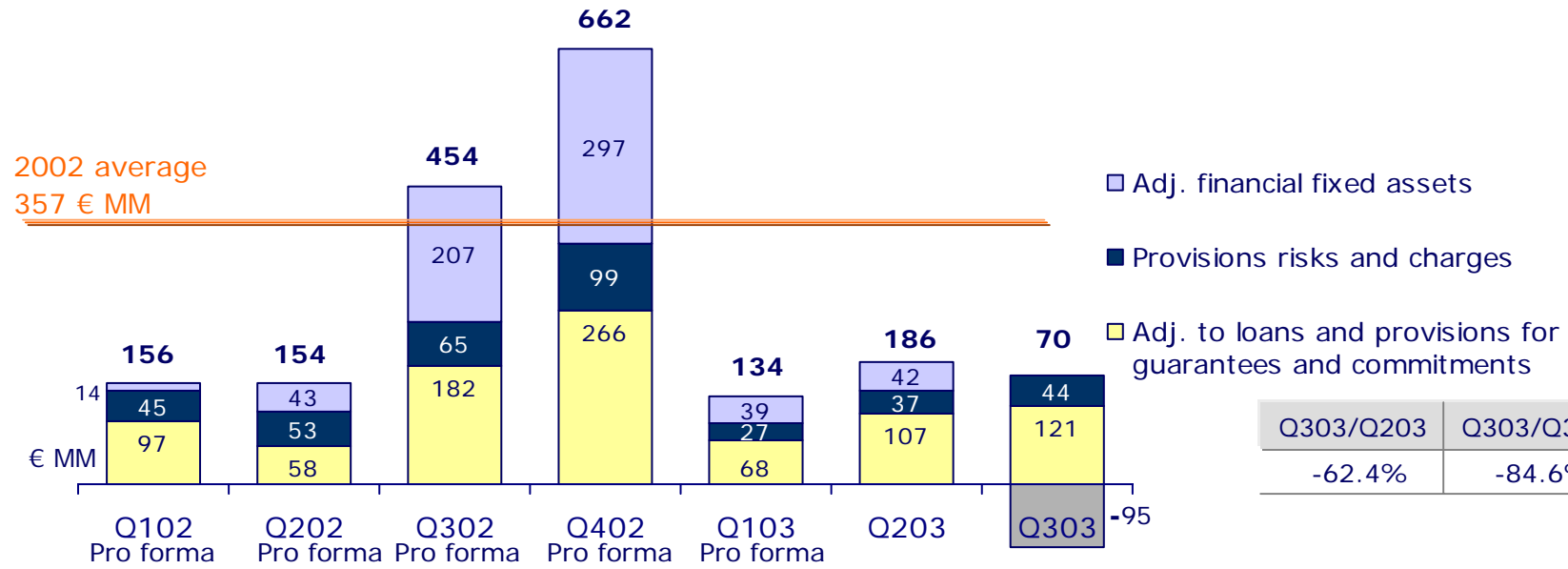
Adjustments*Financial assets*

FIAT	-10 € MM	6.7 euro Book value p.s. (as of 30/09/03)
H3G	-74 € MM	not quoted
SCH	+126 € MM	7.4 euro Book value p.s. (as of 30/09/03)

*Credit provisions*

Generic provisions	74 € MM (total generic provision: 1.1 € BN)
Specific provisions	232 € MM

# QUARTERLY ANALYSIS TOTAL NET PROVISIONS



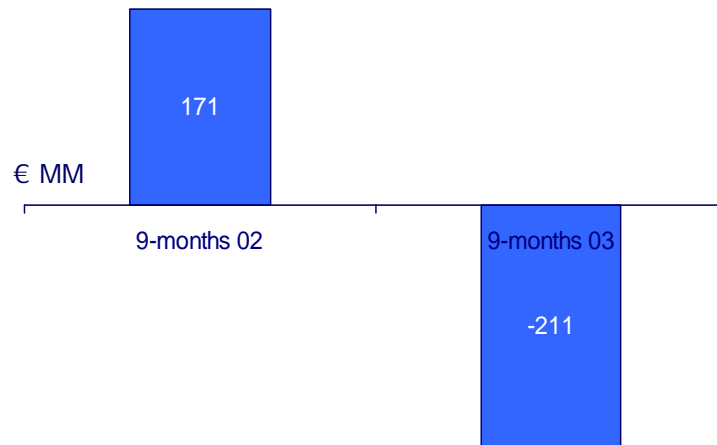
## MAINTAINING GOOD ASSET QUALITY AND ADEQUATE COVERAGE RATIOS

	30/09/03							
	Gross exposure	Var. Y/Y	Var. Q/Q	Total adjustments	Net exposure	Var. Y/Y	Var. Q/Q	Coverage
<b>Doubtful loans</b>	6,531	+1.2%	-0.9%	3,760	2,771	-7.6%	-3.9%	
▶ <b>Non-performing loans</b>	4,352	-0.4%	+1.4%	3,012	1,340	-6.7%	+1.4%	69.2%
▶ <b>Problem loans</b>	2,179	+4.5%	-5.3%	748	1,431	-8.4%	-8.3%	34.3%
<b>Performing loans</b>	124,143	+1.1%	-3.3%	1,054	123,089	+1.1%	-3.3%	0.9%*
<b>Total loans</b>	<b>130,674</b>	<b>+1.1%</b>	<b>-3.1%</b>	<b>4,814</b>	<b>125,860</b>	<b>+0.8%</b>	<b>-3.3%</b>	

	30/09/03	31/12/02 pro forma
<b>NPL'S ratio</b>	<b>1.1%</b>	<b>1.0%</b>
<b>Watchlist ratio</b>	<b>1.1%</b>	<b>1.1%</b>

(\*) Includes 87 € MM of reserve for credit risks

## NET EXTRAORDINARY INCOME

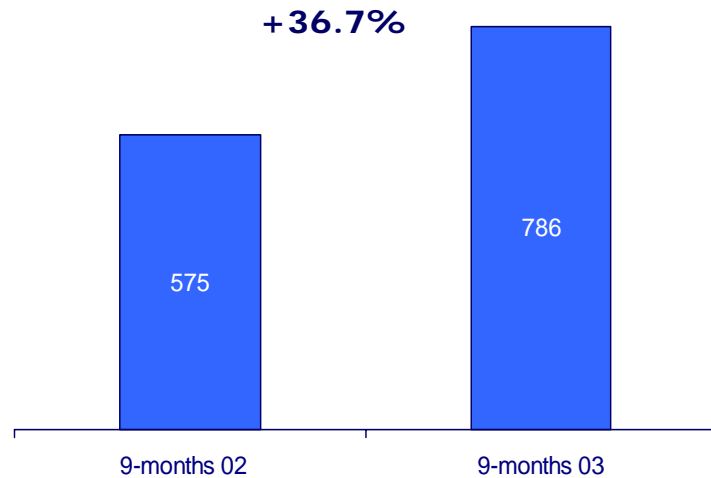


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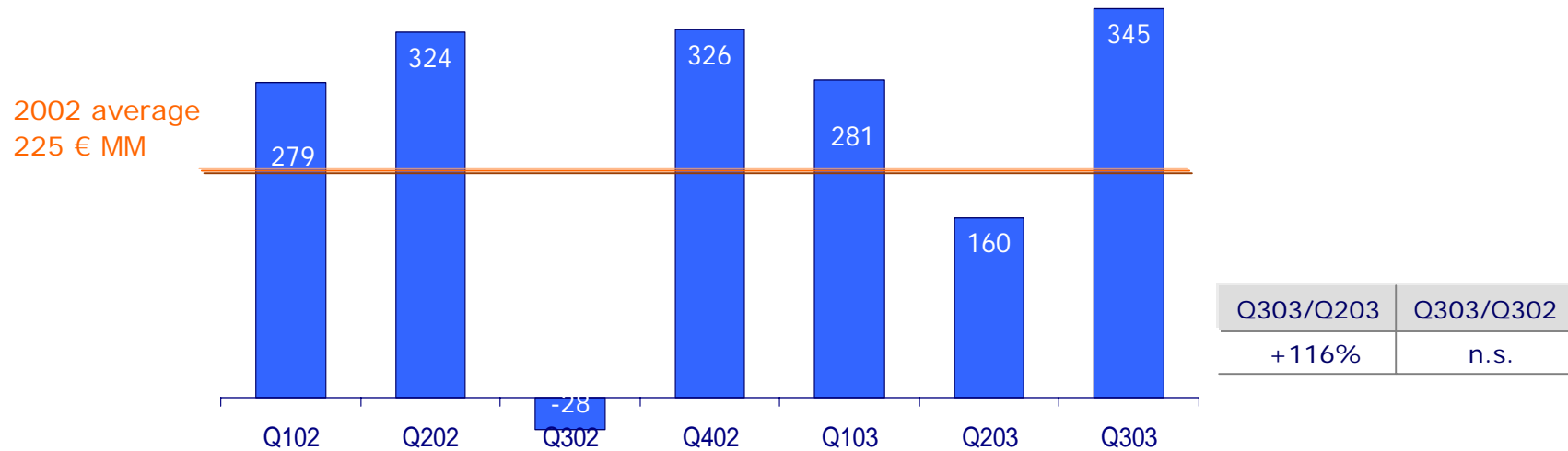
#### Principal contributions

Fund early retirements	-363 € MM
Release of excess provisions for subsidised mortgages	+68 € MM
Sale of 20% stake in Finconsumo	+44 € MM

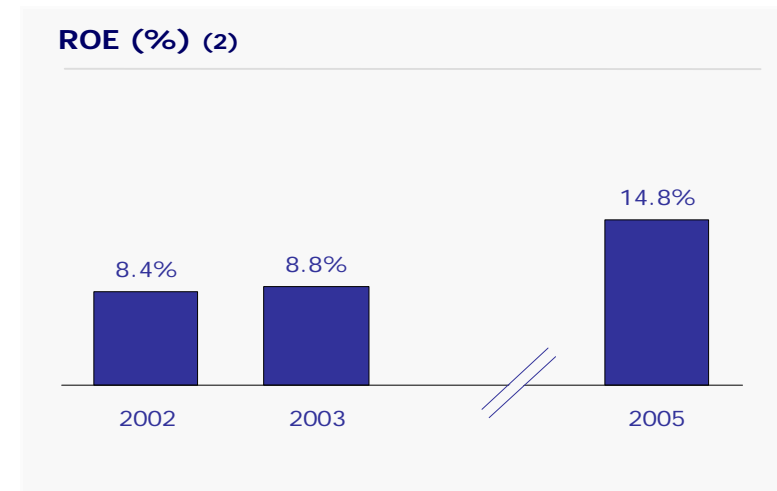
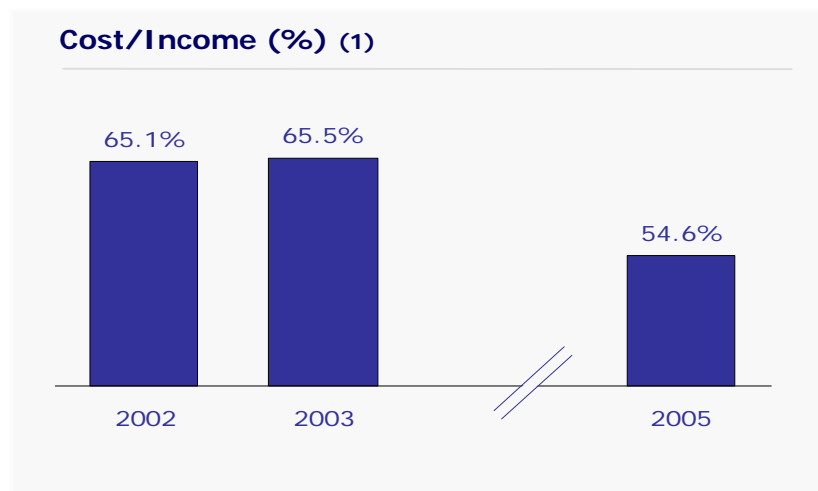
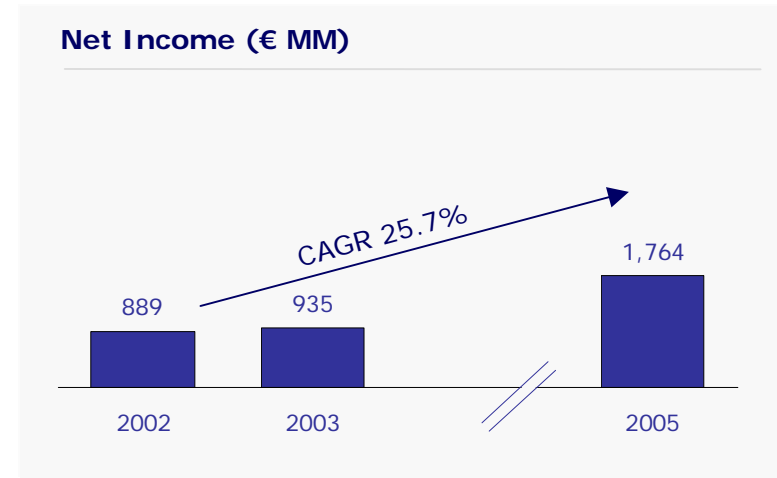
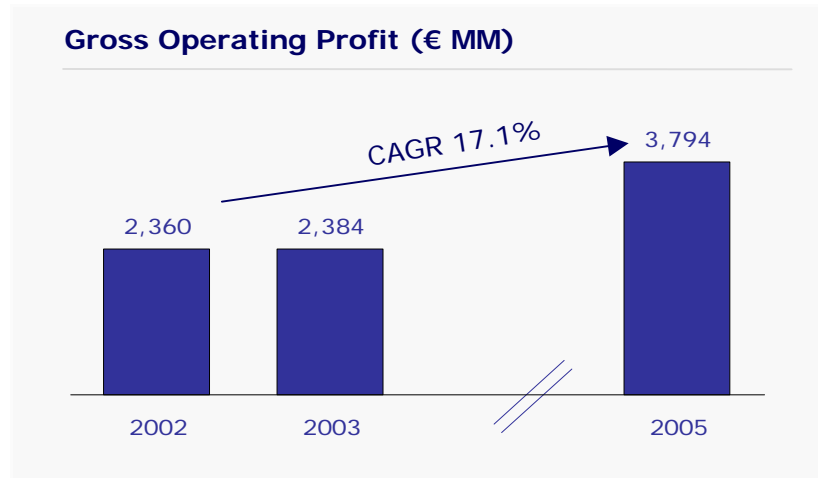
# NET INCOME ON TRACK TO MEET BUSINESS PLAN TARGETS



- ▶ Positive net income results driven by strong operating performance
- ▶ 2003 and 2005 business objectives confirmed



## GROUP GOALS: GROWTH AND PROFITABILITY



<sup>1</sup> 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)

<sup>2</sup> Net income after use of fund for general banking risks/average net shareholders' equity

ANNEXES

## INDEX

Group financial highlights

Group volume highlights

Divisionalisation:

- ▶ Domestic Banking
- ▶ Personal Financial Services
- ▶ Wealth Management and Financial Markets
- ▶ International Activities



## GROUP 9-MONTHS 2003 RESULTS

€ MM	9-months 03	9-months 02 pro forma	Var. Y/Y	2002 pro forma
<b>Net interest income</b>	2,889	2,817	+2.6%	3,775
Net commissions and other net dealing revenues	2,234	2,097	+6.5%	2,866
Profits and losses from financial transactions and dividends on shares	344	233	+47.6%	300
Profits from companies carried at equity and dividends from shareholdings	196	239	-18.0%	293
<b>Net interest and other banking income</b>	5,663	5,386	+5.1%	7,234
Administrative costs	-3,489	-3,464	+0.7%	-4,700
Other operating income, net	244	262	-6.9%	354
Adjustments to tangible and intangible fixed assets	-347	-359	-3.3%	-521
<b>Operating income</b>	2,071	1,825	+13.5	2,367
Adjustments to goodwill and merger and consolidation differences	-115	-127	-9.4%	-218
Provisions and net adjustments to loans and financial fixed assets	-390	-764	-49.0%	-1,426
<b>Income before extraordinary items</b>	1,566	934	+67.7%	723
Net extraordinary income	-211	171	n.s.	321
<b>Income before taxes</b>	1,355	1,105	+22.6%	1,044
Income taxes for the period	-541	-498	+8.6%	-463
Income attributable to minority interests	-34	-43	-20.9%	-43
<b>Net income</b>	786	575	+36.7	901

## GROUP 9-MONTHS 2003 OPERATING DATA AND RATIOS

€ MM	9-months 03	9-months 02 pro forma	Var. Y/Y	2002 pro forma
<b>Customer financial assets</b>	375,826	360,557	+4.2%	363,896
▶ Direct deposits	133,967	137,617	-2.7%	137,884
▶ Assets under management	148,121	135,385	+9.4%	138,135
▶ <i>Mutual funds and fund-based portfolio management</i>	106,487	100,544	+5.9%	101,509
▶ <i>Portfolio management</i>	9,045	9,378	-3.6%	9,451
▶ <i>Life technical reserves</i>	32,589	25,463	+28.0%	27,175
▶ Assets under administration	93,738	87,555	+7.1%	87,877
<b>Net loans to customers</b> (excluding NPL's and SGA)	123,414	121,722	+1.4%	125,257
<b>ROE</b>	9.8%	7.2%		8.4%
<b>COST/INCOME RATIO</b>	61.5%	64.3%		65.4%
<b>Tier 1 ratio</b>	7.3%	7.3%		7.3%
<b>Total ratio</b>	10.6%	10.2%		10.7%

## DOMESTIC BANKING DIVISION

€ MM	9-months 03	9-months 02 pro forma	Var. Y/Y	2002 pro forma
<b>Net interest income</b>	2,667	2,556	+4.3%	3,445
Net commissions and other net dealing revenues	1,625	1,562	+4.0%	2,139
Other income	127	101	+25.7%	114
<b>Net interest and other banking income</b>	4,419	4,219	+4.7%	5,697
Administrative costs	-2,700	-2,667	+1.2%	-3,602
Other operating income, net	106	95	+11.3%	139
Adjustments to tangible and intangible fixed assets	-66	-68	-3.4%	-99
<b>Operating income</b>	1,758	1,579	+11.4%	2,136
Adjustments to goodwill and merger and consolidation differences	-1	-1	+18.2%	-2
Provisions and net adjustments to loans and financial fixed assets	-353	-357	-1.0%	-588
<b>Income before extraordinary items</b>	1,404	1,221	+15.0%	1,547
Net extraordinary income	6	4	+53.7%	-16
<b>Income before taxes</b>	1,410	1,225	+15.1%	1,531
Income taxes for the period	-598	+554	+7.9%	-710
<b>Net income</b>	801	643	+24.7%	781
<b>CAPITAL ALLOCATED</b>	8,061	7,655	+5.3%	7,665
<b>RORAC/ROE</b>	13.3%	11.2%		10.2%
<b>COST/INCOME RATIO</b>	59.9%	62.3%		62.2%
<b>OPERATING DATA</b>				
Direct deposits	86,400	88,314	-2.2%	88,466
Assets under management	90,740	83,063	+9.2%	84,630
Assets under administration	90,952	83,527	+8.9%	83,482
Net loans to customers (excluding NPL's)	109,521	105,922	+3.4%	109,446

## WEALTH MANAGEMENT &amp; FINANCIAL MARKETS DIVISION

€ MM	9-months 03	9-months 02 pro forma	Var. Y/Y	2002 pro forma
<b>Net interest income</b>	6	8	-27.6%	10
Net commissions and other net dealing revenues	191	146	+31.3%	199
Other income	228	199	+14.6%	291
<b>Net interest and other banking income</b>	425	352	+20.5%	500
Administrative costs	-213	-210	+1.6%	-285
Other operating income, net	13	15	-15.8%	20
Adjustments to tangible and intangible fixed assets	-19	-30	-36.9%	-42
<b>Operating income</b>	206	128	+60.6%	194
Adjustments to goodwill and merger and consolidation differences	-7	-7	+6.2%	-9
Provisions and net adjustments to loans and financial fixed assets	-11	-11	+0.9%	-34
<b>Income before extraordinary items</b>	188	111	+69.7%	152
Net extraordinary income	-7	-1	+620.0%	14
<b>Income before taxes</b>	181	110	+64.8%	166
Income taxes for the period	-41	-15	+175.2%	-19
<b>Net income</b>	140	97	+44.2%	147
<b>CAPITAL ALLOCATED</b>	1,396	1,252	+11.5%	1,329
<b>RORAC/ROE</b>	13.3%	10.3%		11.0%
<b>COST INCOME</b>	52.6%	64.8%		62.2%
<b>OPERATING DATA</b>				
Direct deposits	11,322	12,349	-8.3%	13,427
Assets under management	94,387	86,455	+9.2%	89,083
Net loans to customers (excluding NPL's)	1,255	1,947	-35.5%	3,683

## PERSONAL FINANCIAL SERVICES DIVISION

€ MM	9-months 03	9-months 02 pro forma	Var. Y/Y	2002 pro forma
<b>Net interest income</b>	39	54	-27.5%	70
Net commissions and other net dealing revenues	346	369	-6.1%	486
Other income	53	22	+140.9%	41
<b>Net interest and other banking income</b>	438	445	-1.6%	597
Administrative costs	-242	-246	-1.7%	-330
Other operating income, net	19	17	+11.6%	25
Adjustments to tangible and intangible fixed assets	-29	-27	+8.1%	-40
<b>Operating income</b>	186	189	-1.6%	252
Adjustments to goodwill and merger and consolidation differences	-2	-6	-74.6%	-52
Provisions and net adjustments to loans and financial fixed assets	-20	-41	-52.1%	-68
<b>Income before extraordinary items</b>	165	142	+16.3%	132
Net extraordinary income	-5	4	n.s.	15
<b>Income before taxes</b>	160	146	+9.6%	148
Income taxes for the period	-34	-17	102.4%	-13
<b>Net income</b>	92	104	-10.7%	111
<b>CAPITAL ALLOCATED</b>	717	811	-11.6%	788
<b>RORAC/ROE</b>	17.2%	17.0%		14.0%
<b>COST INCOME</b>	55.4%	55.3%		55.6%
<b>OPERATING DATA</b>				
Direct deposits	3,951	3,790	4.3%	3,901
Assets under management	43,372	39,838	+8.9%	40,028
Assets under administration	11,694	12,129	-3.6%	12,528
Net loans to customers (excluding NPL's)	687	568	+21.0	576

## INTERNATIONAL ACTIVITIES DIVISION

€ MM	9-months 03	9-months 0 pro forma	Var. Y/Y	2002 pro forma
<b>Net interest income</b>	169	172	-1.6%	231
Net commissions and other net dealing revenues	98	92	+6.1%	127
Other income	16	7	+128.6%	9
<b>Net interest and other banking income</b>	283	271	+4.1%	367
Administrative costs	-151	-145	+4.2%	-197
Other operating income, net	2	5	-60.0%	3
Adjustments to tangible and intangible fixed assets	-19	-18	+3.8%	-24
<b>Operating income</b>	115	113	+1.3%	148
Provisions and net adjustments to loans and financial fixed assets	-15	-61	-75.4%	-75
<b>Income before extraordinary items</b>	100	53	+89.2%	73
Net extraordinary income	3	9	-71.6%	10
<b>Income before taxes</b>	102	61	+66.1%	84
Income taxes for the period	-34	-28	+18.0%	-39
<b>Net income</b>	68	33	+106.4%	46
<b>CAPITAL ALLOCATED</b>	748	806	-7.2%	806
<b>RORAC/ROE</b>	12.1%	5.4%		5.7%
<b>COST INCOME</b>	57.9%	57.1%		58.1%
<b>OPERATING DATA</b>				
Direct deposits	7,623	8,271	-7.8%	8,487
Assets under management	6,151	5,456	+12.7%	5,276
Assets under administration	1,970	2,597	-24.2%	1,919
Net loans to customers (excluding NPL's)	8,668	10,505	-17.5%	9,699