

GRUPPO SANPAOLO IMI

GIUBERGIA UBS
Società di Intermediazione Mobiliare

The Italian Financial Services Conference 2004

“Growth after Restructuring”

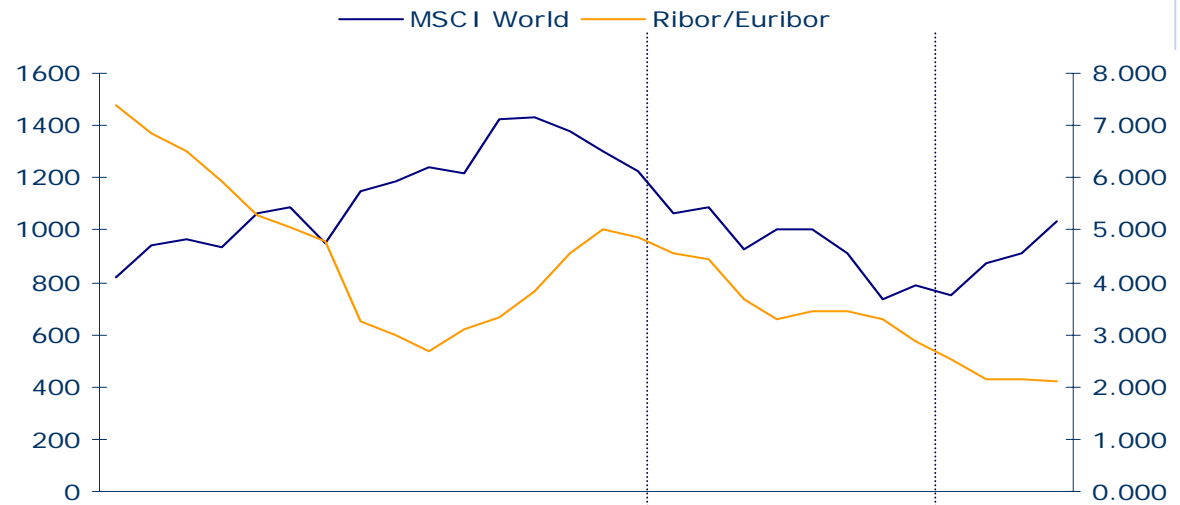
Rome, 5 February 2004

AGENDA

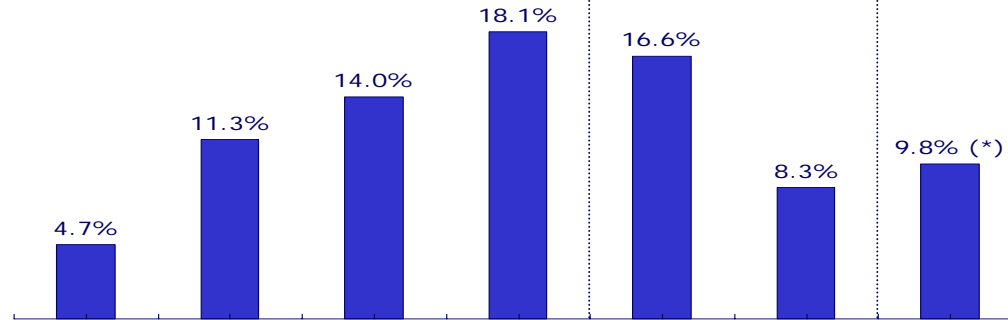
- ▶ Strategic context
- ▶ Not restructuring but...
- ▶ Well positioned for growth
- ▶ Conclusions

CHALLENGING STRATEGIC CONTEXT

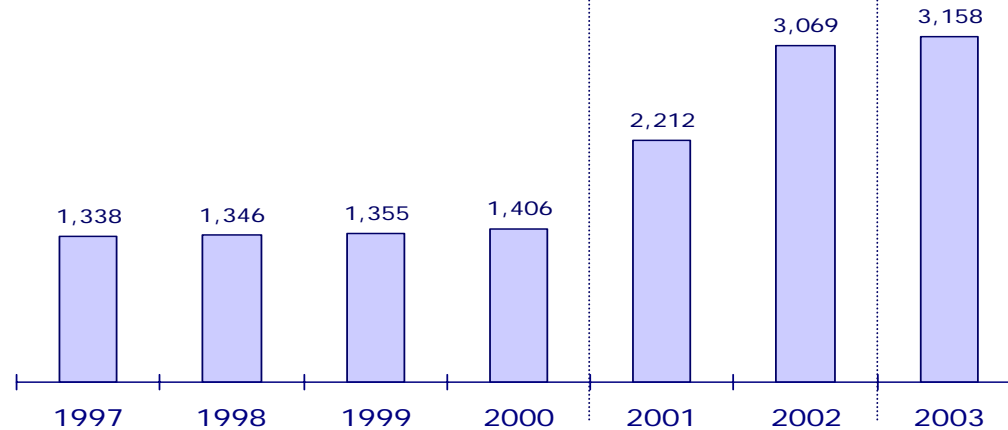
MSCI WORLD



ROE



BRANCHES



(*) annualised Q3 2003

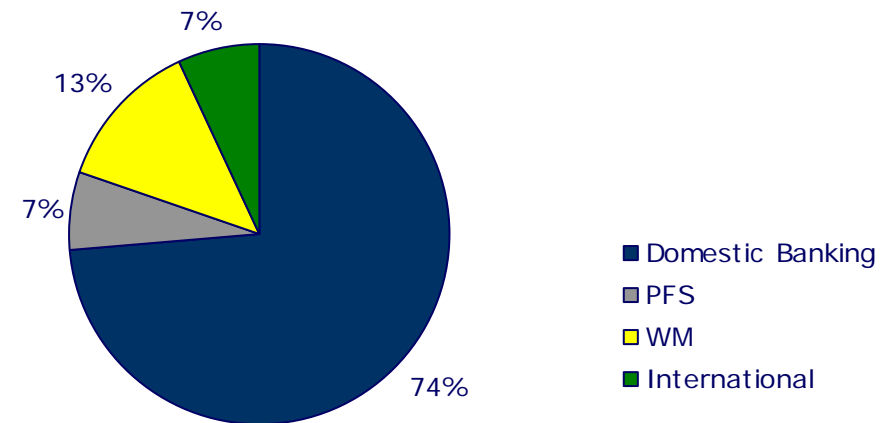
FOCUS ON BUILDING CORE DOMESTIC BANKING ASSETS

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 (*)

9-months 2003

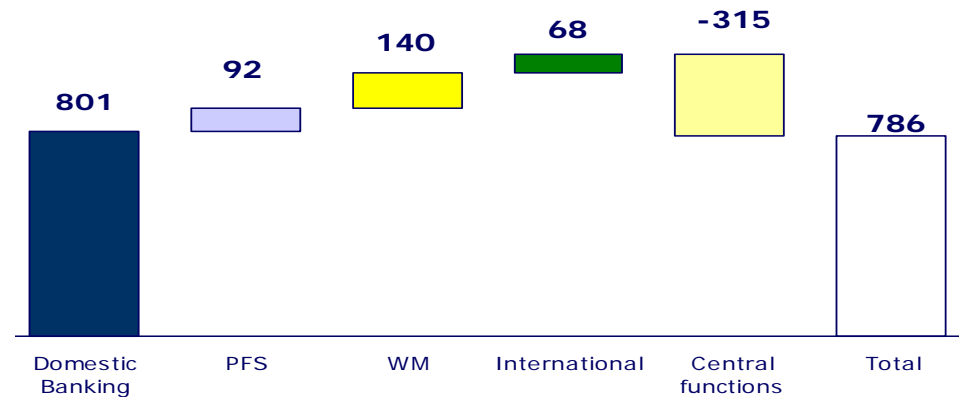


Customer Base (# of customers)

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

Net Income

9-months 2003



(*) Excludes capital allocated to Central Functions

AGENDA

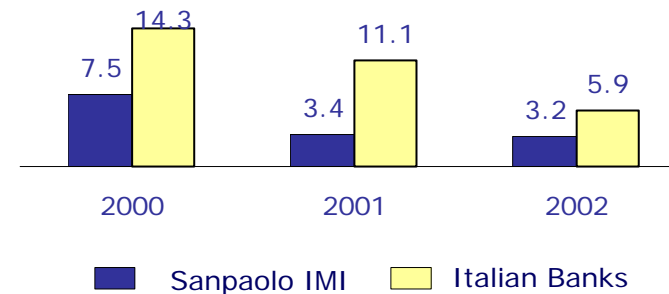
- ▶ Strategic context
- ▶ Not restructuring but...
 - ▶ refocusing of lending strategy
 - ▶ optimising the business portfolio
 - ▶ integrating the branch distribution network
 - ▶ developing of customer service model in AM
 - ▶ right sizing the cost base
- ▶ Well positioned for growth
- ▶ Conclusions

REFOCUSING OF LENDING STRATEGY

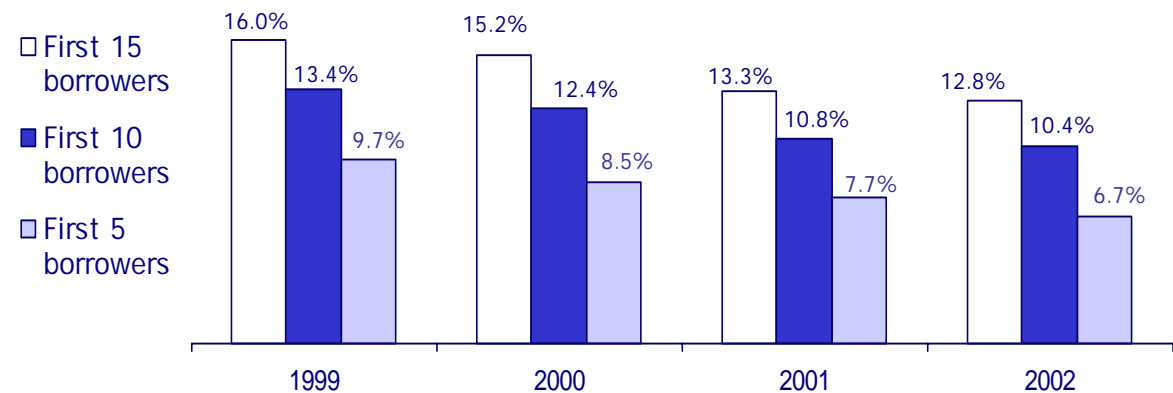
1999–2003 refocusing of the loan book

- ▶ Focus on asset quality and increasing risk adjusted profitability
- ▶ Developing best practice risk management
- ▶ 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
- ▶ Reduction of concentration in the portfolio

Domestic Loan Growth (%)



Concentration(*)



(*) In terms of loans, commitments and guarantees on net customer loans

OPTIMISING THE BUSINESS PORTFOLIO

Actions taken in 2003

BUSINESS AREA	FOCUS	RATIONALISATION
Consumer Banking	<ul style="list-style-type: none"> ▶ Development of consumer banking in Finemiro 	<ul style="list-style-type: none"> ▶ Sale of 50% stake in Finconsumo to SCH
Retail Banking	<ul style="list-style-type: none"> ▶ Extension of Sanpaolo internet banking to all retail networks 	<ul style="list-style-type: none"> ▶ Disposal of IMIWEB
Wealth Management	<ul style="list-style-type: none"> ▶ Strengthening of Wealth Management with Eptaconsors ▶ Acquisition of minorities in Noricum Vita 	<ul style="list-style-type: none"> ▶ Rationalisation of Eptaconsors ▶ Sale of stake in Adria Vita
Foreign Network	<ul style="list-style-type: none"> ▶ Acquisition of control of Inter-Europa Bank completing the selective presence in Eastern Europe 	<ul style="list-style-type: none"> ▶ Sale of Banque Sanpaolo to CNCE

EX BANCO DI NAPOLI FULLY INTEGRATED

Structural drivers H103

- ▶ **Legal merger of Banco di Napoli**
- ▶ **Unification of Area management**
- ▶ **Migration of IT systems onto target platform (successful Big Bang on June 3)**



ENABLE

Commercial drivers H203

- 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
- Launch of new brand strategy leveraging on the Sanpaolo name

**SANPAOLO
BANCO DI NAPOLI**

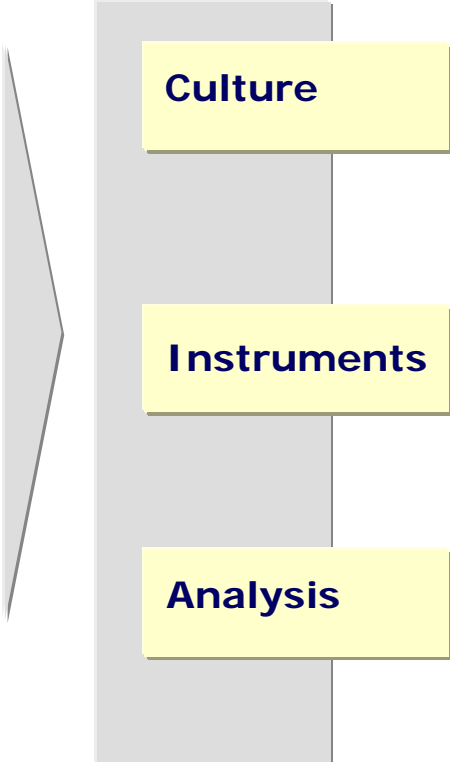
CARDINE INTEGRATION ON TRACK

- H202** Integration of Finance & Treasury, Risk Control and other HQ functions
Rationalisation of product factories

- H203** Full acquisition of Banca Popolare dell'Adriatico
Integration of Cerea Bank in Cariparo
Merger of Cardine Finanziaria
Merger of Crup and Carigo

- H104** Migration of remaining North Eastern Banks onto SPIMI IT platform
Fully integrated commercial platform for domestic banking
Fully integrated brand strategy leveraging on local brand strength and national Sanpaolo recognition

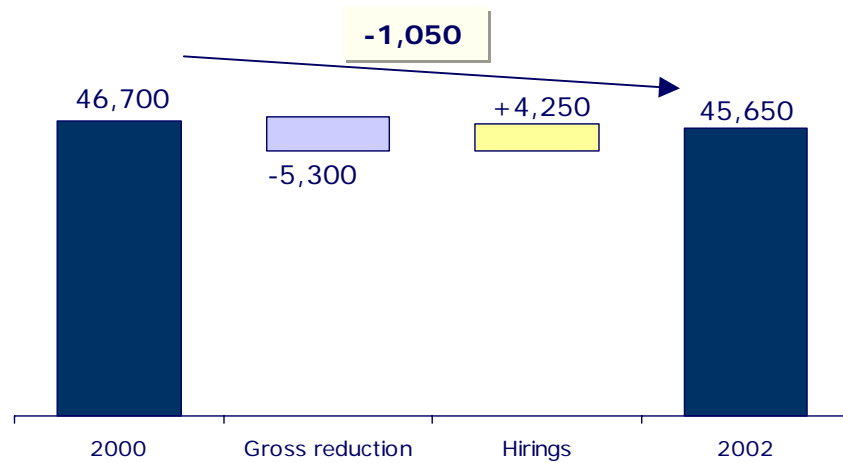
DEVELOPING OF CUSTOMER SERVICE MODEL IN AM

Objectives	Areas	Realised projects	Evolution in 2004
<ul style="list-style-type: none"> ▶ further improving the relationship with customers 	 <p data-bbox="734 448 891 488">Culture</p>	<ul style="list-style-type: none"> ▶ Investment Policy ▶ Communication event ▶ Training 	<ol style="list-style-type: none"> 1. Roll out completion and fully usage of all instruments
<ul style="list-style-type: none"> ▶ offer a higher quality service 	<p data-bbox="734 719 999 759">Instruments</p>	<ul style="list-style-type: none"> ▶ Workstation <i>Investimenti</i> ▶ Workstation <i>Clienti</i> (WSC) <ul style="list-style-type: none"> ▶ Reporting ▶ Asset allocation ▶ Model portfolio simulation 	<ol style="list-style-type: none"> 2. Implementation of new functions
<ul style="list-style-type: none"> ▶ improving profitability 	<p data-bbox="734 959 913 999">Analysis</p>	<ul style="list-style-type: none"> ▶ Portofolio benchmarking ▶ Commercial analysis 	<ol style="list-style-type: none"> 3. Training and support to the network

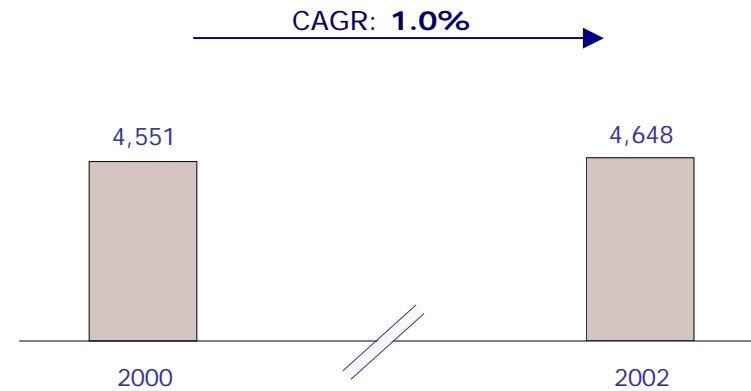
RIGHT SIZING THE COST BASE

2000/2002

Employees reduction

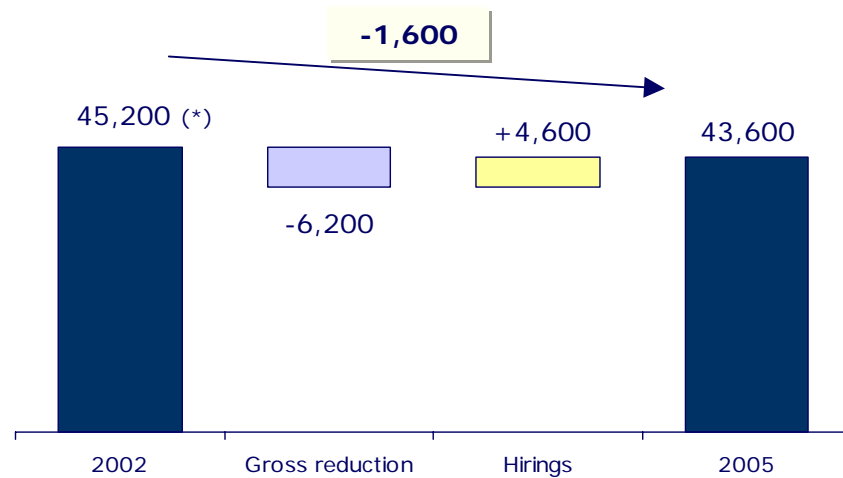


Group administrative costs (€ MM)

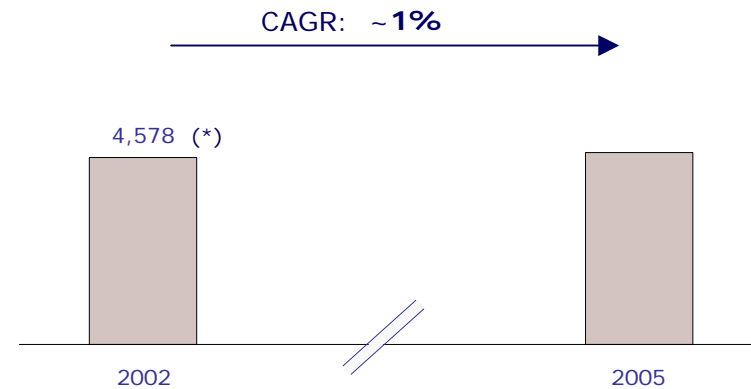


2002/2005

Employees reduction



Group administrative costs (€ MM)



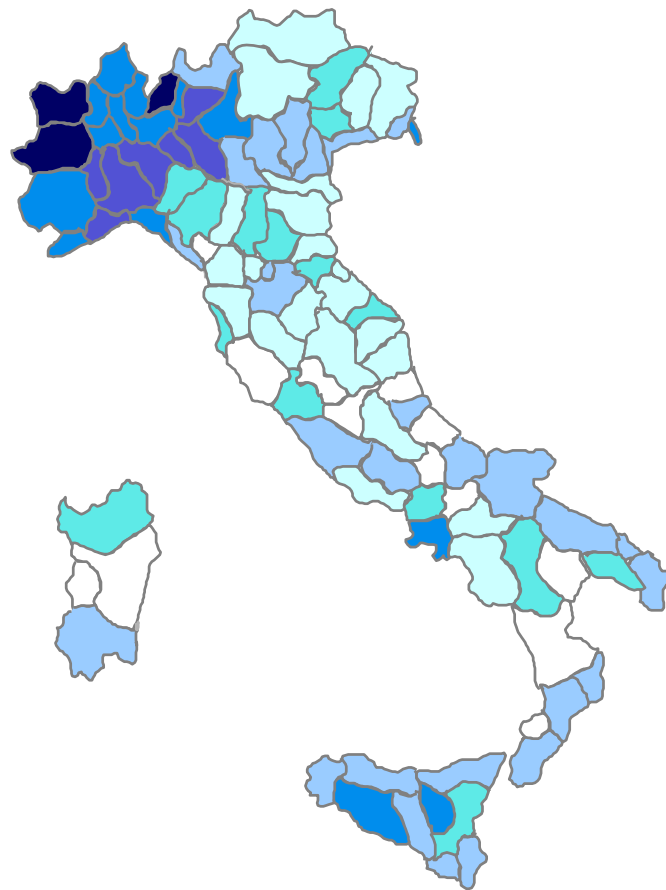
(*) Proforma without Banque Sanpaolo, Finconsumo and IMIWeb, plus Epta, Cariforli and Intereuropa

AGENDA

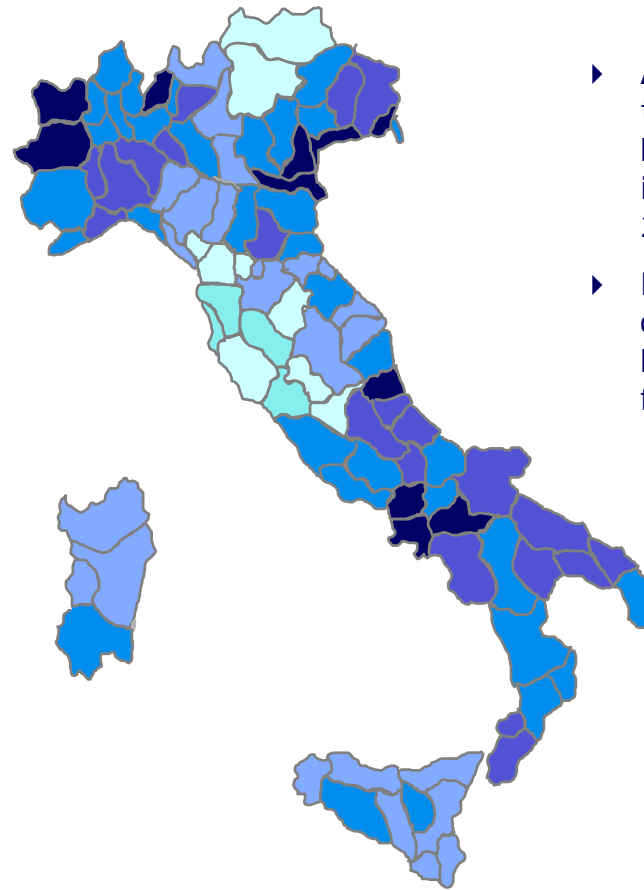
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THE GROUP HAS BUILT A NATIONAL DISTRIBUTION NETWORK FOCUSED ON ITS NATURAL CUSTOMER BASE

1999

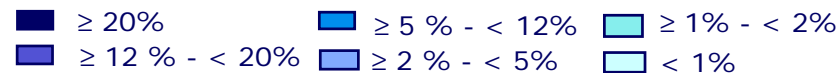


2003



Results

- ▶ A significant increase in the number of retail branches – from 1,355 in 1999 to 3,158 in 2003
- ▶ Excellent geographical coverage through its branch distribution footprint



NOW THE GROUP HAS A WELL BALANCED PORTFOLIO AND SUSTAINABLE GROWTH CAN BE ENSURED BY SELECTIVE LOAN POLICY

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 through our large and diversified SME customer base
- ▶ Lower growth in large corporate lending

Loan Book Breakdown (%)

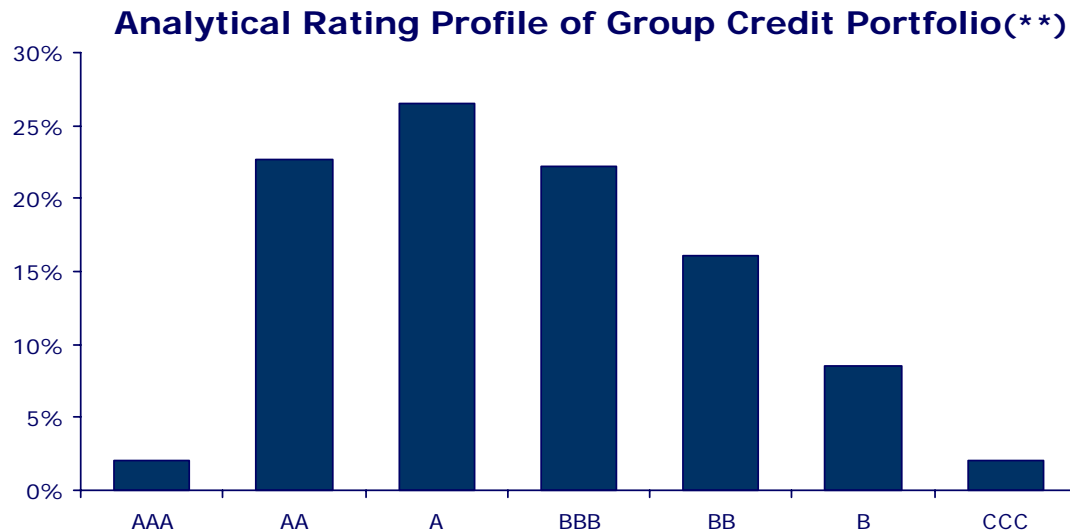
	Stock 30/09/03	Var. 30/09/03- 30/09/02 pro forma
GROUP:	123,414	+1.4%
▶ Medium-long term	78,817	+6.6%
▶ Short term	44,597	-6.7%
PRINCIPLE BUSINESS UNIT NUMBERS:		
▶ Sanpaolo Network	51,401	+7.7%
▶ Cardine	25,627	+8.5%
▶ Large Domestic Groups	9,482	-15.7%
▶ Banca OPI	18,164	+12.4%
▶ Consumer Banking	3,261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

WITHOUT IMPACTING NEGATIVELY ON EITHER MARGINS OR ASSET QUALITY

	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

As of 30/06/2003



	30/09/03
NPL'S ratio	1.1%
Watchlist ratio	1.1%
NPL coverage	69.2%
Problem loans coverage	34.4%

(**)The portfolio includes analytically rated performing loans to customers on and off-balance sheet which represent approximately 75% of the total portfolio. The remaining portion of the portfolio is principally retail lending of which approximately 70% in residential mortgage lending.

ASSET MANAGEMENT REMAINS STRATEGIC AND DISTRIBUTION IS KEY

Strategic drivers to growth in AUM

- ▶ High savings ratios
- ▶ Traditionally decentralised savings industry
- ▶ Developing pension gap
- ▶ Highly defensive customer asset mix

Group distribution

- ▶ Branches: ~3,000
3° 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

€ MM

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

ASSET GATHERING CAPACITY IN DISTRIBUTION REFLECTS UNDERLYING STRENGTH IN CUSTOMER RELATIONSHIPS

€ MM

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

- ▶ Largest player in Italian mutual fund industry, with a market share of 21.1% as of October 2003
- ▶ Leading bancassurance in Italy with a 10.6% market share in technical up 28% Y/Y
- ▶ Significant embedded value in life portfolio: 1,873 € MM (June 03)

AGENDA

- ▶ Strategic context
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- ▶ Well positioned for growth
- ▶ **Conclusions**

CONCLUSIONS

Potential

- ▶ Revenue growth potential evidenced by strong operating trends in lending, margins and asset gathering numbers.

Sustainability

- ▶ Sustainability of asset management revenues highlighted by emphasis on fee income generation and associates' profits.

Efficiency

- ▶ Efficiency enhanced by ongoing rationalisation and investment.

Quality

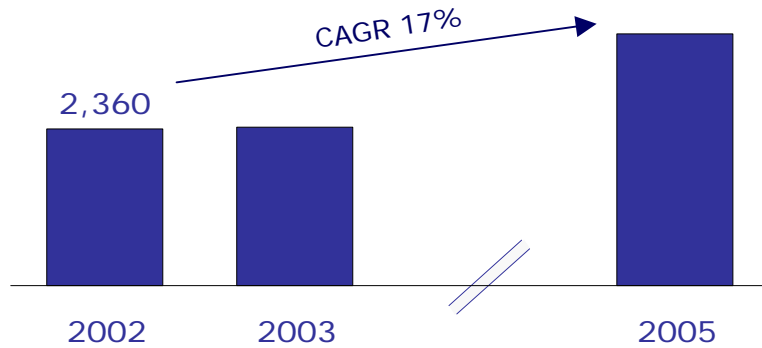
- ▶ Quality of assets remains a feature of the Group and a key management indicator.

Resilience

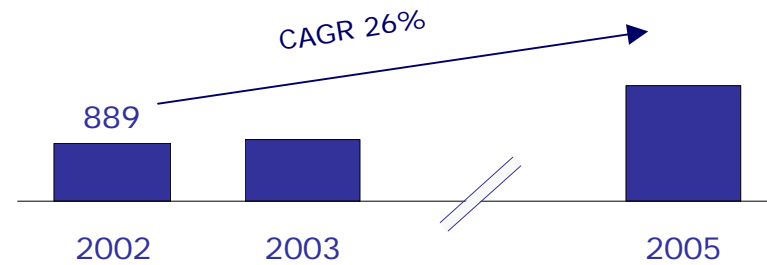
- ▶ 9-months 03 results show good resilience to more challenging macro scenario

2005 GROUP TARGETS

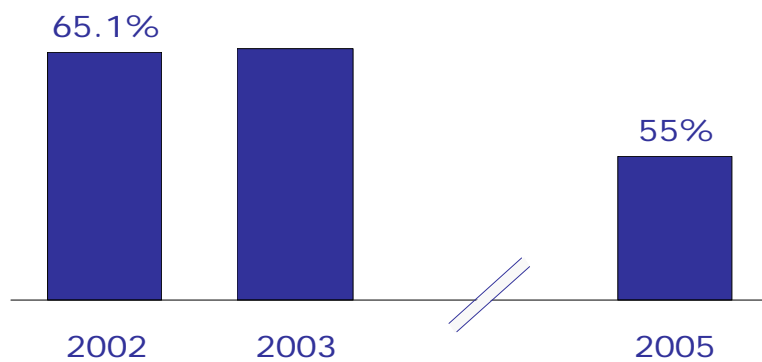
Gross Operating Profit (€ MM)



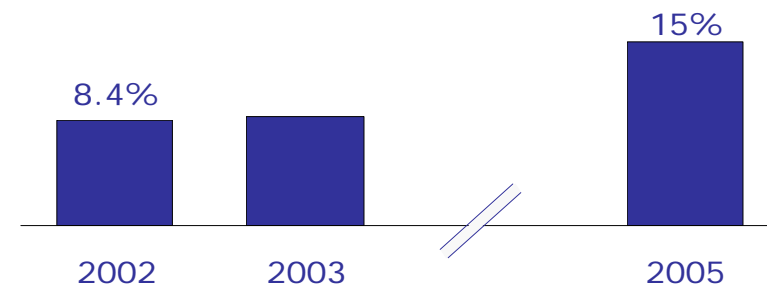
Net Income (€ MM)



Cost/Income (%)¹



ROE (%)



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)

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.