

GRUPPO SANPAOLO IMI

Banca Leonardo

Italian Banks Conference 2004

Giorgio Spriano

Head of Corporate Development

Pollenzo, 24 November 2004

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.

- Q3 2004 results

- Group strategy
 - Strengthening the core banking business
 - Right sizing the cost base
 - Optimising competitive positioning in other key markets

- Conclusions

SOLID OPERATIONAL PERFORMANCE & POSITIVE OPERATING TRENDS

4

€ MM	9-months 2004	9-months 2003 pro forma	% Y/Y change
Net interest income	3,702	2,795	-3.3
Net commissions	2,396	2,181	+9.9
Net interest and other banking income	5,630	5,524	+1.9
Administrative costs	-3,373	-3,396	-0.7
Operating income	2,169	2,036	+6.5

CHALLENGING SCENARIO

- Domestic industrial production remains weak
- Average Euribor rate –31 bps Y/Y
- Salary inflation and accruing assumed pay rise from current CCNL negotiation

POSITIVE OPERATING TRENDS

- Selective loan growth:
 - residential mortgages +14%
 - consumer banking +12.6%
 - Banca OPI +8.1% M/LT
- Increase in TFA of € 6.3 BN
- Continued strong growth in life business (+23.1%)
- Good cost discipline and headcount reduction of 1,623 people Y/Y

PRUDENT ACCOUNTING POLICY IN PROVISIONING

5

€ MM	9-months 2004	9-months 2003 pro forma	% Y/Y change
Net adjustments and provisions	-543	-385	+41.0
▪ <i>Provisions for risks and charges</i>	-109	-107	+1.9%
▪ <i>Adj. To loans and provisions for guarantees and commitments</i>	-370	-292	+26.7%
▪ <i>Adj. to financial fixed assets</i>	-64	-14	n.s.
Income before extraordinary items	1,518	1,536	-1.2
Net extraordinary profits/losses	72	-211	n.s.
Net income	957	786	+21.8

- Credit provisioning level reflects good asset quality and dynamic provisioning approach

Credit provisions

- Provisions on performing portfolio 65 € MM (generic reserve: 1.1 € BN)
- of which € 14 MM on Fiat convertible
- Specific provisions 303 € MM

- Prudential accounting of financial assets

Financial assets

	Adjustments	Book value (as of 30/09/04)
FIAT	€ -3 MM	€ 6.09 Book value p.s.
H3G	€ -61 MM	not quoted
CDC	€ -50 MM	not quoted
SCH	€ +56 MM	€ 8.48 Book value p.s.

- Extraordinary items

Principal contributions

Sale of 30% stake in Finconsumo

+55 € MM

GRUPPO SANPAOLO IMI

GOOD ASSET QUALITY AND ADEQUATE COVERAGE RATIOS

6

- Net NPLs and problem loans –4.9% and –2.6% Y/Y
- Net loans to countries at risk only 31 million euro
- NPL and net watchlist coverage levels up to 74.3% and 34.8% respectively
- NPL and watchlist ratios at 1% and 1.1% respectively
- High level of general reserve maintained at around 2X average cost of risk

€ MM	30/09/04							
	Gross exposure	Var. Y/Y	Var. Q/Q	Total adjustments	Net exposure	Var. Y/Y	Var. Q/Q	Coverage
Doubtful loans	6,713	6.7%	-0.3%	4,143	2,570	-3.6%	-1.9%	61.7%
▪ Non-performing loans	4,578	11.3%	0.2%	3,401	1,177	-4.9%	-2.1%	74.3%
▪ Problem loans	2,135	-2.0%	-1.5%	742	1,393	-2.6%	-1.7%	34.8%
Performing loans	120,742	0.3%	-2.0%	1,065	119,677	0.2%	-2.0%	0.96%*
Total loans	127,455	0.6%	-1.9%	5,208	122,247	0.1%	-2.0%	-

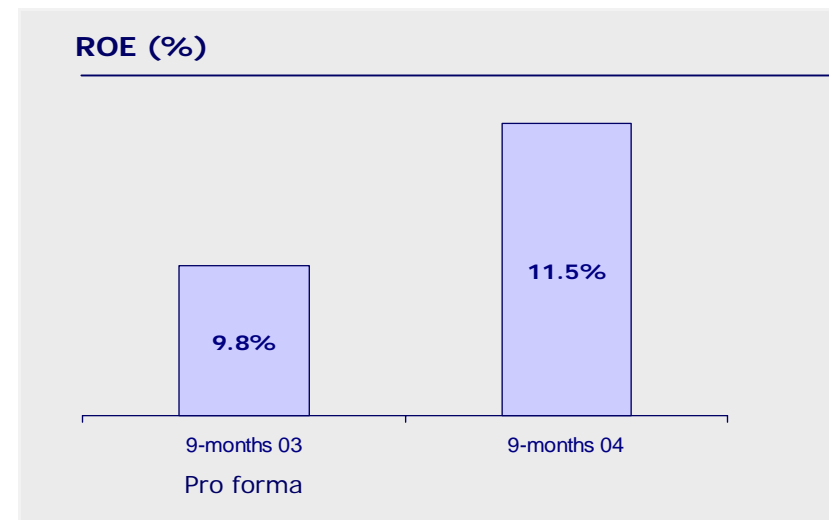
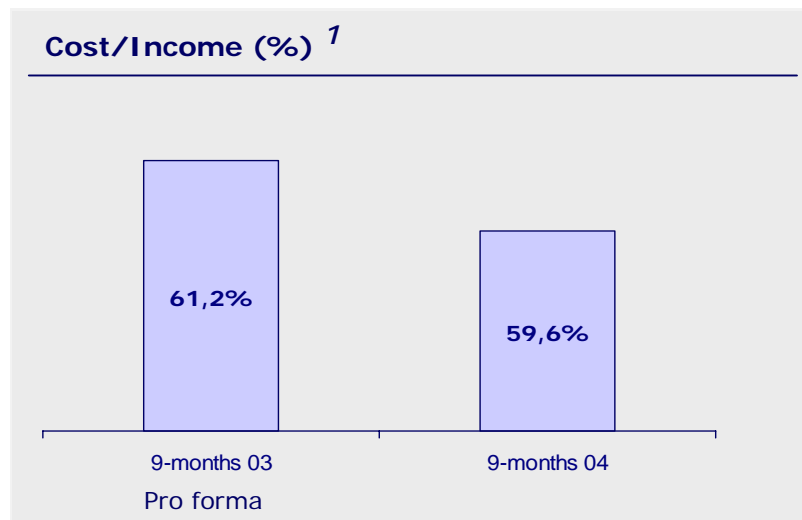
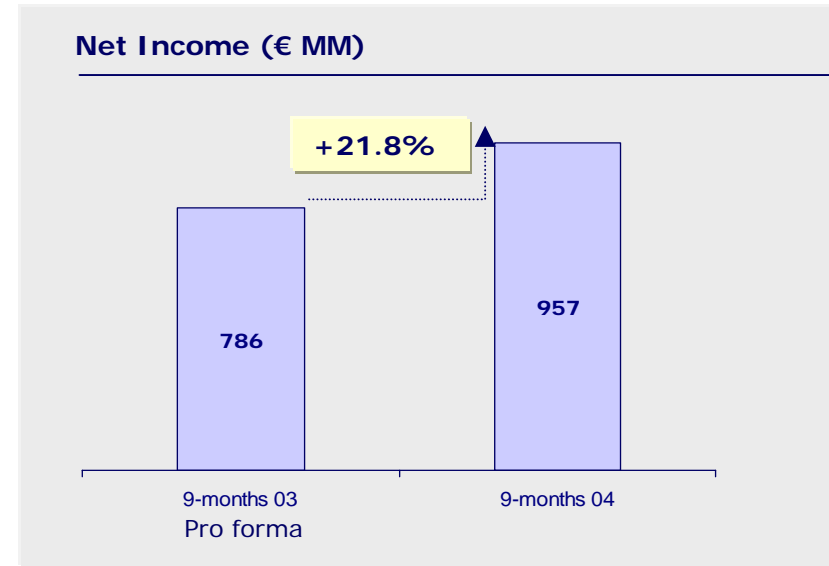
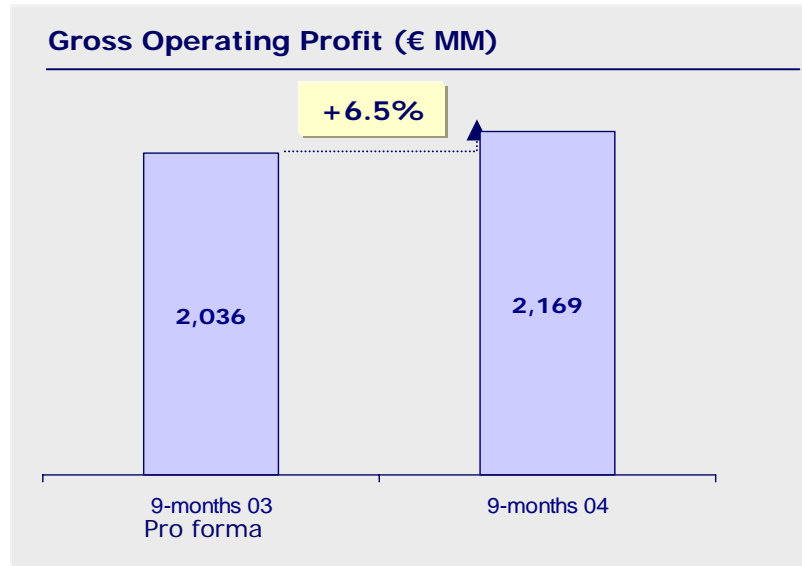
	30/09/04	30/09/03 pro forma
NPL'S ratio	1.0%	1.0%
Watchlist ratio	1.1%	1.2%

	30/09/04	30/09/03
Core Tier 1 ratio	7.1%	6.5%
Tier 1 ratio	7.8%	7.3%
Total risk ratio	11.5%	10.6%

(*) Includes 98 € MM of reserve for credit risks

POSITIVE PERFORMANCE

7



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)

AGENDA

8

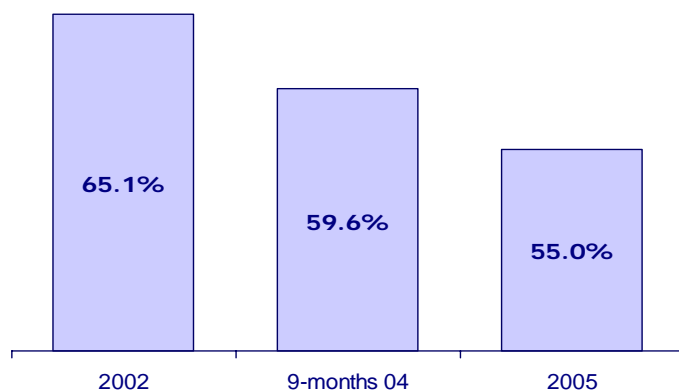
- Q3 2004 results
- Group strategy
- Conclusions

FINANCIAL OBJECTIVES 02-05

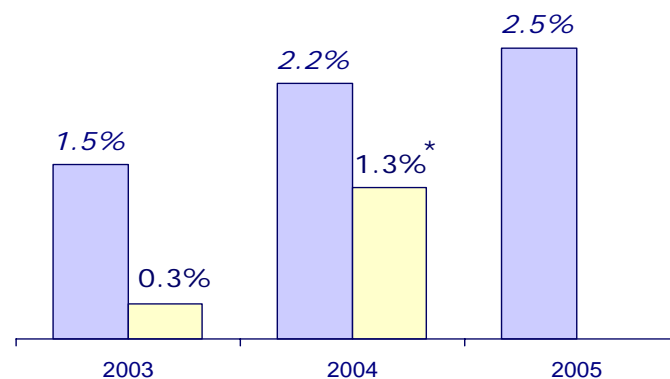
TARGETS

ASSUMPTIONS

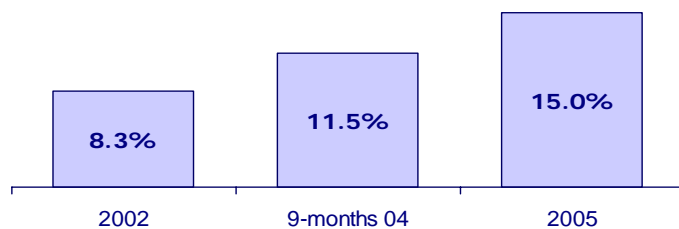
COST/INCOME



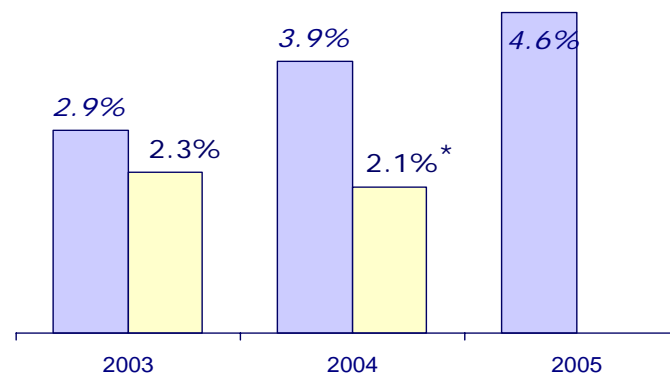
GDP



ROE



Average 3M Euribor



* Revised company estimate

- Strengthening the core banking business
- Right sizing the cost base
- Optimising competitive positioning in other key markets

- Q3 2004 results
- **Group strategy**
 - **Strengthening the domestic banking business**
 - Right sizing the cost base
 - Optimising competitive positioning in other key markets
- Conclusions

INTEGRATION OF THE BRANCH BANKING NETWORK ON TRACK

12

2003	2004
<p>IT migration of Banco di Napoli (June)</p> <p>Full acquisition of Banca Popolare dell'Adriatico (June)</p> <p>Integration of Cerea Bank in Cariparo (June)</p> <p>Integration and rationalisation of Banco di Napoli: 624 Banco di Napoli branches conferred to Sanpaolo (July), 121 Sanpaolo branches conferred to new Sanpaolo Banco di Napoli (September)</p> <p>Merger of Crup and Carigo in Friulcassa (November)</p> <p>Advertising campaign following rebranding of all networks banks (November)</p> <p>Merger of Cardine Finanziaria (December)</p>	<p>Migration of Cassa di Risparmio di Venezia onto SPIMI IT platform (March)</p> <p>Migration of Cassa di Risparmio in Bologna onto SPIMI IT platform (April)</p> <p>Migration of Friulcassa onto SPIMI IT platform (June)</p> <p>Migration of Cariparo onto SPIMI IT platform (July)</p> <p>IT merger of Banca Popolare dell'Adriatico (October)</p> <p>Rationalisation of the branch network:</p> <p>113 Sanpaolo branches to be conferred to the North East banks</p> <p>30 Carisbo and Cariparo branches to be conferred to Sanpaolo network (November 04-January 05)</p>

ROLL OUT OF IT OPERATING
PLATFORM COMPLETED

ONE NETWORK BUT WITH LOCAL BRANDS

Local brands national coverage

Retail Headquarters

- Single head office on single operating and back office platform
- Divisional model to meet needs of customer segments and ensure necessary co-ordination

Area Management

- Local character maintained through brand and legal entity
- Empowers area management structure to manage and coordinate different local market and customer needs

Branch network

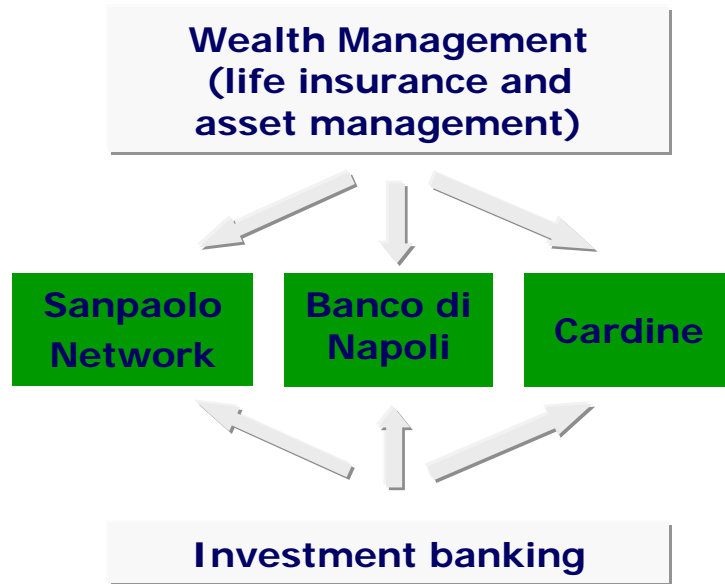
- 3,000 branches with good national foot print and high concentration coverage
- Specialisation through dedicated branches and modular approach to branch business
- Multi-channel approach



ONE NETWORK TO SERVE ALL CUSTOMER SEGMENTS

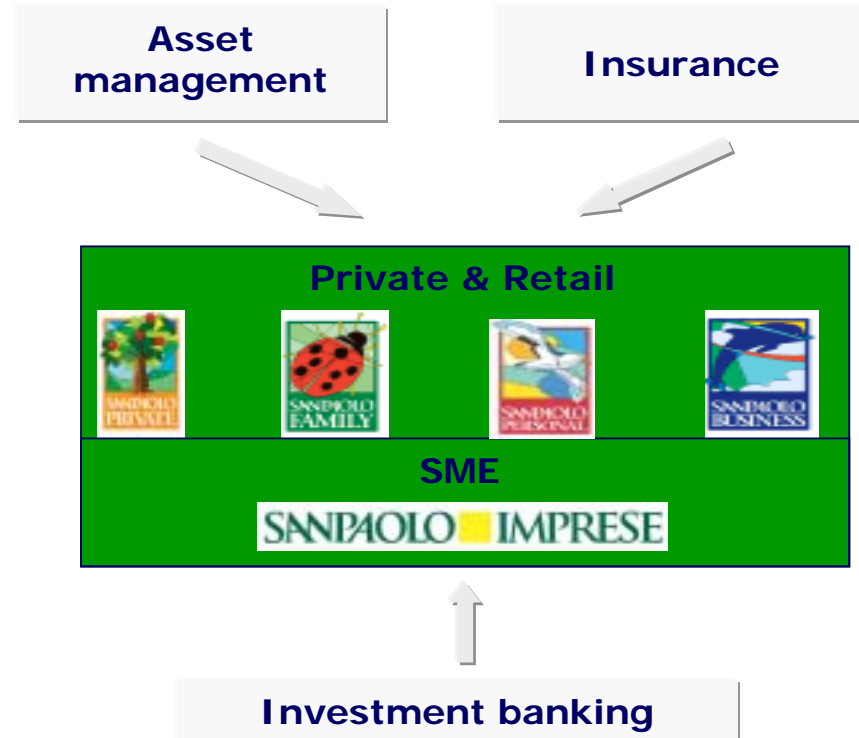
BRANCH BANKING INTEGRATION AND SPECIALISATION

14



Pre-integration of branch network

Marketing strategies are developed within product factories



Post-integration of branch network

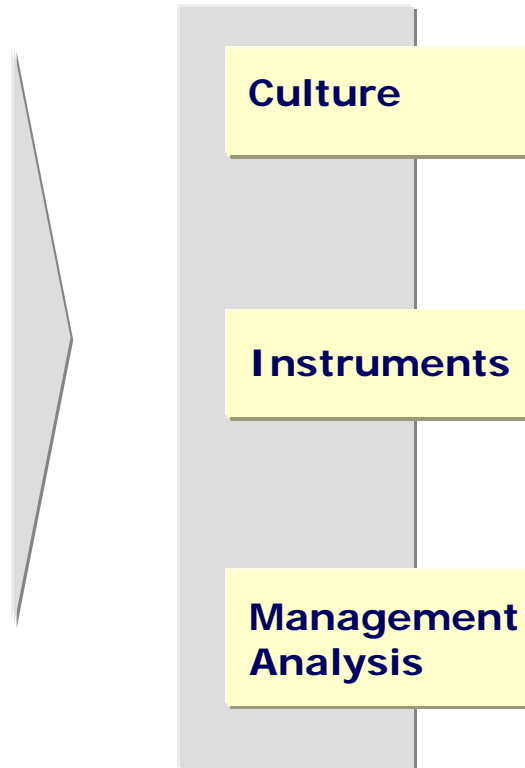
Marketing strategies are developed within the network

LEVERAGING ON CUSTOMER SERVICE MODELS

Objectives

- To develop the relationship with customers
- To offer a higher quality service
- To improve profitability

Areas

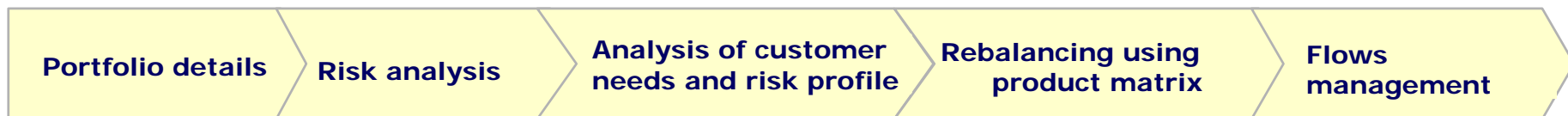


Completed projects

- Investment Policy
- Communication events
- Training

- **CRM Workstation**
 - Market and product information
 - Customer portfolio analysis
 - Reporting
 - Asset allocation
 - Model portfolio simulation
 - Portfolio benchmarking
 - Commercial analysis

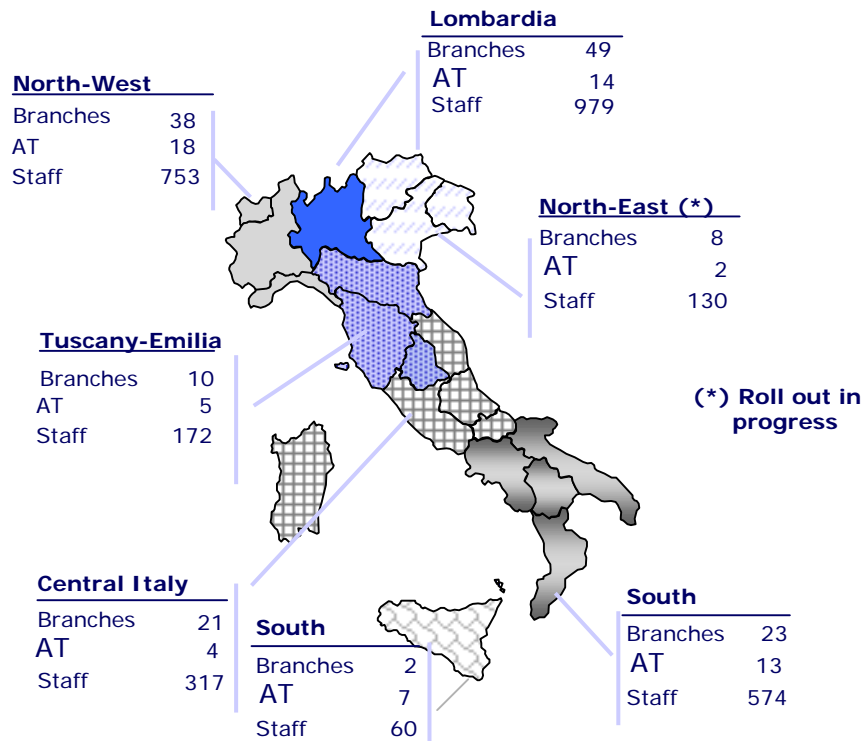
Business process



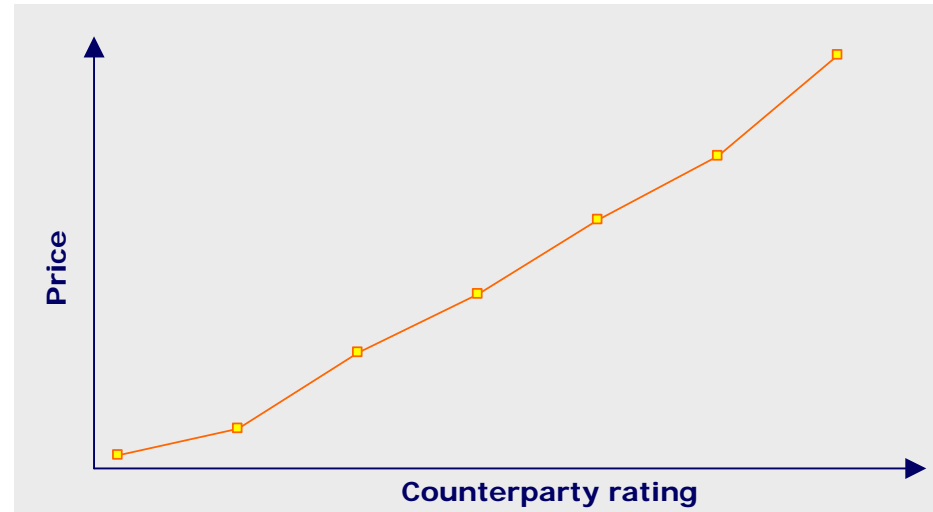
LEVERAGING ON STRONG CORPORATE BANKING COMPETENCES

The specialised network:

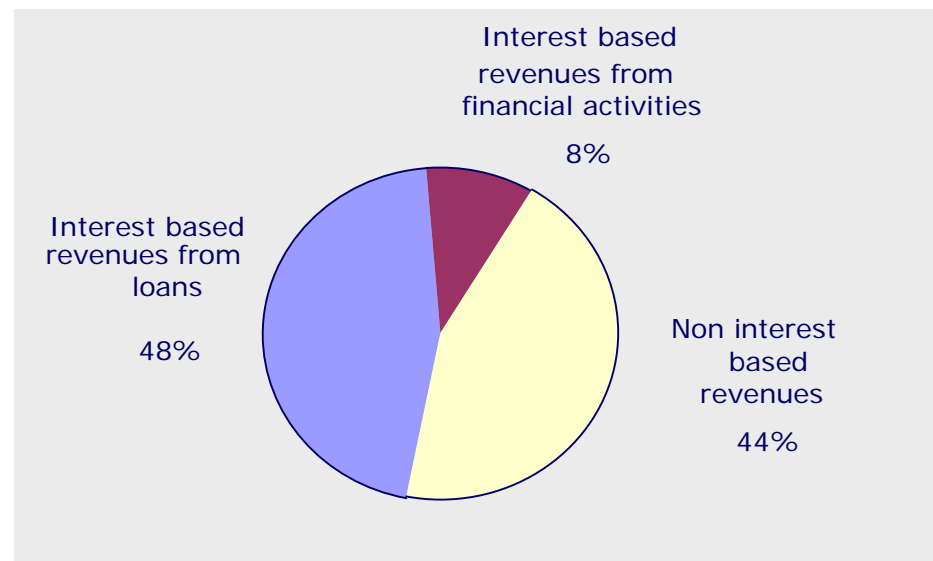
- 151 outlets
- 63 teams



Short term loans: Risk adjusted spread



Revenue Breakdown (2003)



BUILDING ON BRAND VALUE



SANPAOLO
Sponsor Principale

Main objectives of Sanpaolo's Olympic sponsorship aim at increasing:

1. business and customer relationships;
2. national and international recognition;
3. motivation and sense of corporate identity in employees.

Impact on net interest and other banking income	Increase of average revenue per customer	↑Cross selling	<ul style="list-style-type: none"> ▪ Cross selling Retail project ▪ Cross selling Small Business
		↑Average revenues per product	<ul style="list-style-type: none"> ▪ Olympic credit cards ▪ Olympic pre-paid cards ▪ Young project (0-18) ▪ Car loans (billboard)
	Increase in customer base	↑Acquisition	<ul style="list-style-type: none"> ▪ Young project (18-30) ▪ Sanpaolo Roadshow ▪ Ticketing ▪ Small Business offers
		↑Retention	<ul style="list-style-type: none"> ▪ Meeting on sport values ▪ Torch relay ▪ Olympic Events
One-off revenues		<ul style="list-style-type: none"> ▪ Ticketing ▪ Network TOROC ▪ Temporary branches ▪ ATM/POS in Olympics sites 	

SPECIFIC CUSTOMER-SEGMENT INITIATIVES

18

Investment, new business processes, and commercial initiatives aim at increasing the number of customers and strengthening the relationship in high-potential customer segments.



The new Sanpaolo IMI brand dedicated to young people from 18 to 30 years old



For the increasingly important immigrant communities in Italy

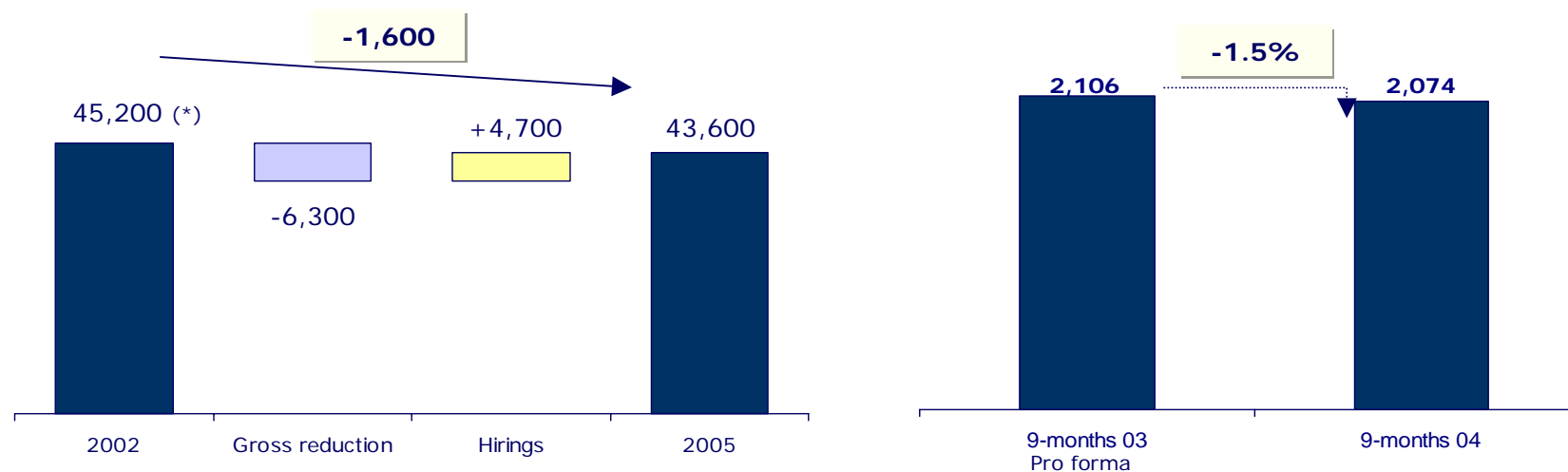


The large, heterogeneous small business segment which characterises the Italian economy

- Q3 2004 results
- Group strategy
 - Strengthening the core banking business
 - Right sizing the cost base
 - Optimising competitive positioning in other key markets
- Conclusions

EFFECTIVE HEADCOUNT REDUCTION

20



Incentivising early retirement enables:

- The reduction in overall headcount to be managed effectively by:
 - geography
 - business function
- An improvement in the age profile of the employee base
- An improvement in the front/back office ratio
- An improvement in the flexibility of contractual conditions
- An enhancement of front office competences and service level

Reduction in personnel costs achieved despite:

- Salary inflation
- Accruing assumed pay rise from current CCNL negotiation

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

DISCIPLINED COST MANAGEMENT

21

€ MM	9-months 04	9-months 03 pro forma	Ch. 9-months 04/9- months 03 pro forma	
Administrative costs	3,373	3,396	-0.7%	
▪ Personnel expenses	2,074	2,106	-1.5%	
▪ Other administrative costs	1,101	1,090	+1.0%	
▪ <i>IT costs</i>	309	313	-1.3%	<i>Benefit from IT integration</i>
▪ <i>Real estate costs</i>	216	209	+3.3%	
▪ <i>General costs</i>	183	191	-4.2%	
▪ <i>Professional and insurance costs</i>	187	193	-3.1%	
▪ <i>Utilities</i>	67	65	+3.1%	<i>Inflationary pressure on overheads</i>
▪ <i>Advertising and marketing costs</i>	64	55	+16.4%	<i>Brand building</i>
▪ <i>Indirect personnel costs</i>	75	64	+17.2%	<i>One-off integration charges</i>
▪ Indirect duties and taxes	198	200	-1.0%	
Depreciation	319	336	-5.1%	<i>Reduction following aggressive write downs in new franchises</i>

- Q3 2004 results
- Group strategy
 - Strengthening the core banking business
 - Right sizing the cost base
 - Optimising competitive positioning in other key markets
- Conclusions

CORPORATE ACTIONS

23

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
Asset Management	<ul style="list-style-type: none"> ▪ Strengthening of mutual fund offer range ▪ Merger of all Eptafund funds in Sanpaolo funds ▪ Rationalisation of company structure and activities 	<ul style="list-style-type: none"> ▪ Rationalisation of Eptaconsors ▪ Sale of Eptatrading ▪ Sale of stake in Adria Vita ▪ Demerger of Sanpaolo Vita ▪ Demerger of Sanpaolo IMI Wealth Management in favour of Sanpaolo IMI Asset Management
Life assurance	<ul style="list-style-type: none"> ▪ Concentration of all life and non-life insurance activities 	<ul style="list-style-type: none"> ▪ Establishment of Assicurazioni Internazionali di Previdenza
Personal Financial Services	<ul style="list-style-type: none"> ▪ Operational integration of Sanpaolo Invest into Banca Fideuram ▪ Strengthening Banca Fideuram core business 	<ul style="list-style-type: none"> ▪ Demerger of Fideuram Vita in favour of Sanpaolo IMI
Foreign Network	<ul style="list-style-type: none"> ▪ Acquisition of control of Inter-Europa Bank completing the selective presence in Eastern Europe ▪ Repositioning of the Bank's shareholding in CDC Ixis 	<ul style="list-style-type: none"> ▪ Sale of Sanpaolo Bank (Austria) ▪ Sale of Banque Sanpaolo to CNCE ▪ Merger by incorporation of IMI Bank (Lux) in Sanpaolo Bank (Lux)
Investment Banking	<ul style="list-style-type: none"> ▪ Development of products for commercial bank 	<ul style="list-style-type: none"> ▪ Sale of IMIWeb

INSURANCE & PENSION PRODUCTS



Assicurazioni Internazionali di Previdenza

		Retail	Private	Corporate	
Needs	Protection	Property protection (Theft, fire, TPL) Personal protection (Accidents, TCM, Dread Disease, LTC)	Property protection (Theft, fire, TPL) Personal protection (Accidents, TCM, Dread Disease, LTC)	Asset protection Financial protection Employee protection	} P&C
	Pension	FIP, Open pension funds, Income products (lump sum, annuity, mixed)	Income products (lump sum, annuity, mixed)	Open and closed pension funds	
	Investments/ savings	Mixed, Traditional, Unit Linked, Index Linked	Mixed, Traditional, Unit Linked Private	Treasury products, other life products, TFR investment products	

Products

Opportunity areas



Mission:

to act as consumer credit specialist for the Group developing business both through its own sales network (27,000 point of sales and 2.8 million customers) and through the branch distribution network of the Group.

Marrying branch distribution capacity with specialist competences:

- **in credit cards** - revolving credit cards will be issued to SANPAOLO IMI family segment customers exploiting on one hand the customer base of the Group and on the other the specialist competencies of Finemiro notably in credit scoring and the credit recovery;
- **in POS financing** - Finemiro will look to leverage on contacts with retail distribution channels in order to increase its network of POS dealerships. The objective is to have 10,000 new dealers by 2005.

Target: to increase market share

Finemiro expects through business development projects and increased commercial effectiveness, to be able to increase its market share from 5% to 10%.

- Q3 2004 results
- Group strategy
 - Strengthening the core banking business
 - Right sizing the cost base
 - Optimising competitive positioning in other key markets
- Conclusions

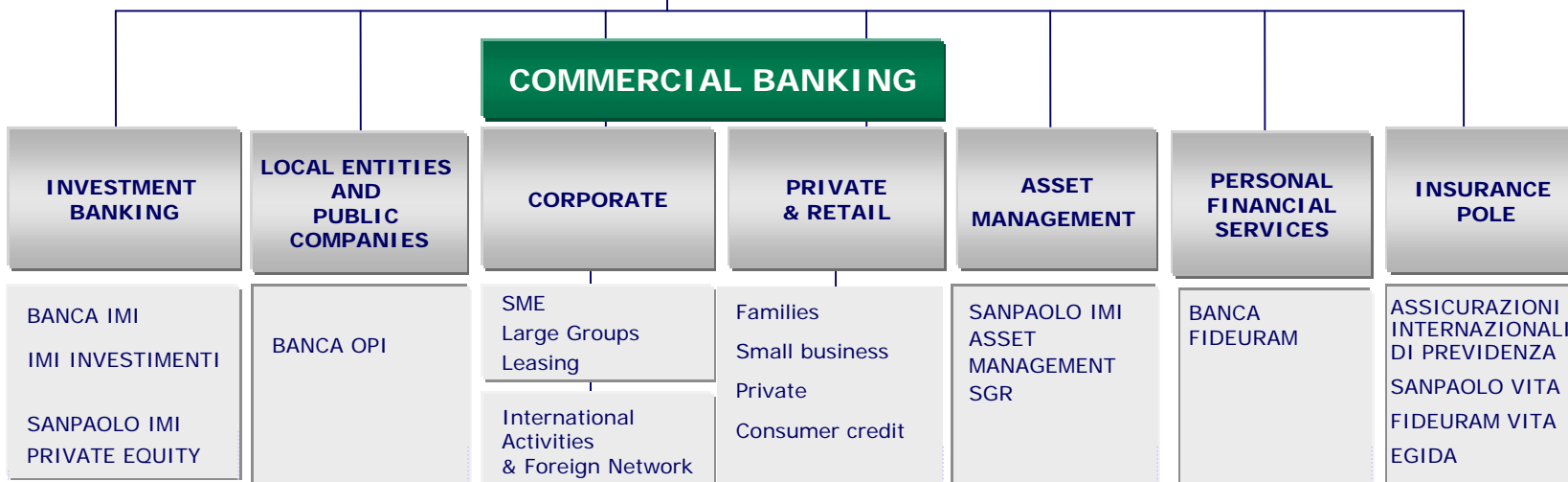
The Group's improving performance and business objectives are based on:

- Good competitive positioning
- Healthy business mix
- Strong customer service models
- Real organic growth potential

GROUP STRUCTURE REFLECTS RATIONALISED BUSINESS MODEL

GRUPPO SANPAOLO IMI

COMMERCIAL BANKING



As a % of Group	INVESTMENT BANKING	LOCAL ENTITIES AND PUBLIC COMPANIES	CORPORATE	PRIVATE & RETAIL	ASSET MANAGEMENT	PERSONAL FINANCIAL SERVICES	INSURANCE POLE
Total revenues	3.1%	2.1%	78.3%		4.5%	8.8%	
Operating income	2.8%	4.5%	83.1%		8.5%	11.3%	

SANPAOLO BANKING BUSINESS MODEL

