

GRUPPO SANPAOLO IMI

Goldman Sachs Financials Conference

“A full house of opportunities”

Dr. Iozzo - CEO

Monte Carlo, 10 June 2004

DISCLAIMER

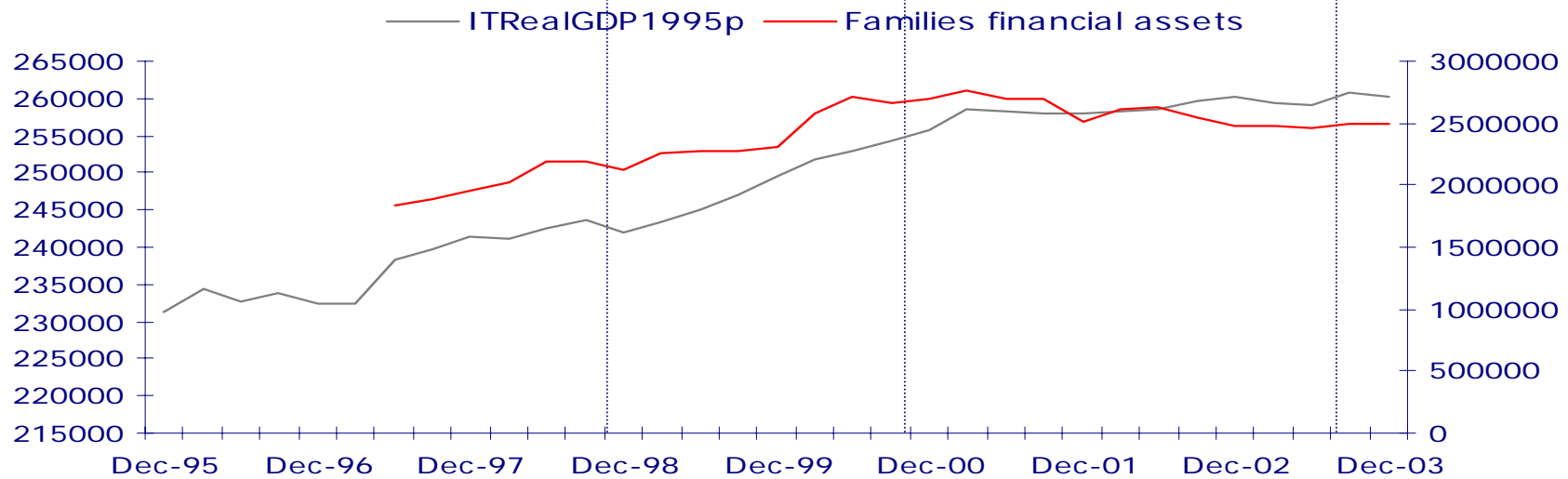
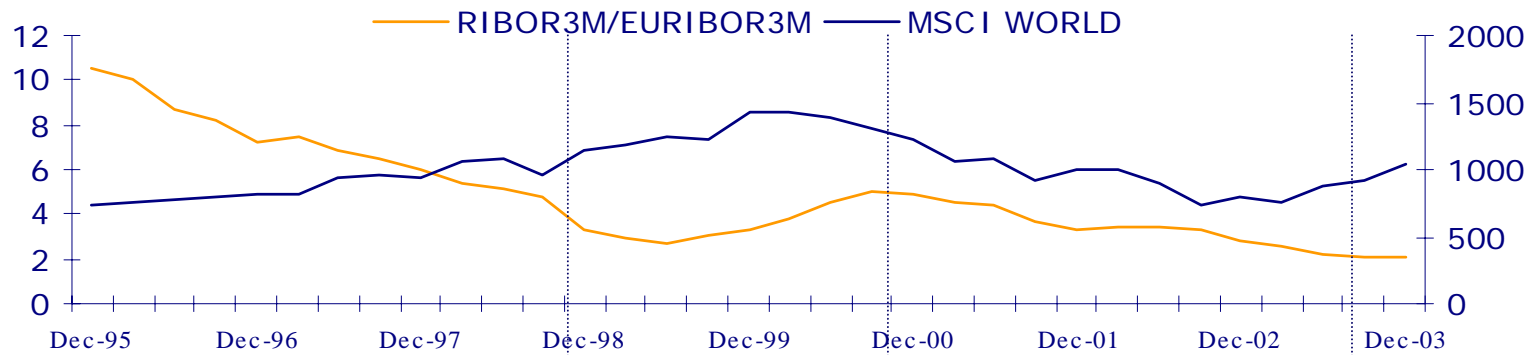
This presentation has been prepared by Sanpaolo IMI and provides information on the management's business plans and strategies. As such, the presentation contains forward-looking information which reflects management's current views with respect to certain future events and the financial performance 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.

AGENDA

- Managing in an uncertain interest rate environment
- Group competitive positioning
- Conclusions

MANAGING IN AN UNCERTAIN INTEREST RATE ENVIRONMENT

4



PHASE 1

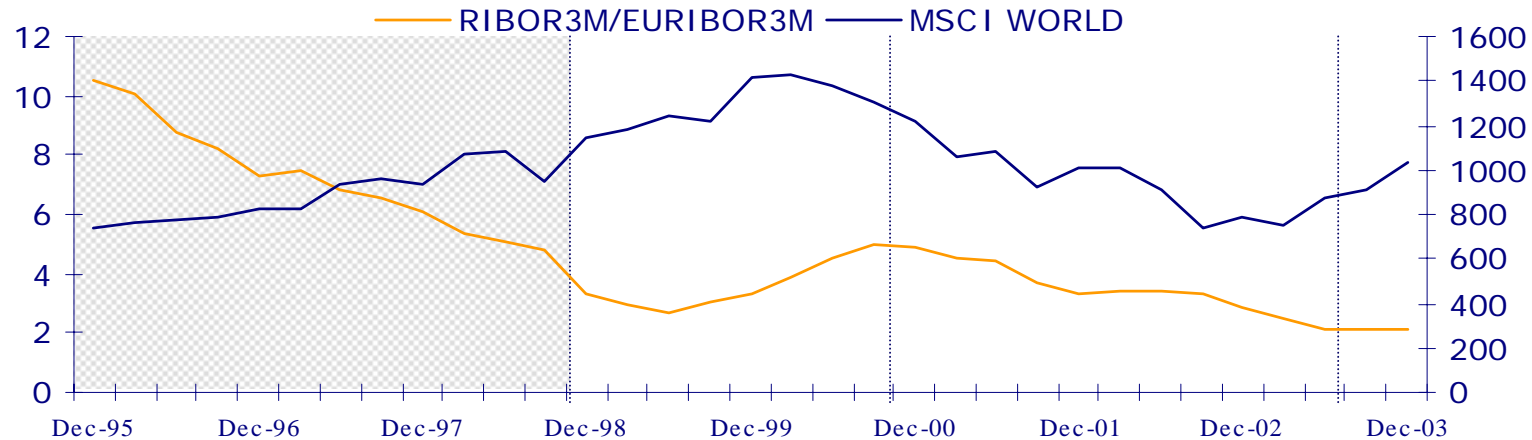
PHASE 2

PHASE 3

PHASE 4

PHASE 1: 1996-1998

5



PHASE 1

Macro scenario

- Convergence of interest rates to Maastricht criteria
- Financial markets continue to climb
- Real GDP growth

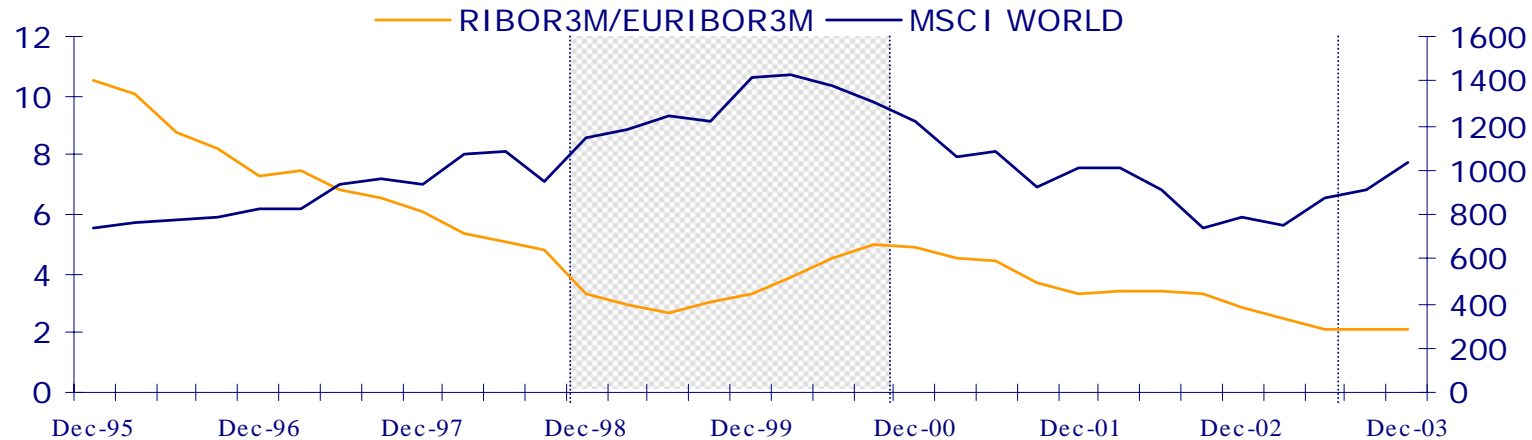
Italian Banking sector

- Net interest income hit by fall in liability spread
- Development of asset management business to diversify revenues
- Consolidation within the banking sector and greater focus on shareholder returns

Sanpaolo IMI

- Net interest income fell in each of the three years
- Assets under Management were up by over 50% in each of the three years
- Merger with IMI in 1998 and return on equity 11.3%

PHASE 2: 1999-2000



PHASE 2

Macro scenario

- Acceleration in real GDP growth
- Creation of a speculative bubble in financial markets
- Rising interest rates to try to avoid economic overheating

Italian Banking sector

- Beneficial impact to banking revenues of :
 - faster economic growth
 - higher interest rates
 - strong financial markets

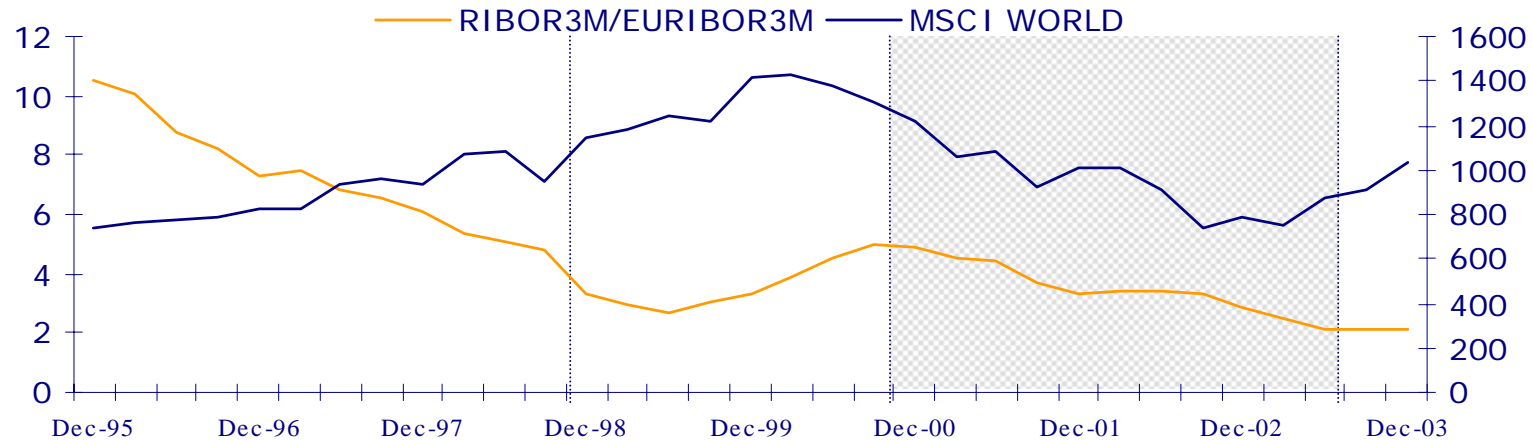
lead to increase in banking profitability

Sanpaolo IMI

- Net interest income down ~10% in the period
- Commission income up ~ 40% in the period
- Total revenues up ~ 8.5% in the period
- Return on equity 18.1%

PHASE 3: 2001-H12003

7



PHASE 3

Macro scenario

- Weak economic backdrop
- Sharp fall in equity markets as bubble bursts
- Interest rate cut to try and avoid hard landing

Italian Banking sector

- Greater concentration on costs
- Development of alternative asset management products
- Greater attention to asset and liability pricing

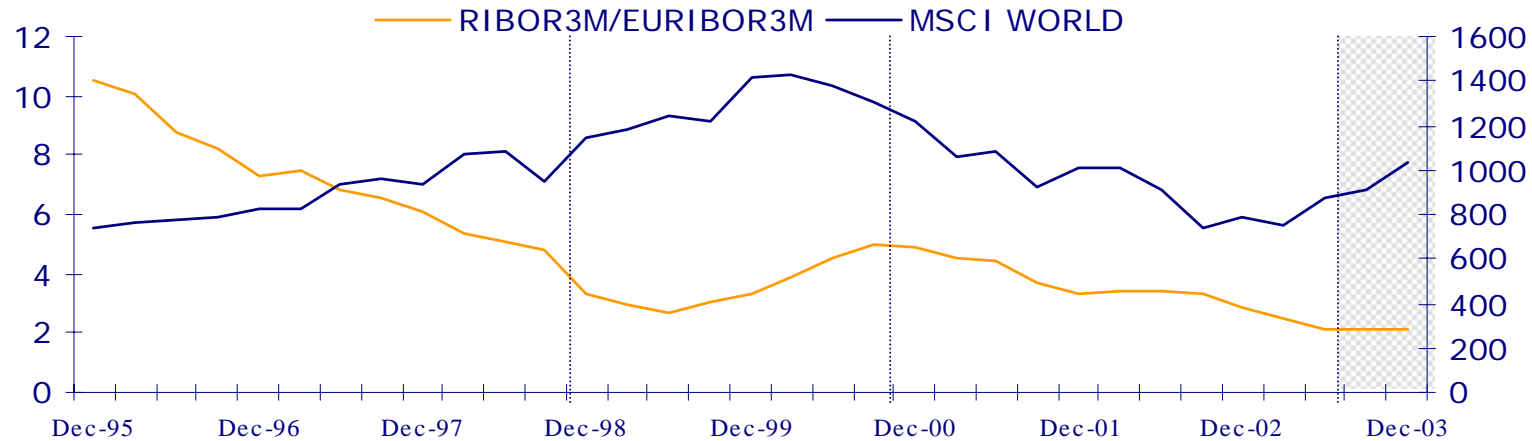
Sanpaolo IMI

- Annual operating costs growth of under 1% (understated by pro forma comparison)
- New net inflows of TFA ~ 25 € BL
 - Life business up 30% (cagr 2001-H12003)
- Defending the customer spread
 - Short term mark up: +60 bps
 - Sight deposits: -135 bps
 - Euribor: -270 bps
- Commercial banking network doubled to 3,000 branches

GRUPPO SANPAOLO IMI

PHASE 4: H22003 - TODAY

8



PHASE 4

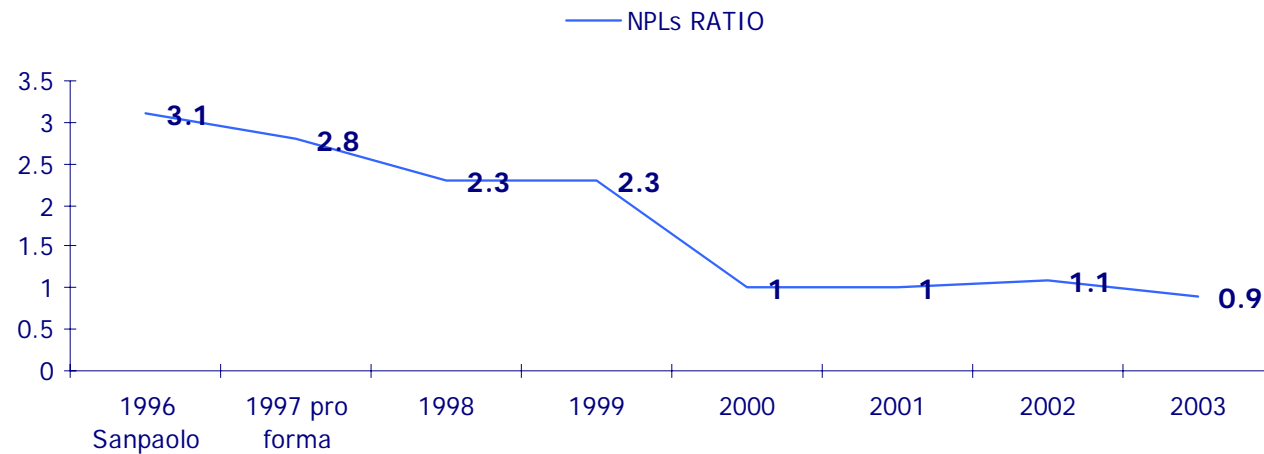
Macro scenario

- Uncertainty:
 - Political
 - Economic
 - Interest rate
- Volatility:
 - Financial market
 - Currency
 - Raw material prices

MANAGING THE BUSINESS ENVIRONMENT

	RATES		VOLUMES		SPREAD
NET INTEREST INCOME					
	RATES		STOCK MARKETS		PRODUCT MIX
ASSET MANAGEMENT FEES					
	INFLATION		INTEGRATION COSTS & SYNERGIES		
COSTS					

ASSET QUALITY



AGENDA

- Managing in an uncertain interest rate environment
- Group competitive positioning
- Conclusions

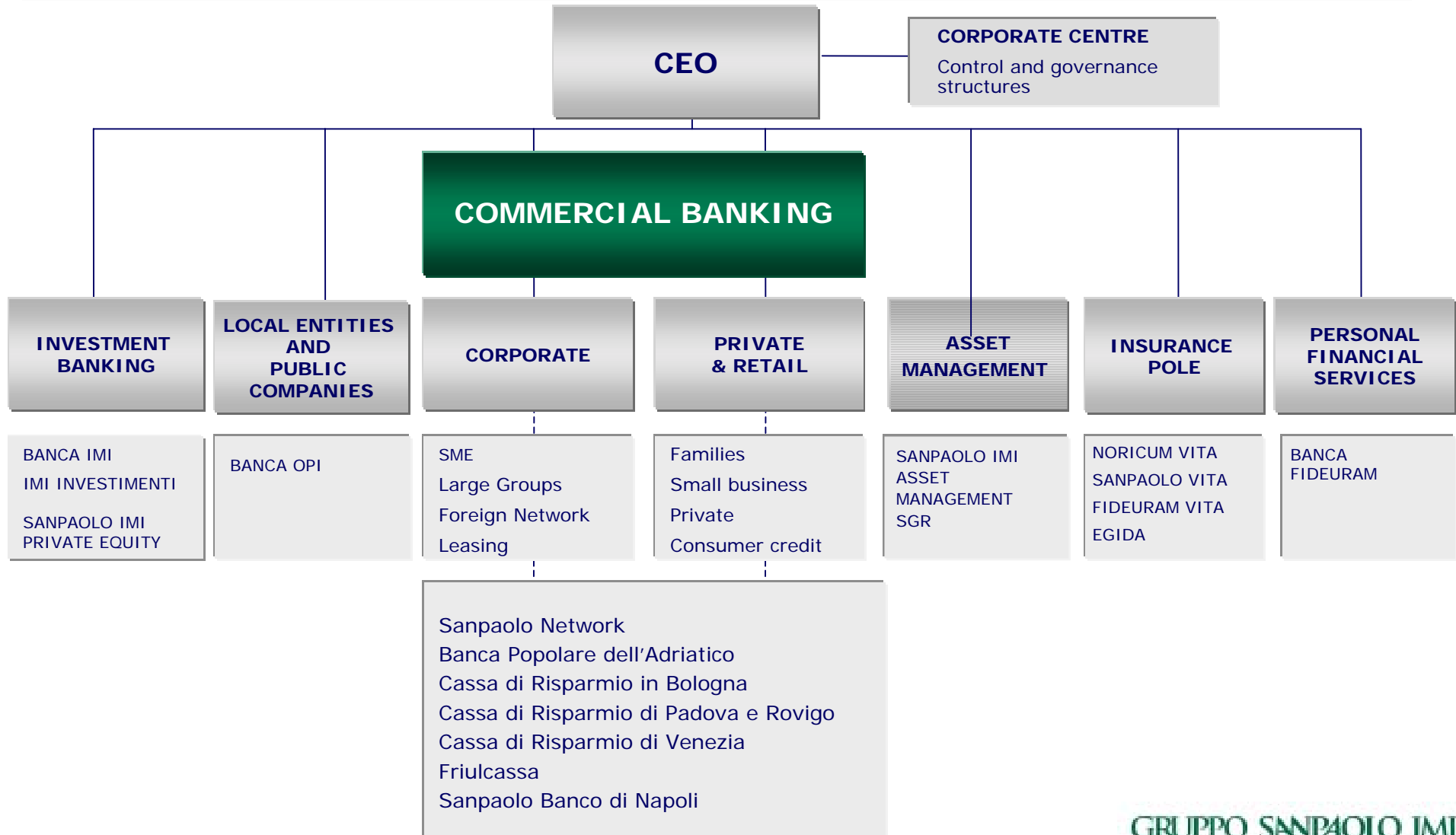
NEW GROUP STRUCTURE REFLECTS RATIONALISED BUSINESS MODEL

RATIONALE



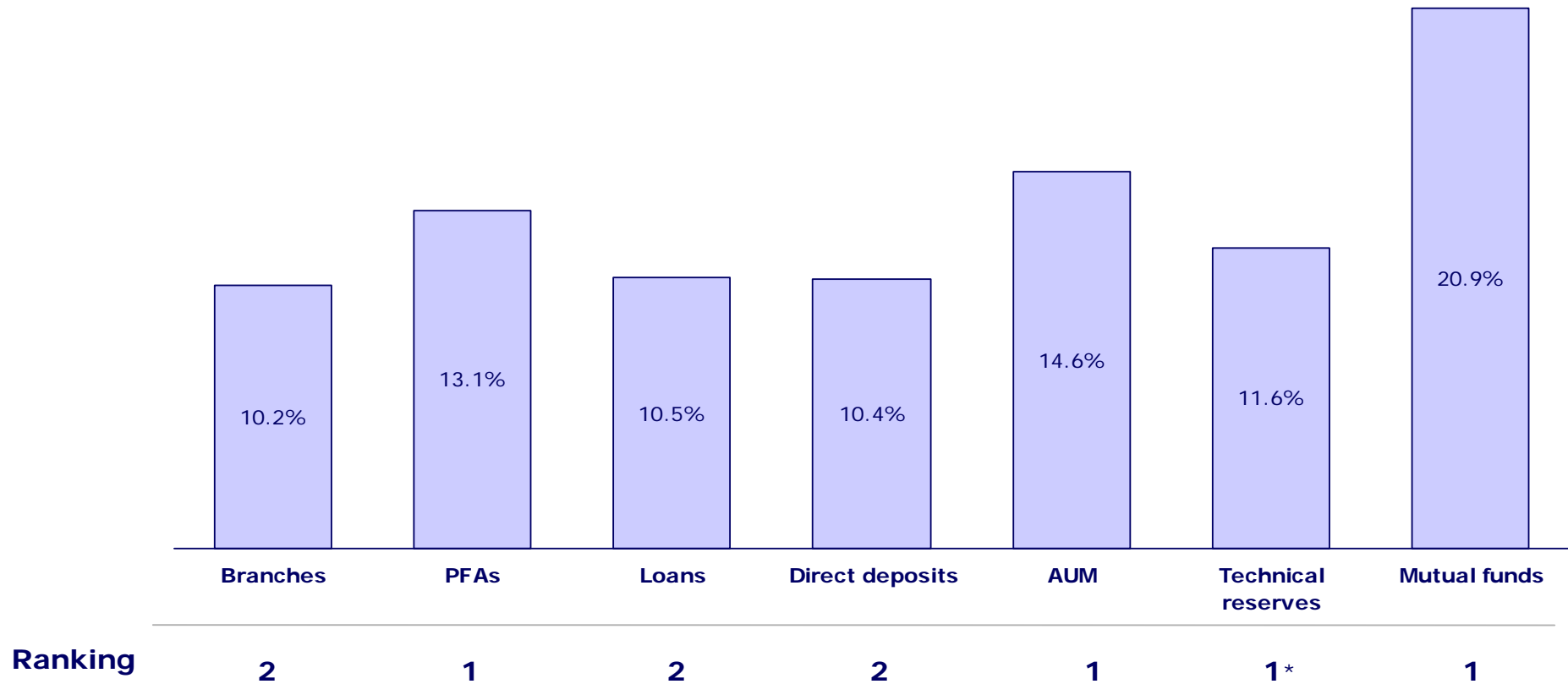
- to unify the governance of the Commercial Banking Network
- to further strengthen the specialist customer service model
- to simplify the corporate centre structure

11



STRONG COMPETITIVE POSITIONING IN DIVERSIFIED MARKETS

12



* Classification referred to Italian banking groups

As of 31/03/2004

WELL POSITIONED ON THE TERRITORY

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

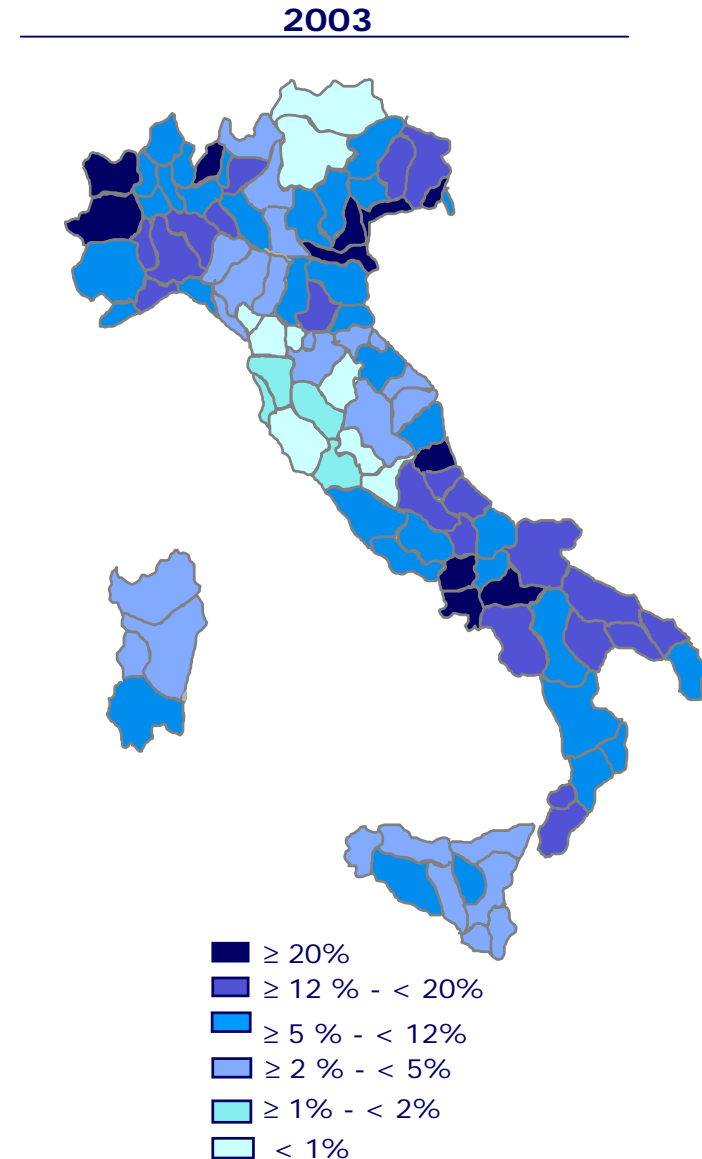
- Local character maintained through brand and legal entity
- Empowers area management structure to manage and coordinate different local market and customer needs

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

BRANCH BANKING SPECIALISATION ⁽¹⁾					
SME Division		Private & Retail Division			
					
Specialist branches and modules	151 +63 ⁽²⁾	76	2,000		
Professional roles⁽³⁾	1,450	150	2,200	8,500	1,200

1) Numbers do not include ex-Cardine banks
 2) Additional teams
 3) In addition to 2,000 branch managers



INTEGRATION OF THE BRANCH BANKING NETWORK ON TRACK

14

2003

Integration of Banco di Napoli

Full acquisition of Banca Popolare dell'Adriatico

Integration of Cerea Bank in Cariparo

Merger of Cardine Finanziaria

Merger of Crup and Carigo

Rebranding of all networks banks

2004

Migration of Cassa di Risparmio di Venezia onto SPIMI IT platform (March 04)

Migration of Cassa di Risparmio in Bologna onto SPIMI IT platform (April 04)

Migration of Friulcassa onto SPIMI IT platform (June 04)

Migration of Cariparo onto SPIMI IT platform (July 04)

IT merger of Banca Popolare dell'Adriatico (September 04)

 SANPAOLO
BANCO DI NAPOLI

 CARISBO
CASSA DI RISPARMIO

 FRIULCASSA
CASSA DI RISPARMIO DEL FRIULI

 CASSA DI RISPARMIO
DI VENEZIA

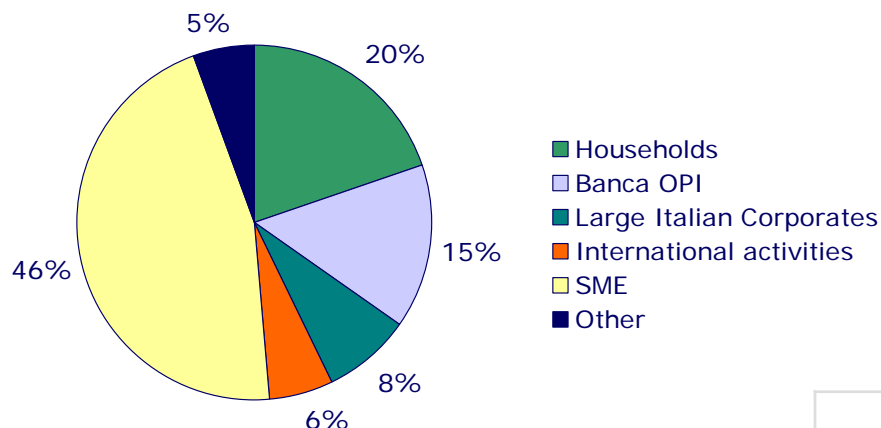
 CASSA DI RISPARMIO
DI PADOVA E ROVIGO

 BANCA POPOLARE
DELL'ADRIATICO

GRUPPO SANPAOLO IMI

WELL BALANCED PORTFOLIO AND SELECTIVE LOAN POLICY

Loan Book Breakdown (%)



As of 31/12/2003

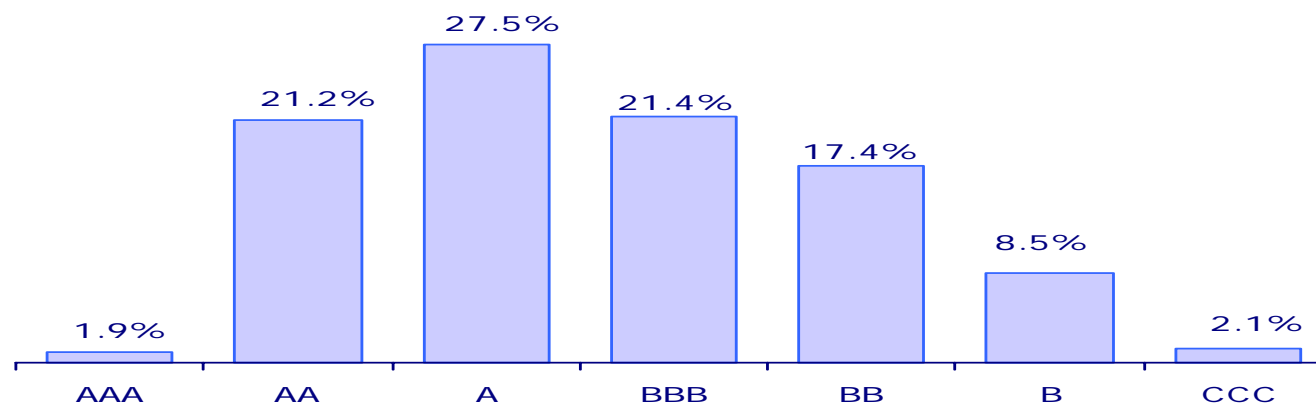
2003-2005 growing a refocusing loan book

- 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

	Stock 31/03/04	Change 31/03/04- 31/03/03 pro forma
GROUP:	120,647	-2.0%
PRINCIPLE BUSINESS UNIT NUMBERS:		
▪ Sanpaolo Network combined(*)	55,152	+3.9%
▪ North East Network	24,134	+6.4%
▪ Consumer Banking	3,493	+12.4%
▪ Banca OPI	18,434	+2.1%
▪ Large Groups and Structured Finance	8,834	-31.0%
▪ International Activities	4,591	-20.8%

GOOD ASSET QUALITY WITH A SOLID CAPITAL BASE

Analytical Rating Profile of Group Credit Portfolio(*)



As of 31/03/2004

CREDIT RISK RATIOS	
	31/03/2004
NPL'S ratio	1.0%
Watchlist ratio	1.2%
NPL coverage	73.2%
Problem loans coverage	32.2%

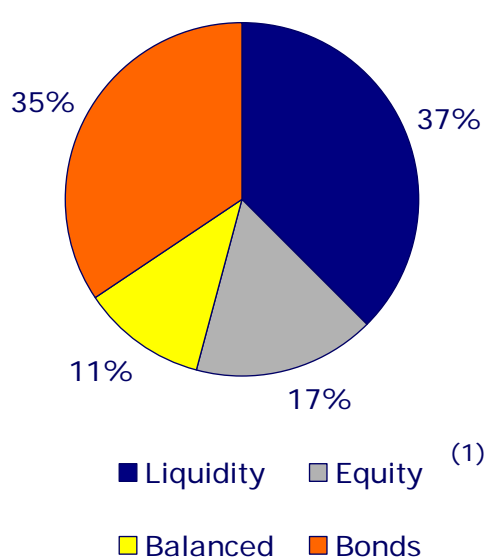
CAPITAL RATIOS	
	31/03/2004
Core Tier 1 ratio	6.8%
Tier 1 ratio	7.6%
Total ratio	10.9%

(*)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.

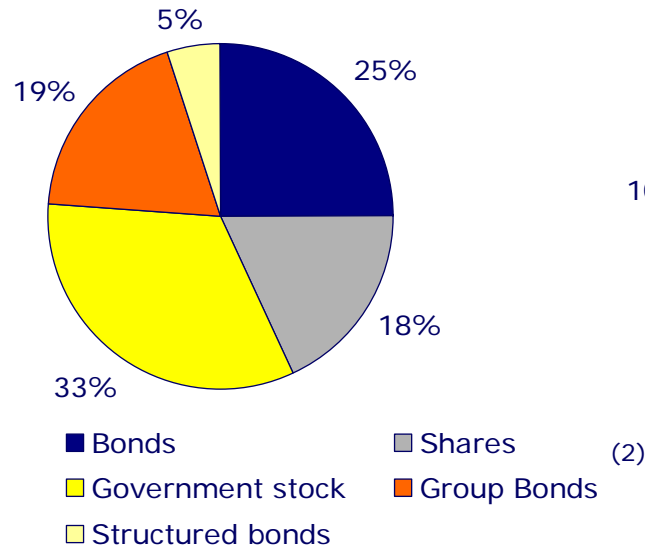
BUILDING RETURNS IN THE CUSTOMER PORTFOLIO

Diversified customer needs (indicative examples):

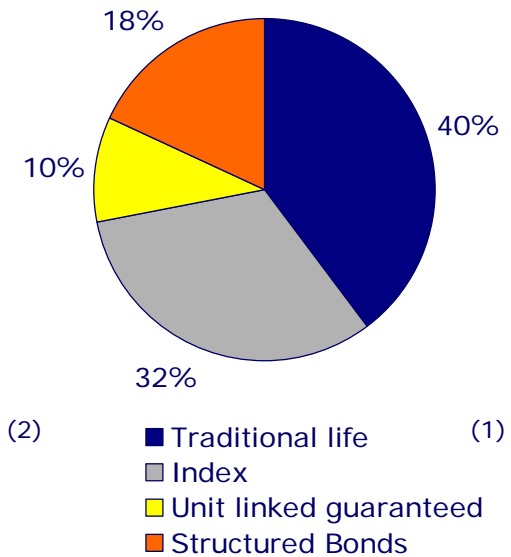
<u>Needs:</u>	Accumulation	Mixed: accumulation, income, liquidity	Protection, pension savings
<u>Time frame :</u>	Medium-long	Undefined	Long
<u>Answer:</u>	Asset allocation & accumulation plans	Better customer needs identification	Insurance & capital guarantee



(1)



(2)



(1)

Actions:

AUM:

Increase long term equity & balanced investments

Custodian funds:

Reduce unperceived risk, diversify investments according to real needs, switch to asset management

Insurance:

Develop pension schemes and long term traditional life products

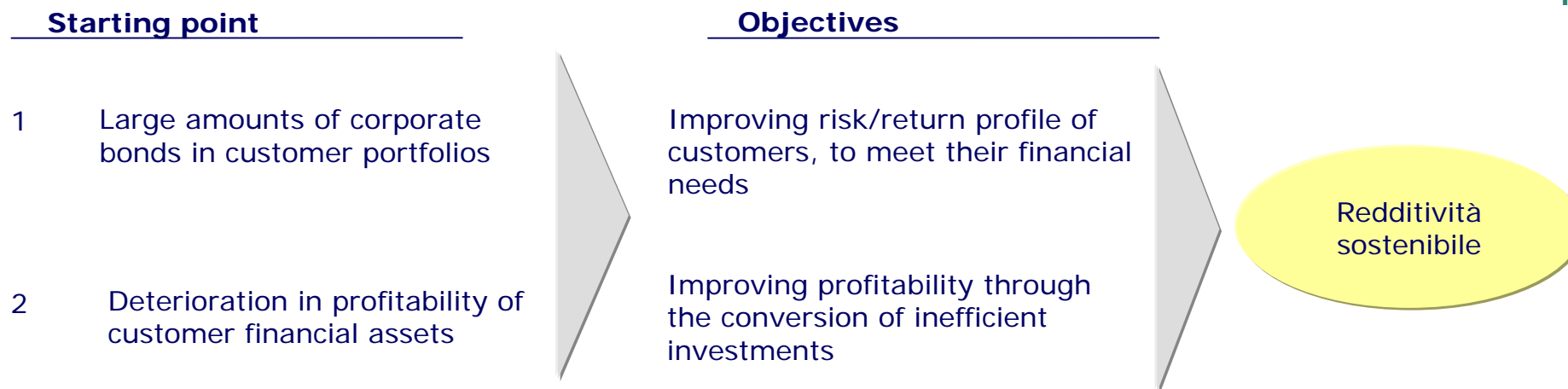
Develop insurance against personal and property risks

(1) Wealth Management and Financial Markets

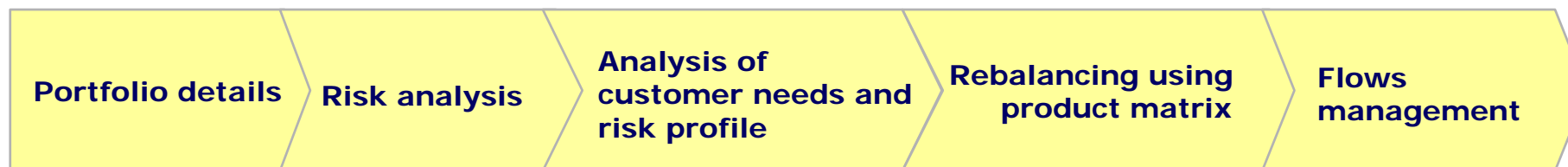
(2) Sanpaolo Retail Division assets under custody

SUSTAINABLE COMMERCIAL POLICIES: EG. REDDITIVITÀ SOSTENIBILE

18



Business process



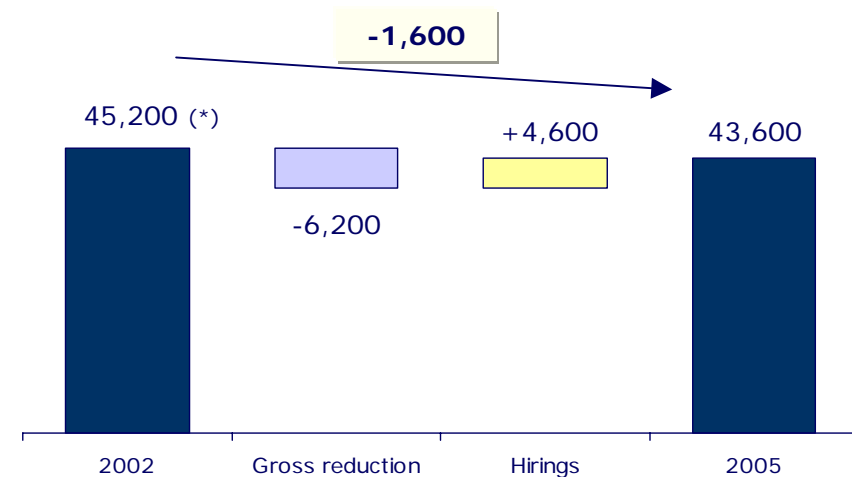
Key Figures as of 31/12/03	Sanpaolo (started in April 2003)	Sanpaolo Banco di Napoli (started end 2003)	P&R Division
▪assets involved	41 BN €	5.2 BN €	46.2 BN €
▪assets rebalanced	3.6 BN €	328 MM €	3.9 BN €
▪economic impact	55 MM €	4.9 MM €	60 MM €
▪average profitability	+13.5 bsp	+9 bsp	+13 bsp

RIGHT SIZING THE COST BASE

AREA	ACTION	SAVINGS
Human resources	Optimising staffing levels in domestic banking, by reducing headcount by 2000	170 € MM
MOI Implementation	Cost savings through adoption of Group target operating platform	90 € MM
Logistics	Efficiencies through concentration and centralisation	65 € MM

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



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

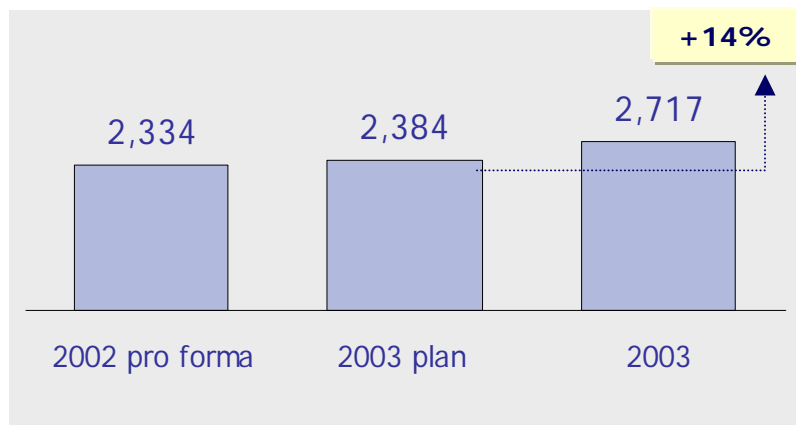
AGENDA

- Managing in an uncertain interest rate environment
- Group competitive positioning
- **Conclusions**

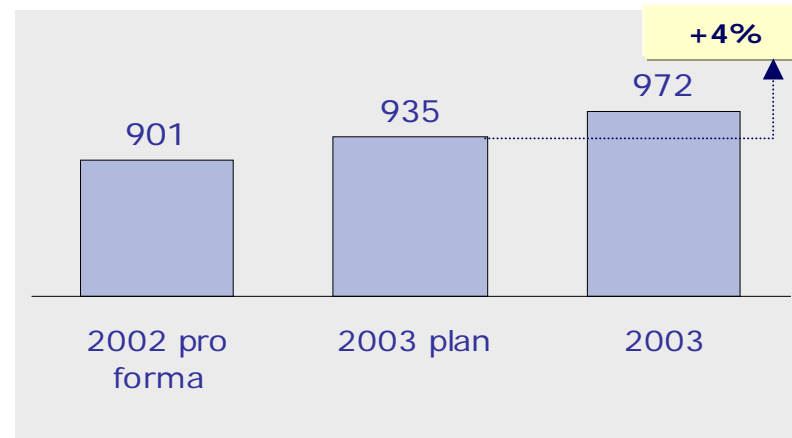
POSITIVE BUSINESS PLAN RESULTS TO DATE

FY 2003

Gross Operating Profit (€ MM)

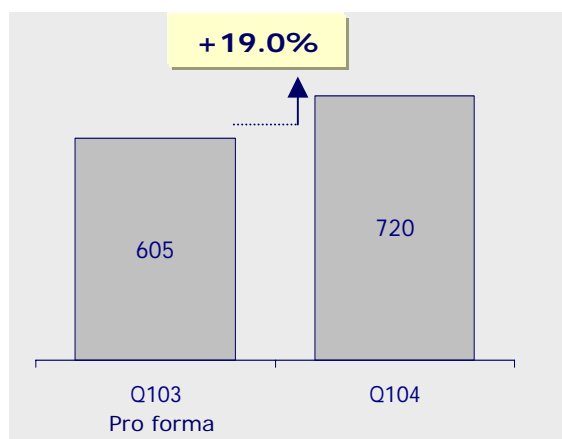


Net Income (€ MM)

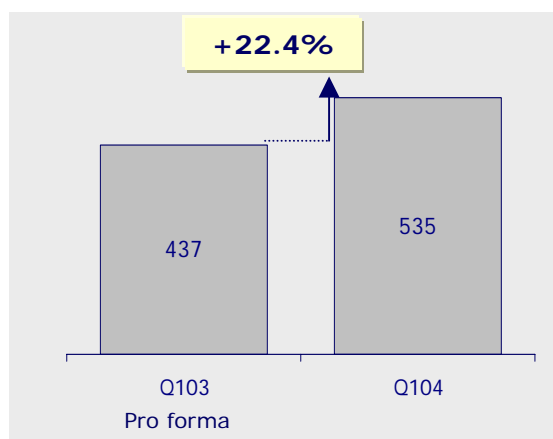


Q1 2004

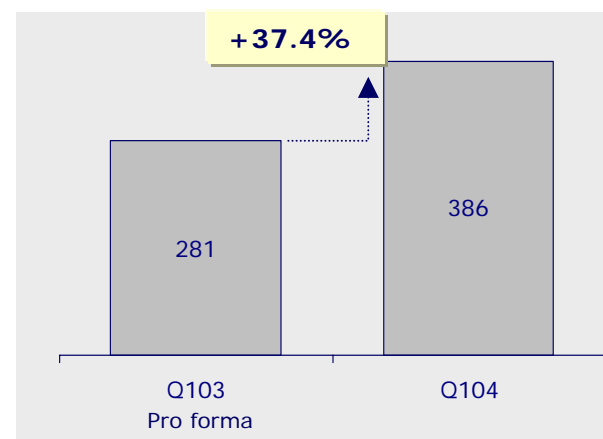
Operating income (€ MM)



Ordinary income (€ MM)



Net income (€ MM)



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

- **A consistent and coherent business strategy**
- **A strong competitive positioning in core businesses**
- **A clear focus on risk adjusted returns**
- **A commitment to high service levels and the asset quality of the Group and customer portfolios**
- **A sustainable approach to business growth**



Enabling the creation of shareholder value