

# PUTTING LIFE INTO BANKING

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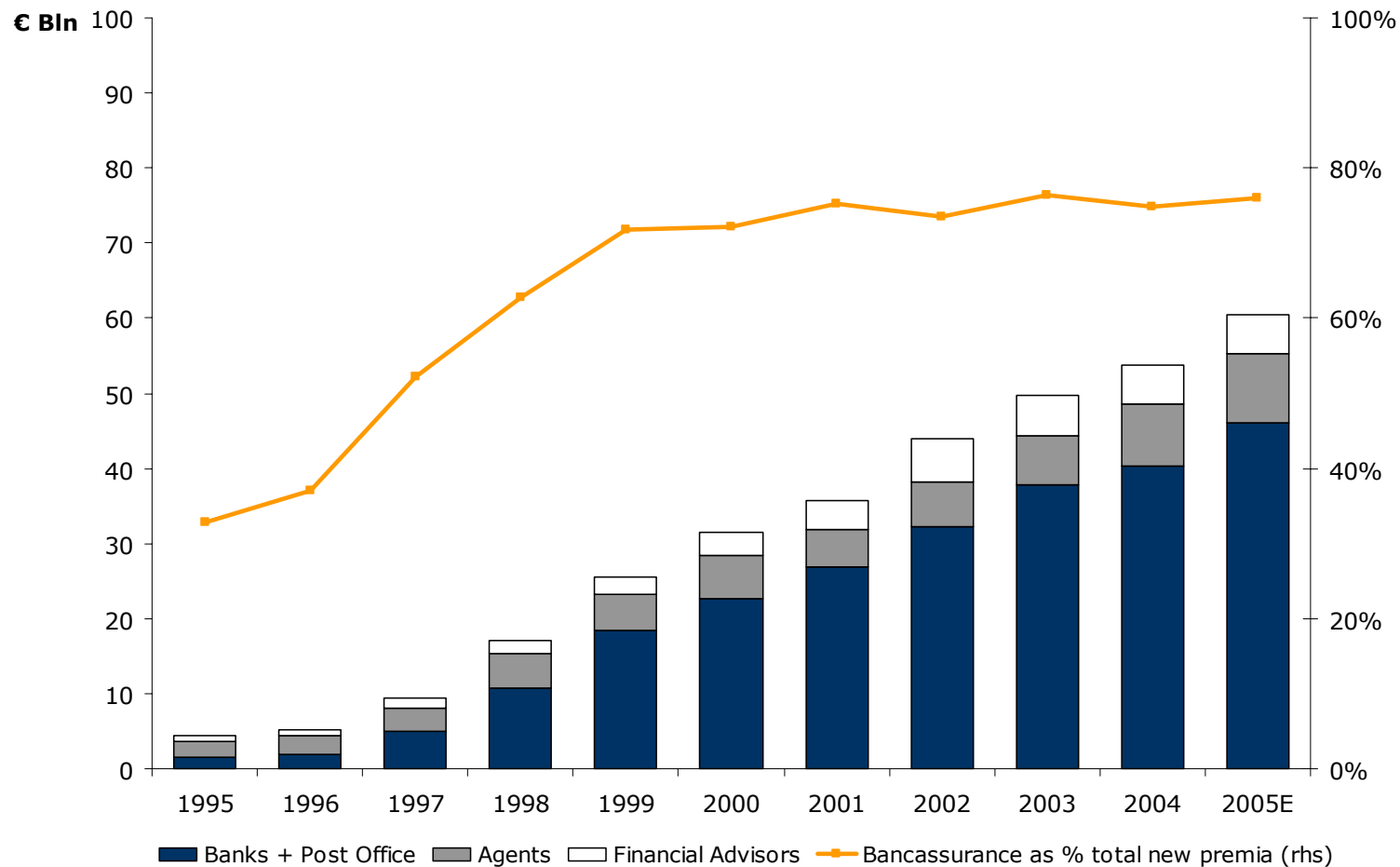
GRUPPO SANPAOLO IMI

## **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.

- Plenty of life in Italian banking
- Plenty of life in Sanpaolo IMI

New business premia



Source: IAMA Monitor

## Structural drivers

■ **From** tightly regulated **to** a deregulated banking industry

■ **From** state ownership **to** public companies

■ **From** the lira **to** the euro



## Key outcomes

### Increase in competition

■ **From** 15,500 branches (in 1989) **to** 31,500 (as at 12/05)

### Focus to value creation

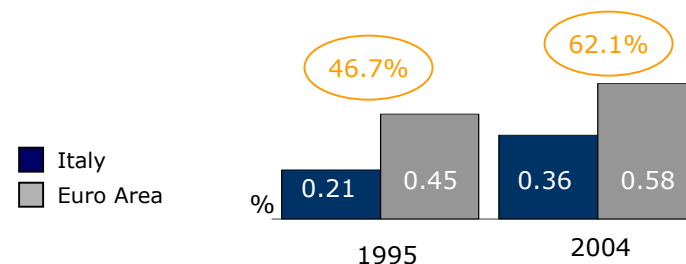
■ **From** 75% state controlled **to** more than 80% assets in public companies

### Change in business environment

■ **From** an average interest rate differential between Italian and German government bonds of 340 basis points between 1992 and 1998 **to** just 25 basis points between 1999 and 2005

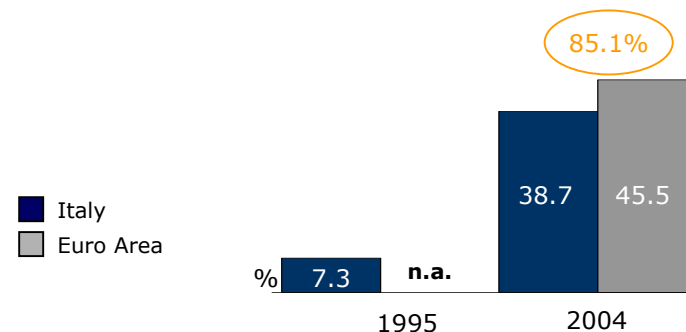
■ Lower borrowing costs have given an opportunity to develop the domestic personal credit market

## Household lending / GDP



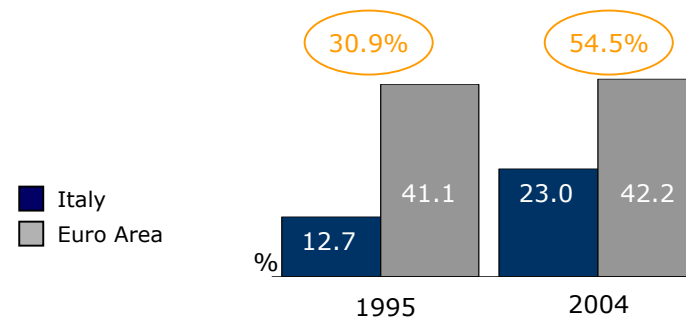
■ Explosive growth in mutual funds as an alternative savings vehicle to domestic government bonds

## Mutual funds / GDP



■ Life also used as part of a broader product offering for customer savings

## Technical reserves / GDP



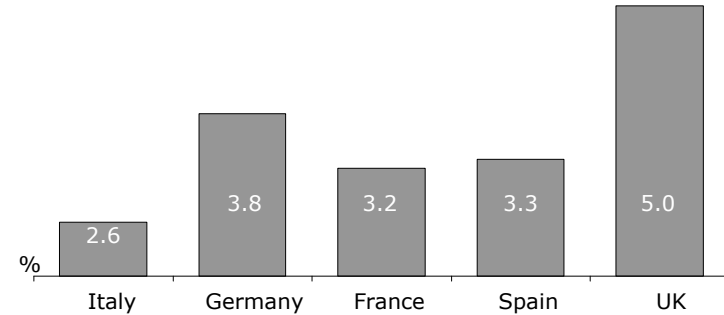
- Life market still structurally underpenetrated
- Domestic savings rate in Italy remains very healthy and stable
- Defensive asset mix in household financial assets with high level of liquidity
- Significant proportion of financial, unit and index linked, products in reserves
- Low insurance content to many policies

■ Structural underpenetration in non-life insurance

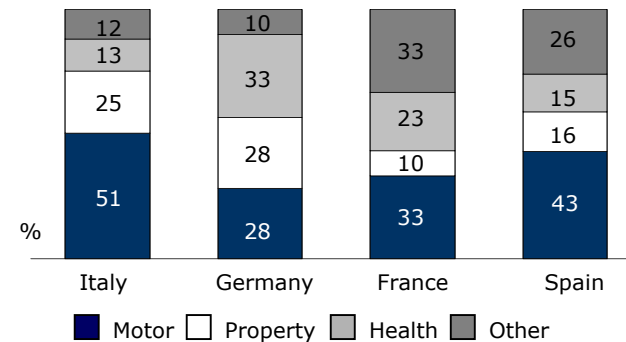
■ Underpenetration in P&C particularly evident if motor insurance is stripped out

■ Supplementary pension industry in its infancy but pressing need for personal pension saving

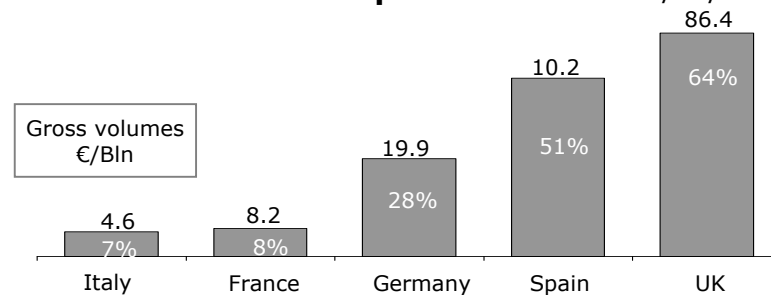
**Non-life insurance as a % of GDP – as at 31/12/2004**



**Breakdown of non life premia by type - as at 31/12/2004**



**Pensions as a % of life products - as at 31/12/2004\***



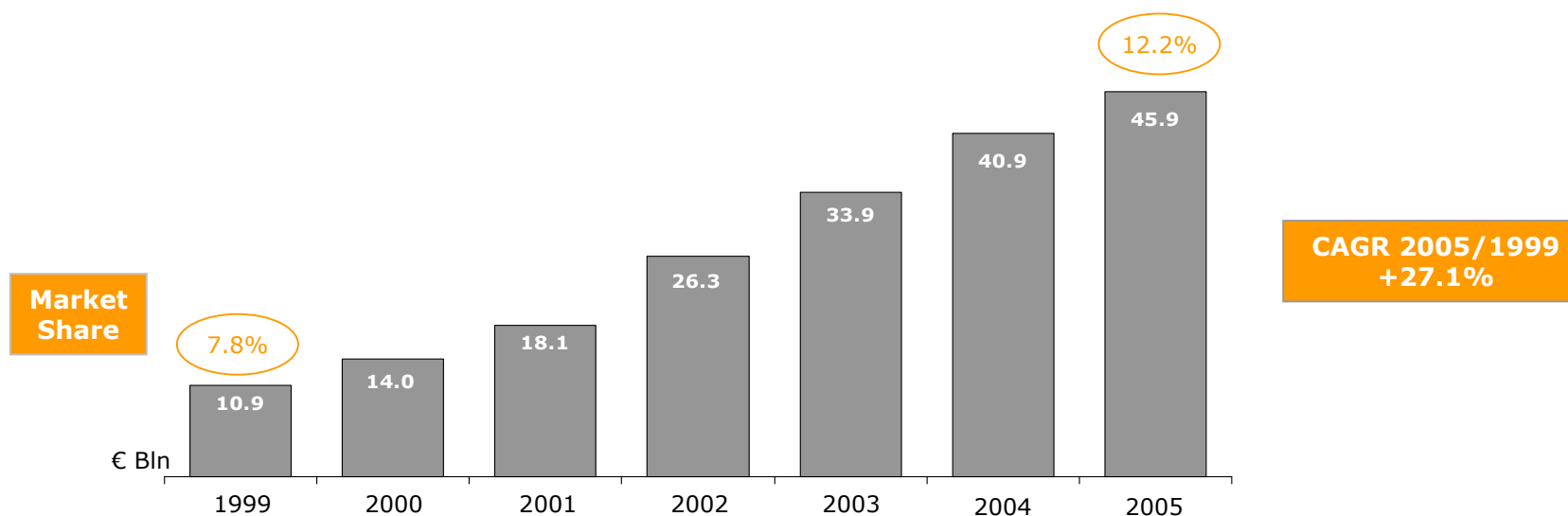
(\*)Source: Bain analysis using ANIA and Datamonitor data



- Plenty of life in Italian banking
- Plenty of life in Sanpaolo IMI

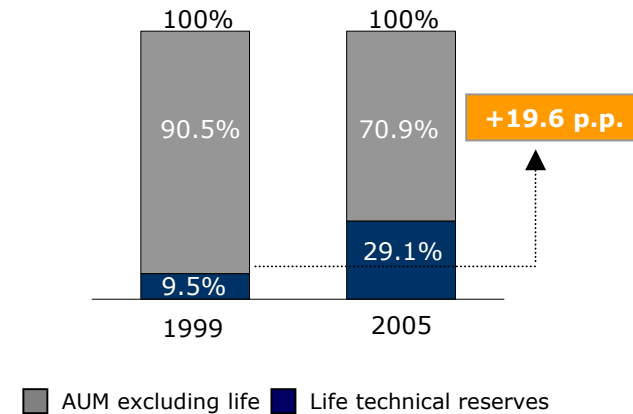
## Technical reserves (Sanpaolo IMI Group)

- Sanpaolo IMI increased its reserves by 27.1%, a run rate of 10% more than the market
- Competitive advantage derived from proven strength in distribution of asset management products and close operational ties of an in-house insurance company



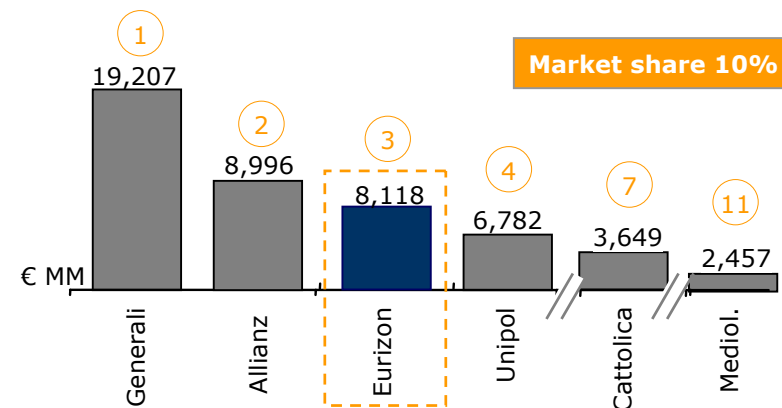
- Technical reserves now account for 29% of total AUM, compared to less than 10% in 1999
- Life revenues now account for ~ 10% of total Group revenues

## Group assets under management

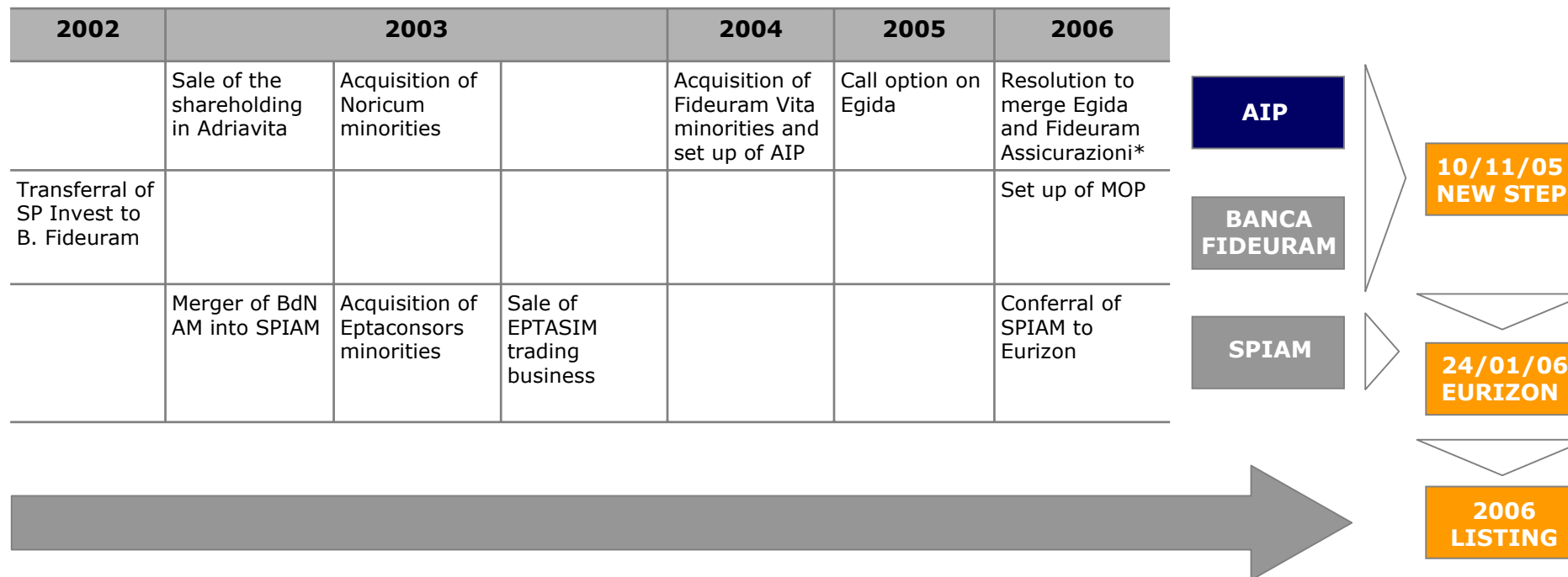


- The Group is a major player in the Italian life insurance business:
  - third in terms of gross premia
  - second in terms of technical reserves
  - market leader in bancassurance

## Life insurance – Gross underwriting volumes(\*)



(\*) Gross premia (Source: ANIA) and Irish Business as at 31/12/2005



(\*) Non-life businesses

Eurizon is strategically positioned to unlock value and exploit market opportunities:

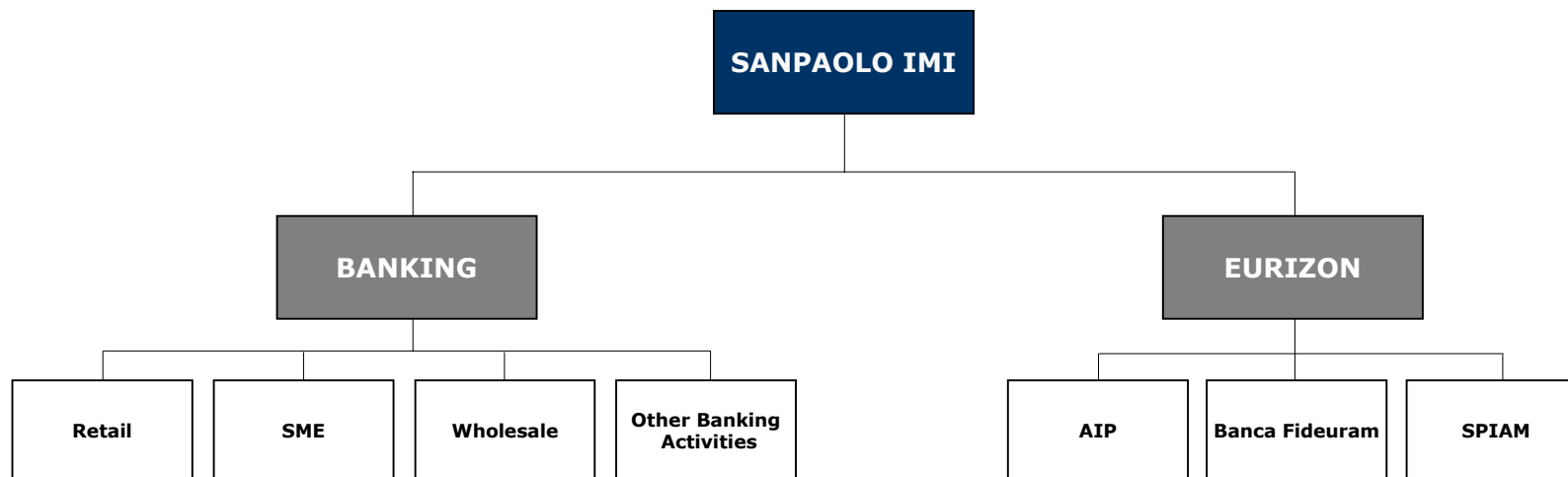
- a complementary multi-business group enabling economies of scale and scope
- a high quality and high profile management team
- an optimal relationship between distribution and production
- greater market visibility for these assets
- a transparent model for capital management
- necessary critical mass and model to take strategic opportunities

**Total net assets under management € 182 bln\***

- First player in the Italian asset management market
- Third player in the Italian life insurance market
- Strongest PFA network, with high brand recognition

(\*) as at 31/12/2005

# Eurizon further simplifies and clarifies the Group structure



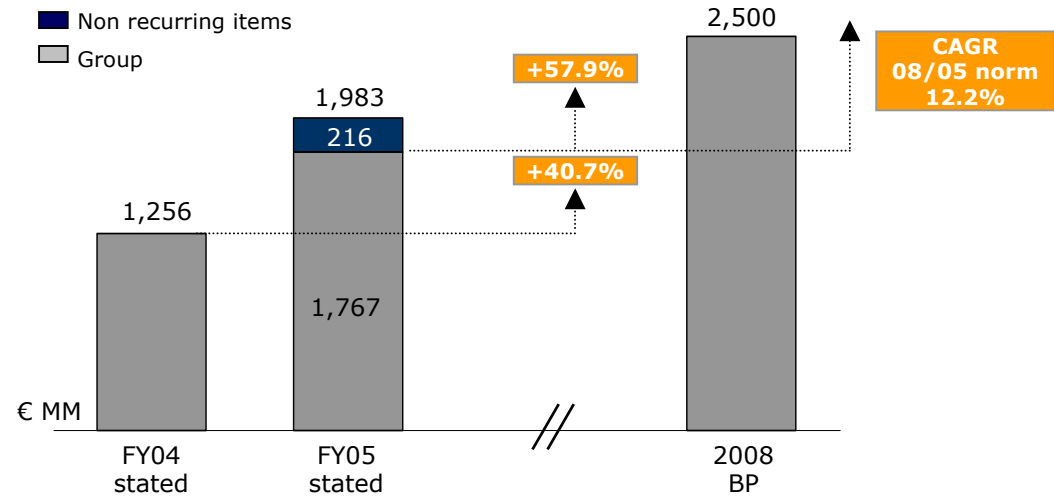
<b>Banking Activity</b>	<b>Contribution*</b>
Total operating income	84.7%
Pre-tax operating profit	78.9%
Net income	77.1%

<b>Eurizon</b>	<b>Contribution*</b>
Total operating income	15.3%
Pre-tax operating profit	21.1%
Net income	22.9%

\* As at 31/03/2006, excluding Corporate Centre

# The Group is on track to meet objectives

Well on track to meet target of doubling net profit



Core Banking Activity is the driver to the business plan

Net profit	2004 €/bln	2005 N* €/bln	BP 08 €/bln	Var 05N*/ 2004 (%)	CAGR 2008- 2005N* (%)
Banking Activity	1.20	1.56	2.17	30.0	11.6

(\*) N=normalised

- Plenty of life in Sanpaolo IMI ...
- ... and in a market still full of opportunities ...
- ... we are looking to stay ahead of the curve ...
- ... Our recent results show we are well on track to meet our targets.