

# GRUPPOSANPAOLOIMI

## SEMINAR ON CREDIT RISK MANAGEMENT AND SME BUSINESS

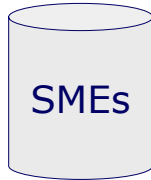
ROBERTO FIRPO  
Head of SME Division

Turin, June 12, 2003

### AGENDA

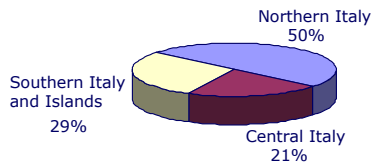
- ✓ Overview of the market and SME division
- Business development guidelines
- Conclusions

## DOMESTIC SME MARKET

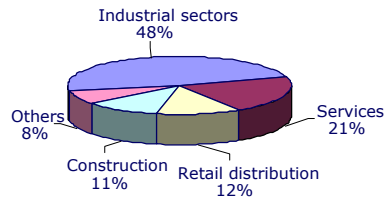


- Definition → Businesses with total turnover up to 40 million euros and total employees not exceeding 250 units (EU criteria).
- How many → 3.500.000 (including micro firms).
- Employees → SMEs employ 71% of total national workforce.

## Geographical distribution



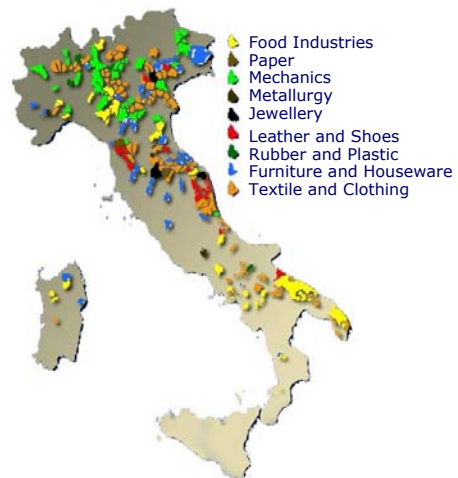
## Distribution by economic sector



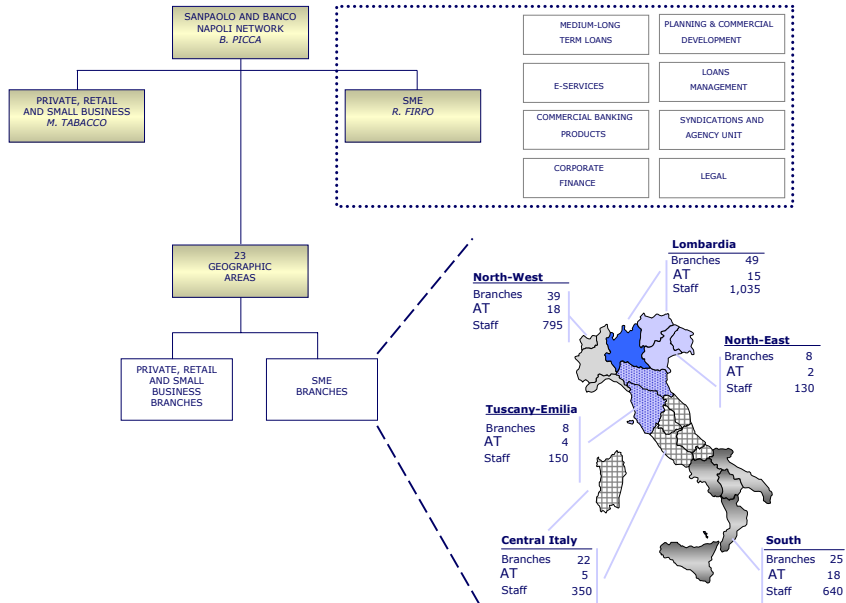
## STRENGTHS OF ITALIAN SME SECTOR

- Family businesses financially supported by significant household savings
- More flexible labour market conditions
- Geographically organised into sector-specialised industrial districts

## ITALIAN SME INDUSTRIAL DISTRICTS



## ORGANIZATION OF THE SANPAOLO/BDN SME DIVISION



## KEY DIVISIONAL NUMBERS

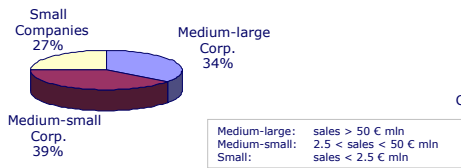
- 151 Branches
- 62 Additional Teams in Retail Branches (AT)
- 3,100 Employees, of which:
  - ✓ 49% front office
  - ✓ 51% back office

Customer identification criteria:  
total turnover in excess of 1 mln/euro  
(except the 30 largest domestic groups)

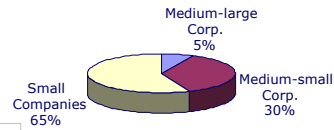
- |                      |  |
|----------------------|--|
| • Potential market   | <b>182.000 firms</b> (D&B estimation)                |
| • Customers          | <b>85.000</b>  |
| • Market coverage    | <b>47%</b> (around 70% with Cardine)                 |
| • Client avg. rating | <b>BB+</b> (banking industry, internal est.: BB/BB-) |
| • Total loans        | <b>34 bln</b> (o/w, 27 bln cash credits)             |
| • Avg. market share  | <b>10%</b> (source: Bank of Italy's Centrale Rischi) |

## DISTRIBUTION OF BUSINESS VOLUMES

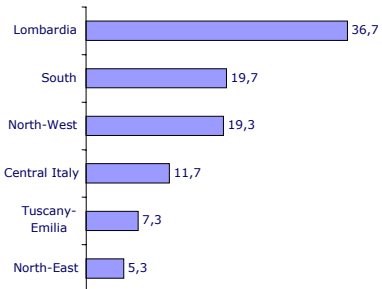
## Loan portfolio distribution



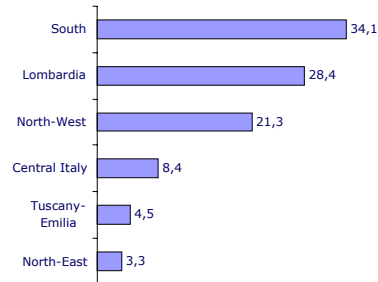
## Customer distribution



## Loans



## Customers

AGENDA

- Overview of the market and SME division
- ✓ Business development guidelines
- Conclusions

## BUSINESS DEVELOPMENT GUIDELINES

1999 – 2002

Redefinition of business model and focus on credit quality by setting homogeneous and selective rules in the credit process

2003 – 2005

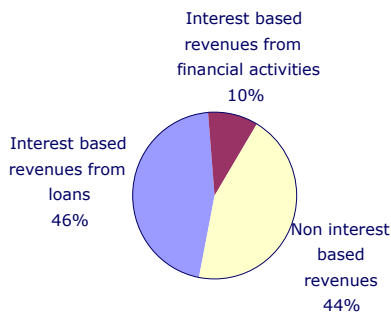
Grow business selectively and leverage on relationships to improve profitability

	OBJECTIVES	ACTIONS	TARGETS
PROFITABILITY	Increase of interest margin on loans	Strengthening of pricing lever	+12% y-o-y (03)
	Increase commission based business	Derivative, forex and trade finance services to appropriate customers	corporate derivatives +300% (02-05)
	Reduce the cost to serve	- increasing of number of clients using 'SPIMI internet banking' - increasing of business volumes through state of art direct banking channels	internet banking users: + 20% y-o-y (03)
VOLUMES	Increase business volumes	Leveraging the strength of the business model: - to broaden customer base - to increase penetration on our best rated customers	4 - 6% (03 – 05, in line with banking industry)
	Development of foreign trade business	- new products tailored to customers - training for account managers - diversification according to country risk	market share on current accounts: + 2% (02-05) (currently 8.5%)

## BUSINESS DEVELOPMENT LEVERS

LEVERS	KEY FEATURES
DISTRIBUTION MODEL	<ul style="list-style-type: none"> <li>Specialized teams and branches focused on SME business</li> <li>Widespread geographical distribution</li> <li>Close cooperation among corporate and retail branches</li> </ul>
TRAINING	<ul style="list-style-type: none"> <li>Around 6 training days per unit staff</li> </ul>
BUSINESS WORKSTATION	<ul style="list-style-type: none"> <li>Analysis of potential profitability</li> <li>Cross / up selling opportunities monitoring</li> <li>Check of portfolio bill book</li> <li>Correct addressing of repricing campaigns</li> </ul>
SANPAOLO GROUP COMPANIES	<ul style="list-style-type: none"> <li>Operational links with Sanpaolo Group companies dealing in leasing, investment banking and private equity</li> </ul>

## REVENUE BREAKDOWN



## VOLUMES

1Q 03 / 1Q 02

Total loans	+ 4.5%
<i>Short term loans</i>	+ 5.5%
<i>M/L term loans</i>	+ 2.5%
M/L term outpayments	+ 60%

## PROFITABILITY

1Q 03 / 1Q 02

Total revenues	+ 10%
<i>Fees on loans and services</i>	+ 17%
Short term m/up	+ 25 b.p.
Long term m/up (vs. 2002 avg.)	+ 1 b.p.

## CONCLUSIONS

- One of the objectives of the Group 3-year business plan is to develop the SME business by leveraging on the Group's strong competitive positioning
- The SME divisional mission is to build on the long term relationships with our large customer base, offering and creating value in a partnership approach to the business.
- Business lever: Specialization
  - ✓ The distribution model is being extended to BdN and will be extended to Cardine
  - ✓ The widening of the service offer to meet the increasing needs of the SME market
  - ✓ The further development of professional competences to enhance the service offering
- 2003 - Despite a difficult operating scenario the ongoing commitment is to grow business volumes in line with the market and increase revenues by 10%.

**Disclaimer:**

***As in most presentations, forward looking statements are made and our actual results may differ from those discussed here. Additional information concerning factors that could cause such a difference can be found in our annual report and other publicly disclosed financial reports.***