

# GRUPPO SANPAOLO IMI

## H1 2005 RESULTS

28th September 2005

## **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.

- IFRS first time adoption
- Overview of results
- P&L breakdown

- Sanpaolo IMI has adopted IAS/IFRS principles as from 01/01/2005.
- The impact of IAS/IFRS First Time Adoption (FTA) has been determined on the basis of all IAS/IFRS homologated by the European Union (including IAS 32 and IAS 39 and IFRS 4). Any variations in the current standards or new standards that should occur during 2005 could modify the quantification of the IAS/IFRS First Time Adoption.
- FTA results in a change to Group consolidation perimeter: AIP and Banka Koper are now fully consolidated, while Cari Forlì which was proportionally consolidated is now carried at equity. Under IFRS 4, the insurance business is consolidated line by line, but, in order to facilitate understanding of the results, in the reclassified consolidated statement of income the insurance revenues are grouped into a single line, called "income from insurance business".
- The Balance Sheet comparison has been made with a full IAS version between the 30/06/05 and 31/12/04.
- The comparison between 2005 and 2004 half-year results has been made with a full IAS version that includes an estimate of IAS 32 IAS 39 (financial instruments) and IFRS 4 (insurance premia) impact for H1 2004.
- Estimates have also been utilised to restate Q1 05 for comparison purposes.
- Half Year Report and IFRS transition are still subject to certification by Pricewaterhouse Coopers.

# POSITIVE IMPACT OF IFRS FTA ON SHAREHOLDERS' EQUITY REFLECTS SOUND AND PRUDENT MANAGEMENT OF THE BALANCE SHEET

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SANPAOLO IMI GROUP	Shareholders' equity as at 01/01/2005
Group Shareholders' equity	11,804
Minority interests	176
<b>Shareholders' equity under Italian GAAP</b>	<b>11,980</b>
Fair value of available for sale securities	260
Revaluation to deemed costs on land and works of art	261
Fair value of derivatives, o.w. non-IAS compliant hedging derivatives	-406
Funds on risks and charges	110
Other impacts	46
<b>Impact:</b>	
Banking	271
Insurance	-12
<b>Total impact</b>	<b>259</b>
<b>Shareholders' equity under IAS/IFRS</b>	<b>12,239</b>
Minority interests	204
<b>Group Shareholders' equity under IAS/IFRS</b>	<b>12,035</b>

Net impact on  
shareholders' equity  
**+259 mln**

## Quality of balance sheet at IFRS FTA a result of:

- Healthy performing loan portfolio profile thanks to excellent risk management skills and tools
- A prudential approach to inherent risk on performing loans with a generic reserve of €1,014 million which, importantly, represents approximately 0.8% coverage of the performing loans or approx. x2 the annual expected loss of the performing loan portfolio
- A proven track record in appropriate setting and provision for coverage of all problem or non-performing loans
- Consistent adjustments of financial assets to their fair value
- Prudential approach repeatedly confirmed in the provisioning for other risks and charges

- IFRS first time adoption

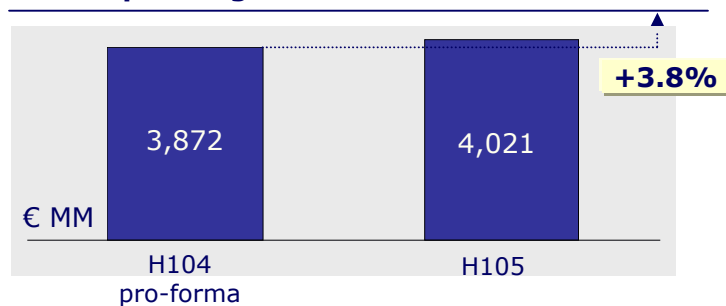
- Overview of results

- P&L breakdown

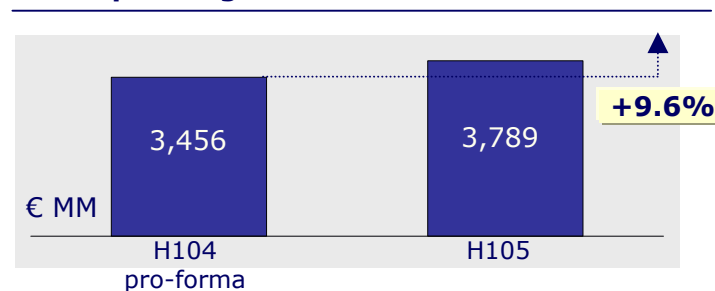
# VERY POSITIVE SET OF HALF YEAR RESULTS

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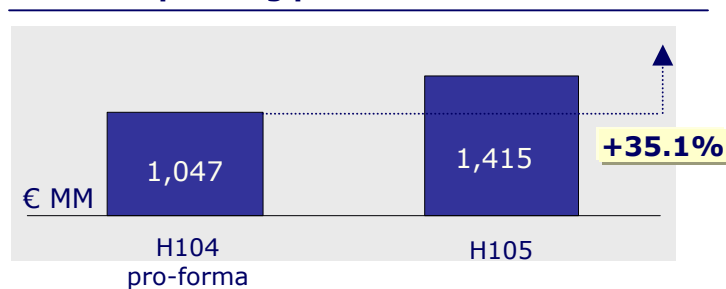
## Total operating income



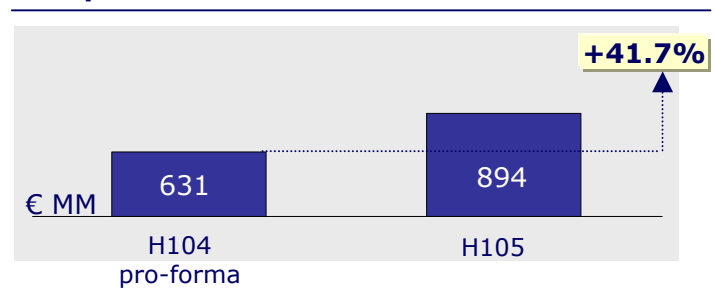
## Net operating income



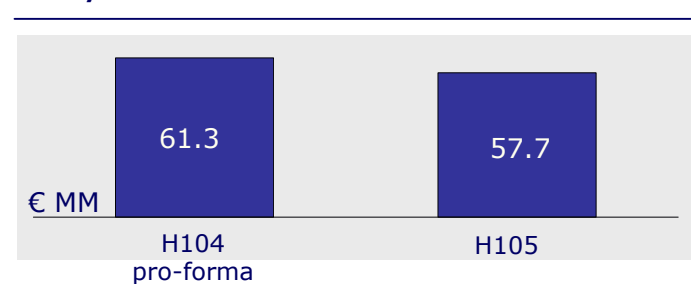
## Pre-tax operating profit



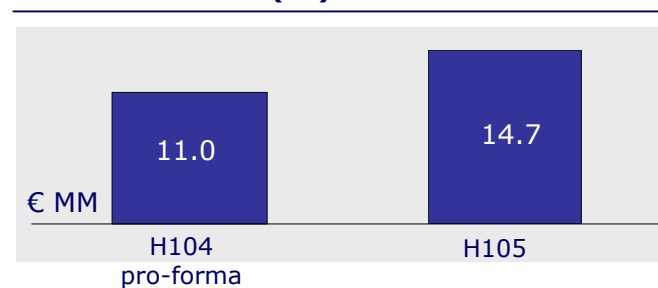
## Net profit



## Cost/Income 1



## Annualised ROE (%)

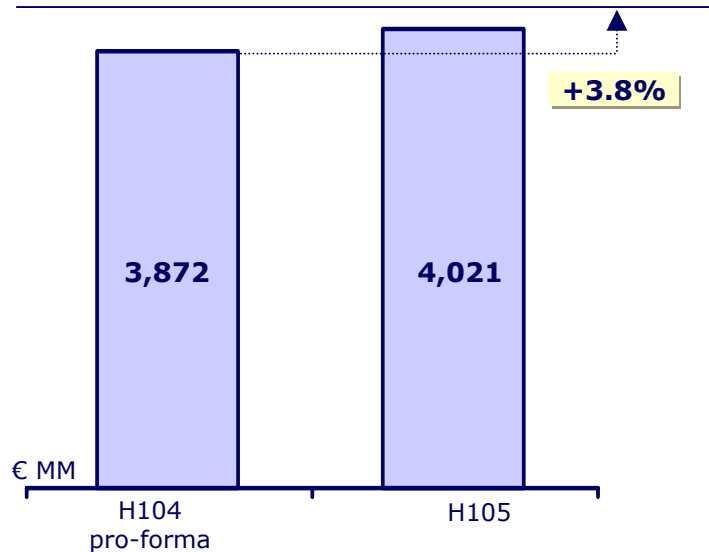


<sup>1</sup> Operating costs /total operating income

# OPERATING INCOME DRIVEN BY STRONG OPERATIONAL TRENDS

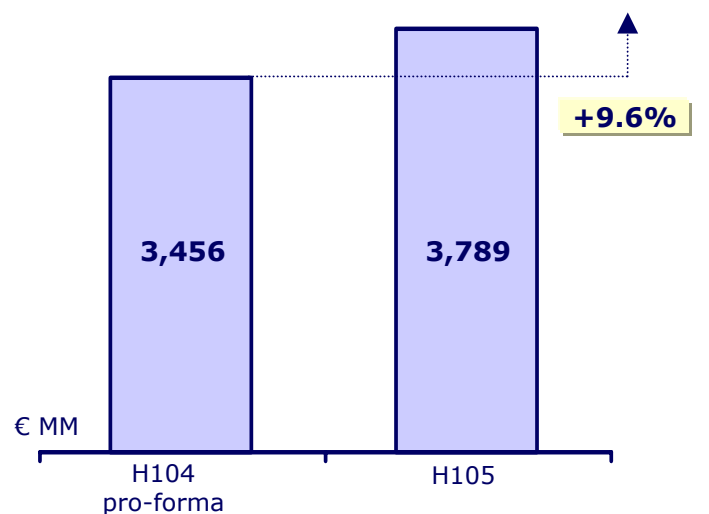
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## Total operating income



€ MM	H105	H104	Var. H105/H104
Net interest income	1,908	1,871	+2.0%
Net commissions	1,613	1,600	+0.8%
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	17	2	n.r.
Dividends and income from other financial assets and liabilities	226	197	+14.7%
Profits on equity shareholdings	75	38	+97.4%
Income from insurance business	182	164	+11.0%
<b>Total operating income</b>	<b>4,021</b>	<b>3,872</b>	<b>+3.8%</b>

## Net operating income



€ MM	H105	H104	Var. H105/H104
Net adjustments to loans	-229	-304	-24.7%
Net adjustments to other financial assets	-3	-112	-97.3%
<b>Net operating income</b>	<b>3,789</b>	<b>3,456</b>	<b>+9.6%</b>

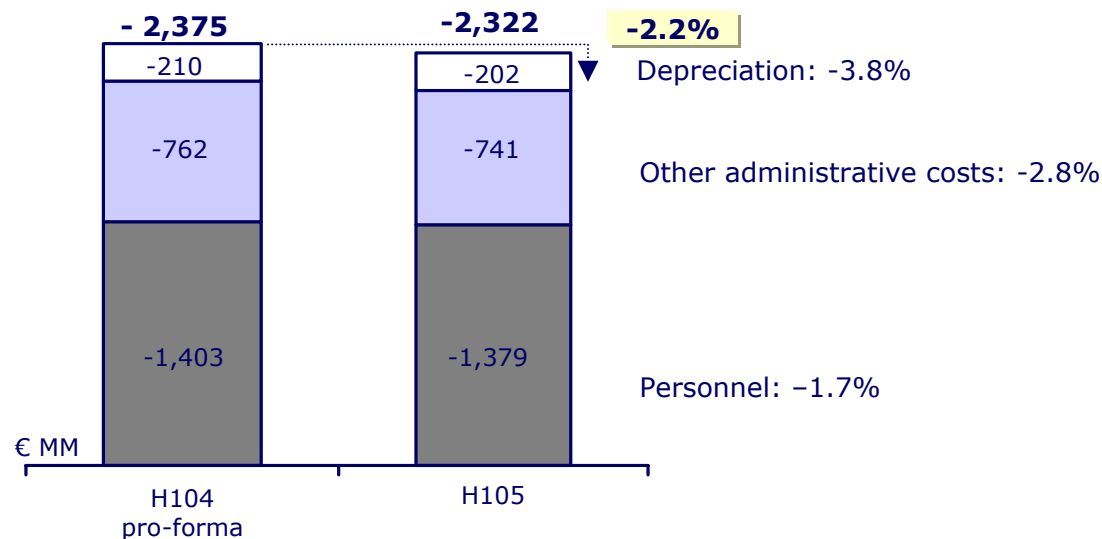


# CONTINUING BENEFITS FROM INTEGRATION PUSH OPERATING COST BASE DOWN

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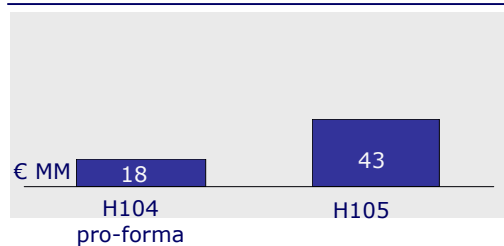
## Operating Costs

- Lower personnel costs as a result of reduced headcount achieved through a fully incentivised early retirement programme more than offsetting the pressure on salaries from the new national banking contract
- IT costs in particular, but also property and related general costs as well as indirect personnel costs all showing the benefit of the integration of the commercial banks
- Lower depreciation thanks to central management of IT investments following integration



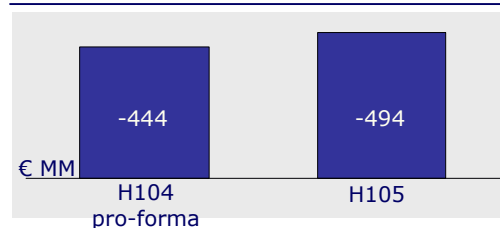
# RESULTING IN SIGNIFICANT BOTTOM LINE GROWTH

## Other net income



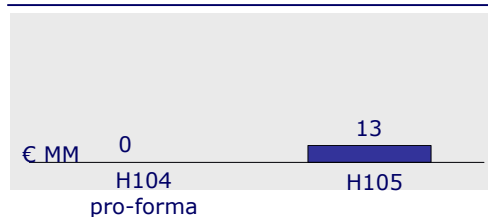
Var. H105/H104  
+138.9%

## Taxes for the period



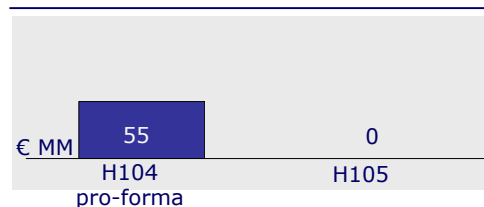
Var. H105/H104  
+11.3%

## Profits from disposals of investments



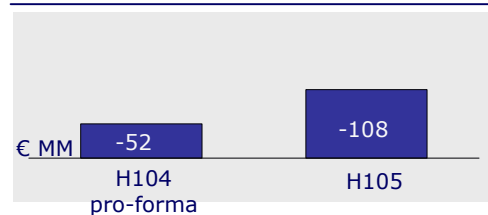
Var. H105/H104  
n.r.

## Profits on discontinued operations



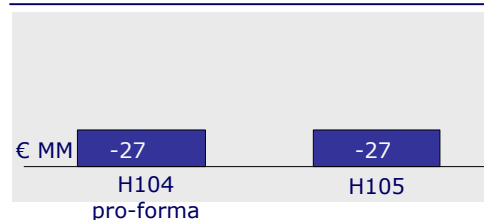
Var. H105/H104  
n.r.

## Net prov. for other risks and charges



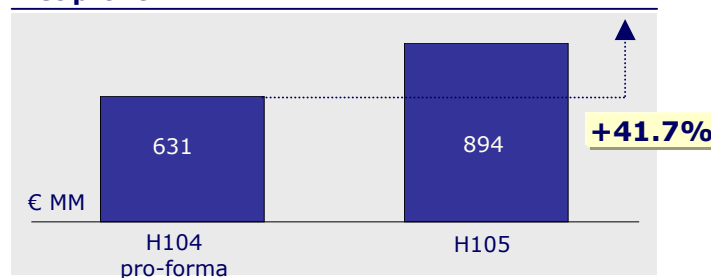
Var. H105/H104  
+107.7%

## Profit attrib. to minority interests

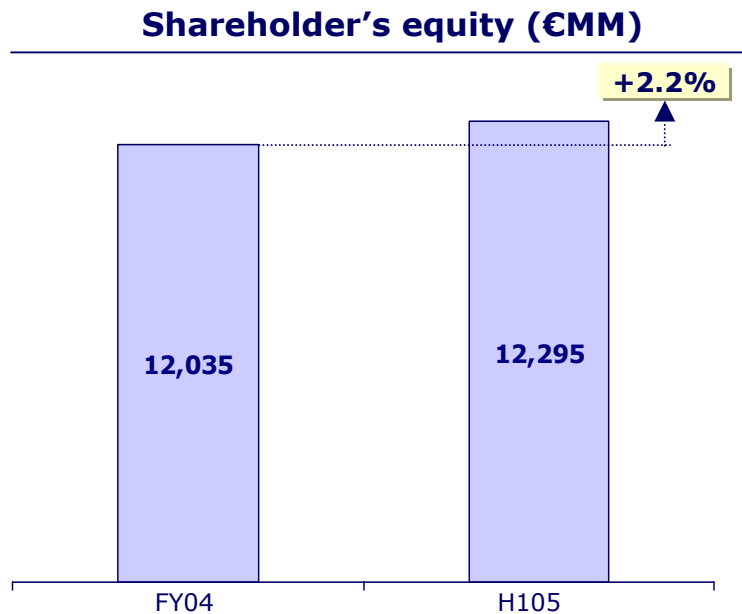


Var. H105/H104  
-

## Net profit



# BALANCE SHEET STRENGTH REPRESENTS A SOLID PLATFORM FOR SUSTAINABLE GROWTH GOING FORWARD

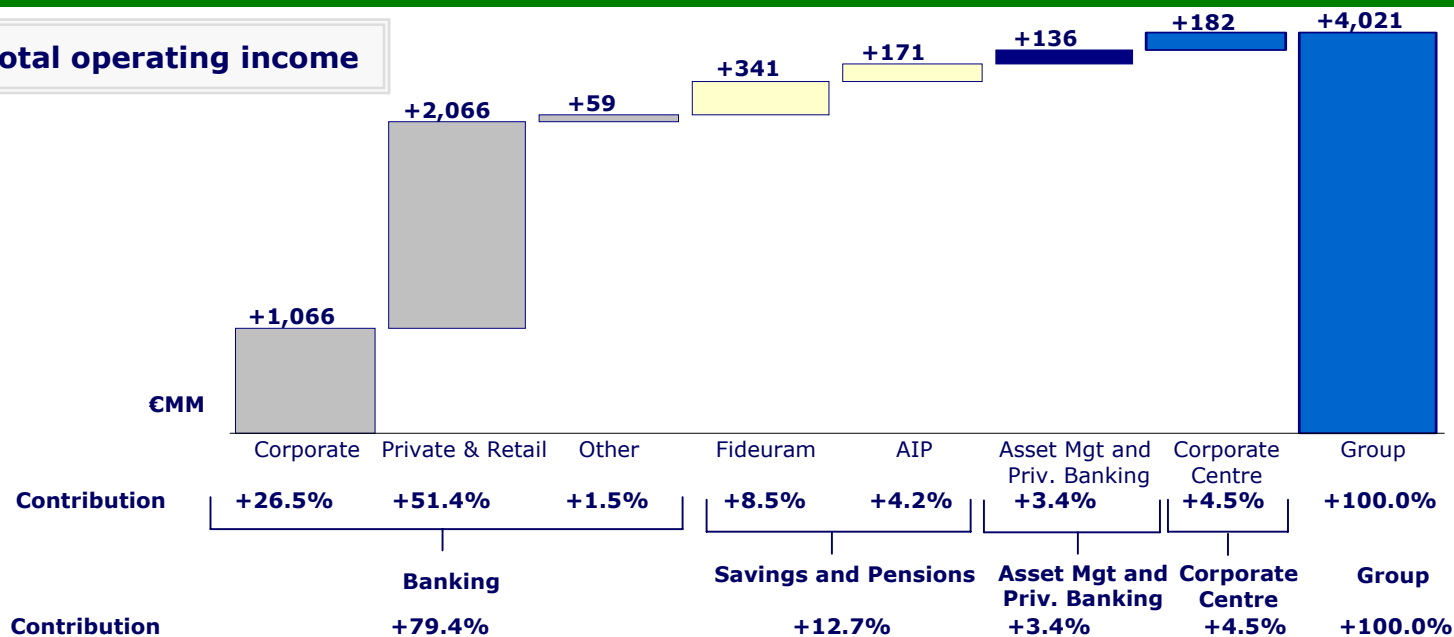


(*)	H105	FY04
<b>Core Tier 1 ratio</b>	7.2%	7.4%
<b>Tier 1 ratio</b>	7.9%	8.1%
<b>Total risk ratio</b>	11.6%	12.0%

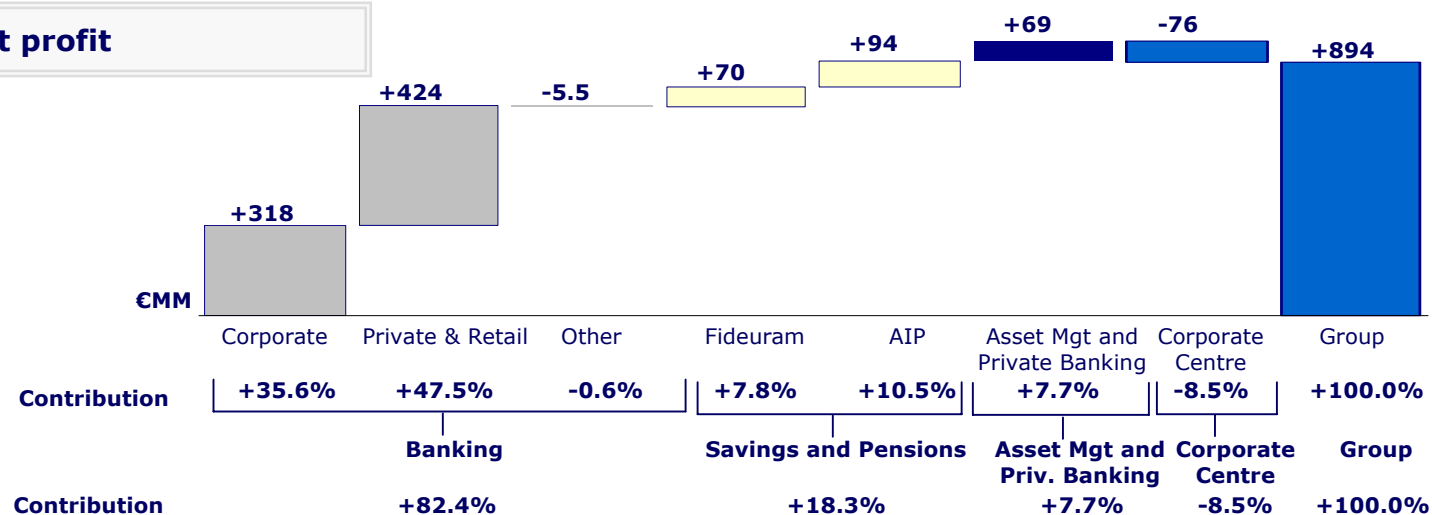
(\*) Capital ratios calculated according to the Italian accounting rules in line with Bank of Italy guidelines changeover calculation using IFRS as from 31 December 2005

# DIVISIONAL BREAKDOWN

## Total operating income



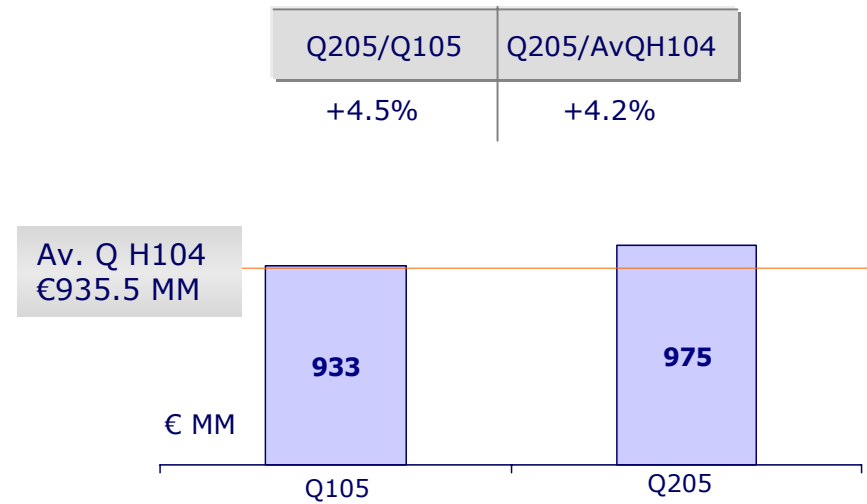
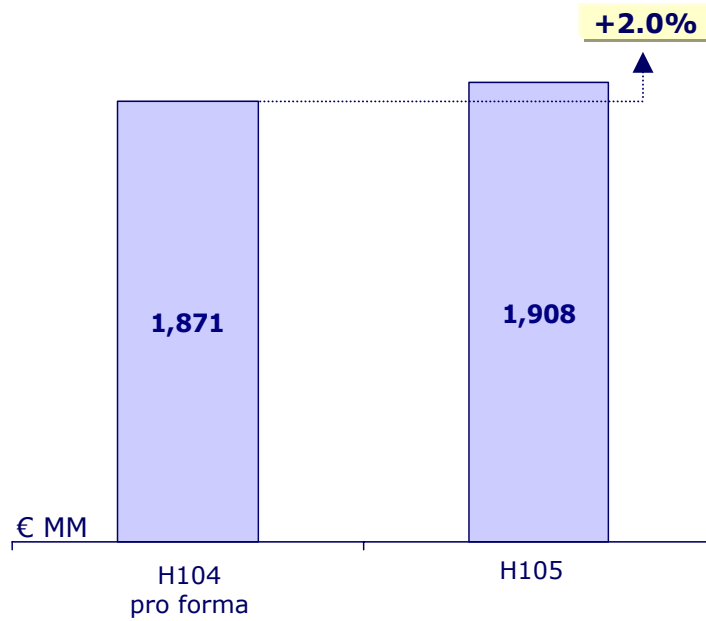
## Net profit



- IFRS first time adoption
- Overview of results
- P&L breakdown

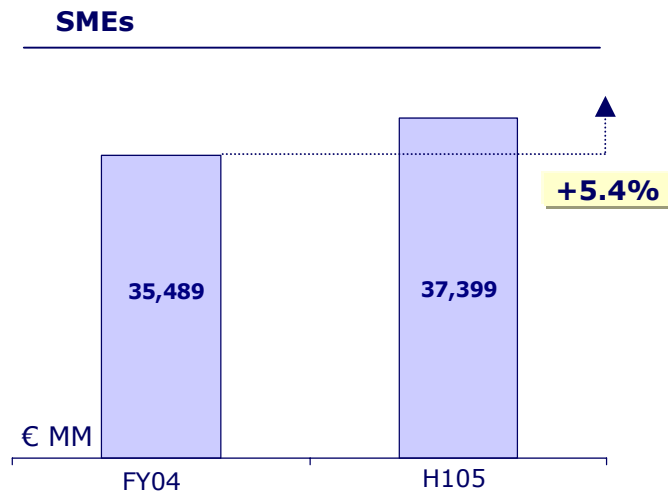
# POSITIVE TREND LINE CONFIRMED IN NET INTEREST INCOME

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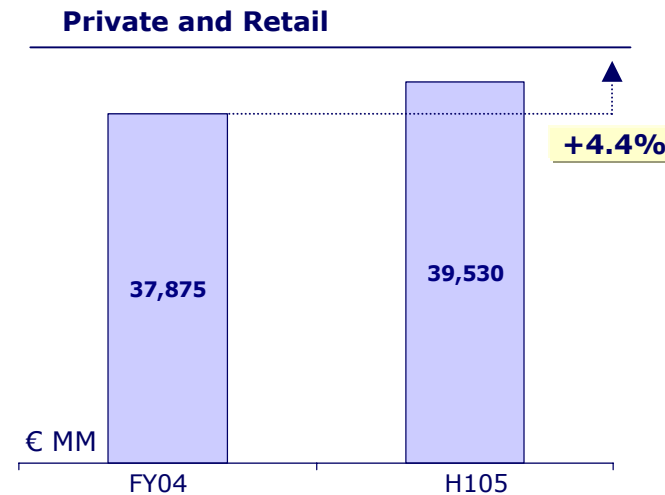


# STRONG OPERATIONAL TRENDS IN LENDING

- Real shift to growth in customer loans creating a powerful revenue driver going forward



SMEs	Stock € MM	Var. year to date
Sanpaolo Area	21,890	+8.2%
Sanpaolo Banco di Napoli and Cardine Areas	15,509	+1.6%

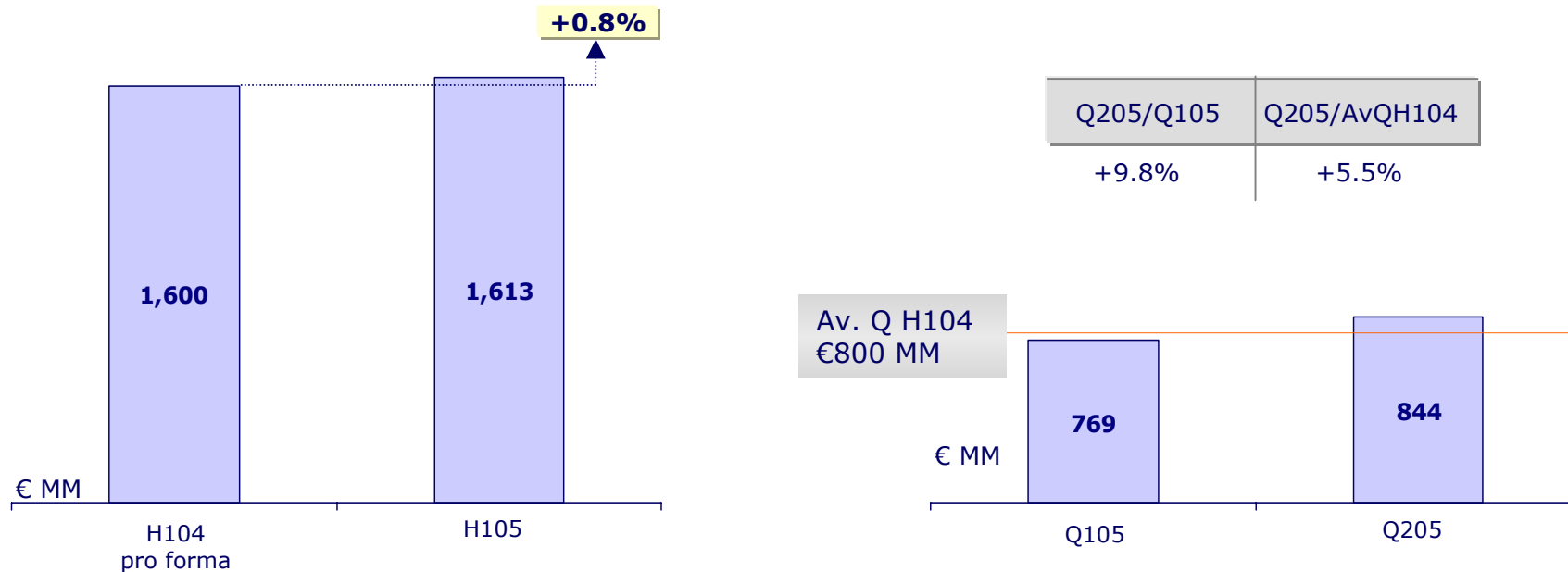


Private and Retail	Stock € MM	Var. year to date
Sanpaolo Area	19,269	+5.5%
Sanpaolo Banco di Napoli and Cardine Areas	20,261	+3.4%

- Asset margins in SME division stable and improving in the retail division despite a difficult operating environment
- Asset quality remains excellent and cost of risk in new SME lending in line with portfolio average

# UNDERSTATED GROWTH IN COMMISSIONS WITH ASSET MANAGEMENT FEES UP 7.2%

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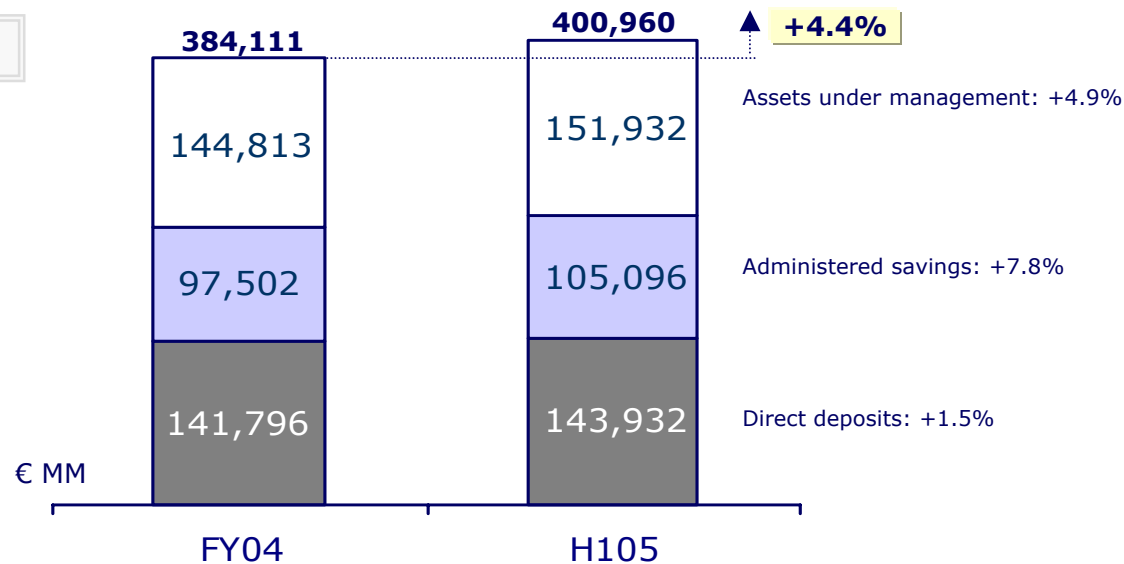


€ MM	H105	H104	Var. H105/H104
<b>Net commissions</b>	<b>1,613</b>	<b>1,600</b>	<b>+0.8%</b>
Management, dealing and advisory services	987	927	+6.5%
▪ <i>asset management</i>	868	810	+7.2%
▪ <i>brokerage and custody of securities and currencies</i>	119	117	+1.7%
Loans and guarantees	164	160	+2.5%
Collection and payment services	125	123	+1.6%
Deposits and current accounts	252	252	-
Other services and net dealing revenues	85	138	-38.4%

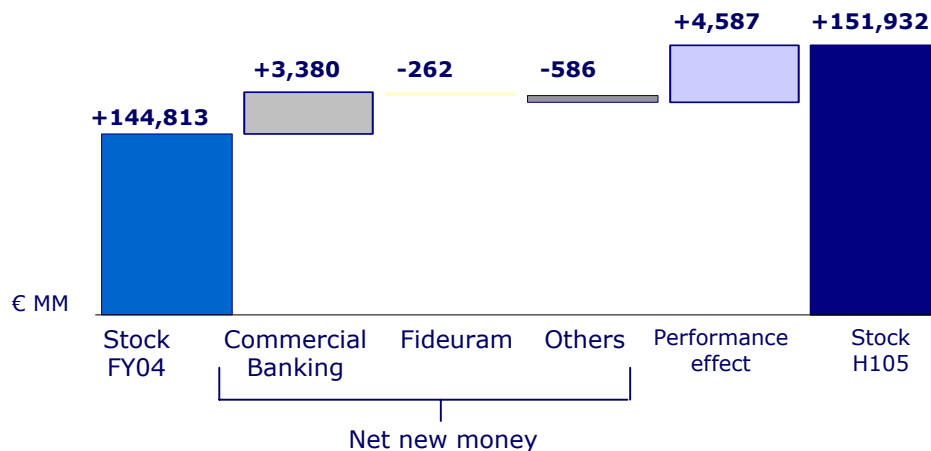


# GOOD GROWTH IN KEY CUSTOMER FINANCIAL AGGREGATE DRIVEN BY STRONG NET INFLOWS FROM COMMERCIAL BANKING

## TFA stock breakdown



## Variations in stock in AUM



# POSITIVE CONTRIBUTION TO GROWTH FROM ALL OPERATING INCOME LINES

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H105	H104	Var.H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var.Q205/ Q105	Var.Q205/ Av. Q H104
17	2	n.r.	Income from credit disposals, asset held to maturity and repurchase of financial liabilities	1	-	17	n.r.	n.r

- Income of 17 mln from the sale in Q2 of NPLs reflecting again the rigorous provisioning policy adopted by the Group

H105	H104	Var.H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var.Q205/ Q105	Var.Q205/ Av. Q H104
226	197	+14.7%	Dividends and income from other financial assets and liabilities	98.5	65	161	n.r.	+63.5%

- Double digit growth driven by an increased contribution from Banca IMI

H105	H104	Var.H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var.Q205/ Q105	Var.Q205/ Av. Q H104
75	38	+97.4%	Profits on equity shareholdings	19	11	64	n.r.	n.r.

- Capital gain realised on sale of 2 private equity stakes in Q2 doubles contribution from profits on equity shareholdings.

# INCREASE IN INSURANCE DIVISION CONTRIBUTION UNDERPINNED BY STRONG ONGOING TRENDS IN CUSTOMER BUSINESS

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H105	H104	Var.H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var.Q205/ Q105	Var.Q205/ Av. Q H104
182	164	+11.0%	Income from insurance business	82	64	118	+84.4%	+43.9%

- Gross premia in H1 05 of 4.9 bln
- Embedded value as at 30 June 05 now estimated at € **2,551** MM

€ MM	H105 stock	FY04 stock	Var. H105/FY04
<b>Total</b>	<b>44,980</b>	<b>40,849</b>	<b>+10.1%</b>
▪ Technical reserves	21,788	19,945	+9.2%
▪ Financial base products	21,650	19,260	+12.4%
▪ <i>Unit linked</i>	10,573	9,712	+8.7%
▪ <i>Index linked</i>	11,077	9,548	+16.0%
▪ Third parties	1,542	1,644	-6.2%

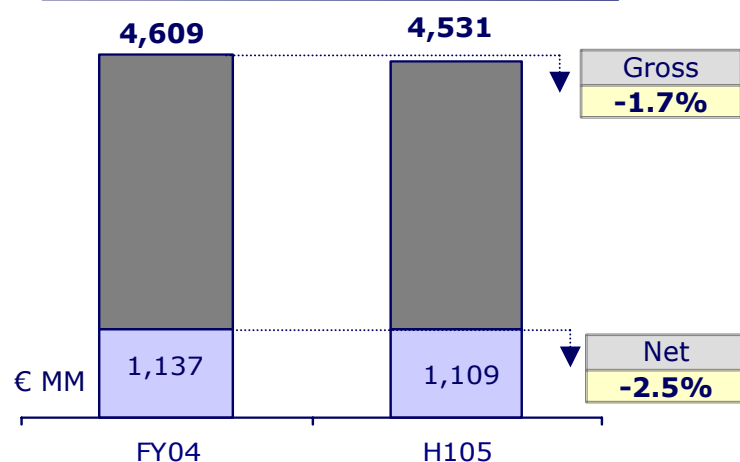
# RIGOROUS PROVISIONING DESPITE SOUND ASSET QUALITY AND CONSERVATIVE COVERAGE ON ALL CREDIT ASSETS

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H105	H104	Var.H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var.Q205/ Q105	Var.Q205/ Av. Q H104
-229	-304	-24.7%	Net adjustment to loans	-152	-87	-142	+63.2%	-6.6%

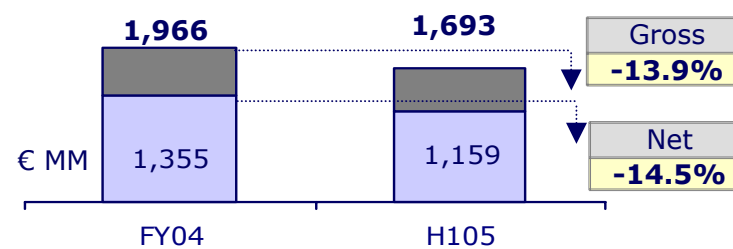
- Specific adjustments to credits in H105 only 86 mln down from 260 mln in H104
- Further generic provision of 143 mln charged to increase reserve to 1,014 million or around 2x the average cost of risk of the performing loan portfolio
- NPL ratio down to 0.8% from 0.9% FY04

## NPLs



Coverage at 30/ 06/05: 75.52% +19 bps

## Problem and restructured loans (\*)



Coverage at 30/ 06/05: 31.54% +46 bps

H105	H104	Var.H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var.Q205/ Q105	Var.Q205/ Av. Q H104
-3	-112	-97.3%	Net adjustment to other financial assets	-56	-1	-2	+100.0%	-96.4%

(\*) i.e. Finanziamenti incagliati e ristrutturati

# EFFICIENCY LEVEL IMPROVING AS A RESULT OF BOTH INTEGRATION BENEFITS AND TIGHT COST DISCIPLINE

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H105	H104	Var. H105/H104	€ MM	Av. Q H104	Q105	Q205	Var. Q205/Q105	Var. Q205/Av.QH104
-2,322	-2,375	-2.2%	<b>Operating costs</b>	-1187.5	-1,165	-1,157	-0.7%	-2.6%
-1,379	-1,403	-1.7%	Personnel costs	-701.5	-705	-674	-4.4%	-3.9%
-741	-762	-2.8%	Other administrative costs	-381	-362	-379	+4.7%	-0.5%
-202	-210	-3.8%	Net adjustments to tangible and intangible assets	-105	-98	-104	+6.1%	-1.0%

## Detail on other administrative costs:

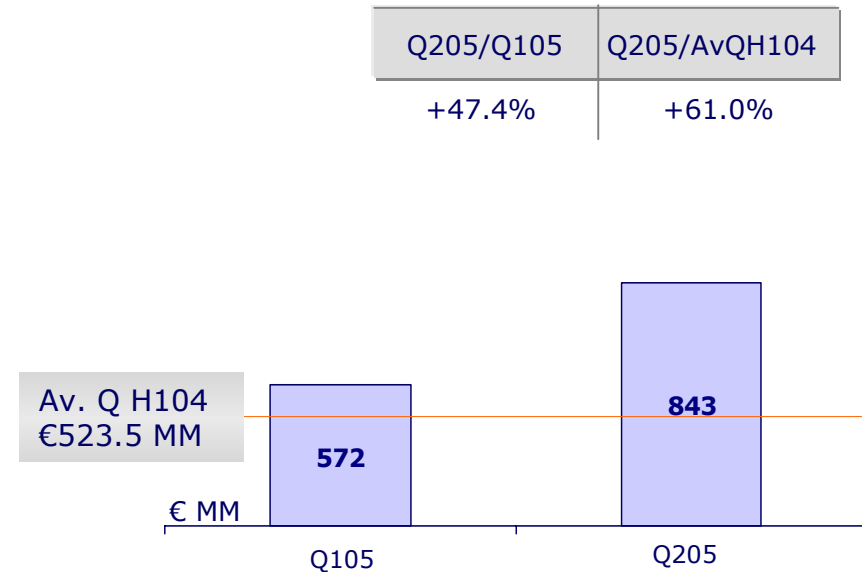
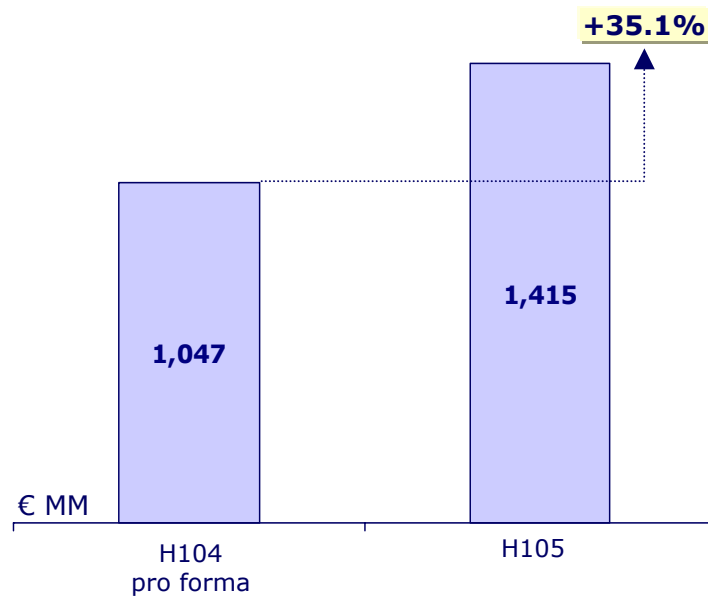
€ MM	H105	H104	Var. H105/H104
▪ <i>IT costs</i>	-188	-207	-9.2%
▪ <i>Real estate costs</i>	-141	-147	-4.1%
▪ <i>General expenses</i>	-124	-125	-0.8%
▪ <i>Professional and insurance fees</i>	-152	-138	+10.1%
▪ <i>Utilities</i>	-42	-44	-4.5%
▪ <i>Promotion, advertising and marketing expenses</i>	-51	-41	+24.4%
▪ <i>Indirect personnel costs</i>	-47	-50	-6.0%
▪ <i>Indirect duties and taxes</i>	-156	-132	+18.2
▪ <i>Recovery of expenses</i>	160	122	+31.1%

# POSITIVE AND ACCELERATING TRENDS IN BUSINESS PERFORMANCE UNDERLYING SIGNIFICANT IMPROVEMENT IN PRE-TAX OPERATING PROFIT

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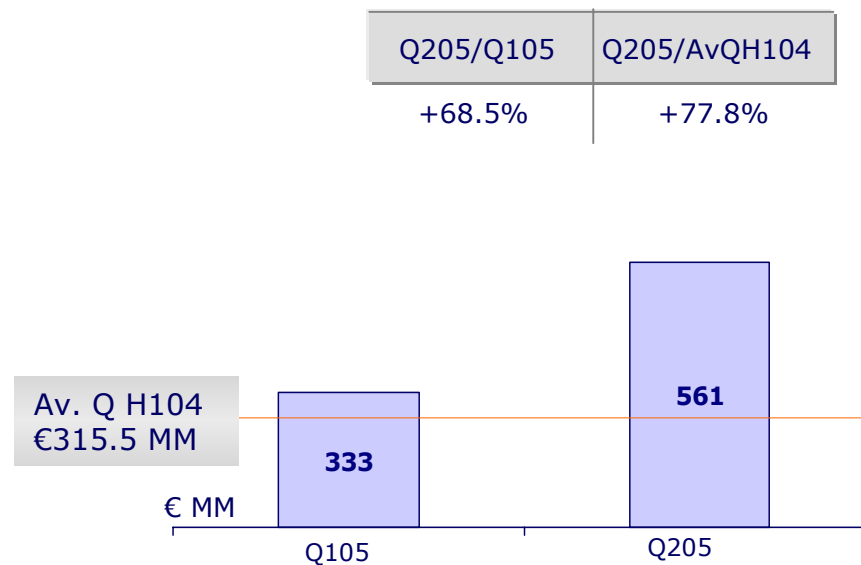
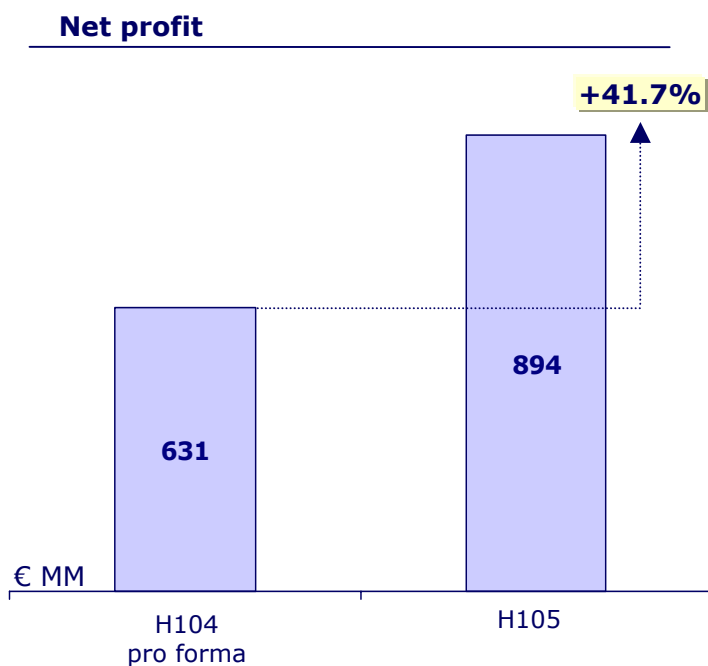
H105	H104	Var. H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var. Q205/ Q105	Var. Q205/ Av. Q H104
43	18	+138.9%	Other net income	9	11	32	n.r.	n.r.
-	-	-	Impairment of goodwill	-	-	-	-	-
13	-	n.r.	Profits from disposals of investments	-	-	13	n.r.	-
-108	-52	+107.7%	Net provisions for other risks and charges	-26	-28	-80	n.r.	n.r.

## Pre- tax operating profit



# RECORD HALF YEAR PROFITS

H105	H104	Var. H105/ H104	€ MM	Av. Q H104	Q105	Q205	Var. Q205/ Q105	Var. Q205/ Av. Q H104
1,415	1,047	+35.1%	Pre-tax operating profit	523.5	572	843	+47.4%	+61.0%
-494	-444	+11.3%	Taxes for the period	-222	-224	-270	+20.5%	+21.6%
-	55	n.r.	Profits on discontinued operations	-27.5	-	-	-	-
-27	-27	-	Profit attributable to minority interests	-13.5	-15	-12	-20.0%	-11.1%
<b>894</b>	<b>631</b>	<b>+41.7%</b>	<b>Net profit</b>	<b>315.5</b>	<b>333</b>	<b>561</b>	<b>+68.5%</b>	<b>+77.8%</b>



- The Group is uniquely placed in the challenging domestic market
  
- After doubling its distribution capacity in the core domestic banking business Sanpaolo has just completed a period of integration in tough market conditions. This integration coupled with the undoubted strength of the Group balance sheet can now be used to fully leverage the key commercial strengths of the bank:
  - A very strong and locally focused branch network
  - Excellent risk management culture and competences
  - Specialist skills in wholesale banking
  
- H105 results are a tangible sign that the Group is responding well



# APPENDIX

# P&L ITALIAN GAAP

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H105	H104	Var. H105 H104 (%)	MM Euro	Q204	Q105	Q205	Var.Q205 Q105 (%)	Var.Q205 Q204 (%)
<b>1,794</b>	<b>1,811</b>	<b>-0.9%</b>	<b>NET INTEREST INCOME</b>	<b>907</b>	<b>879</b>	<b>915</b>	<b>4.1%</b>	<b>0.9%</b>
1,678	1,602	4.7%	Net commissions and other net dealing revenues	817	779	899	15.4%	10.0%
254	195	30.3%	Profits and losses from financial transactions and dividends on shares	114	131	123	-6.1%	7.9%
166	191	-13.1%	Profits from companies carried at equity and dividends from shareholdings	102	53	113	n.r.	10.8%
<b>3,892</b>	<b>3,799</b>	<b>2.4%</b>	<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>1,940</b>	<b>1,842</b>	<b>2,050</b>	<b>11.3%</b>	<b>5.7%</b>
-2,229	-2,258	-1.3%	Administrative costs	-1,143	-1,115	-1,114	-0.1%	-2.5%
-1,353	-1,388	-2.5%	- <i>personnel</i>	-695	-691	-662	-4.2%	-4.7%
-719	-738	-2.6%	- <i>other administrative costs</i>	-380	-350	-369	5.4%	-2.9%
-157	-132	18.9%	- <i>indirect duties and taxes</i>	-68	-74	-83	12.2%	22.1%
193	159	21.4%	Other operating income, net	83	87	106	21.8%	27.7%
-199	-207	-3.9%	Adjustments to tangible and intangible fixed assets	-107	-98	-101	3.1%	-5.6%
<b>1,657</b>	<b>1,493</b>	<b>11.0%</b>	<b>OPERATING INCOME</b>	<b>773</b>	<b>716</b>	<b>941</b>	<b>31.4%</b>	<b>21.7%</b>
-64	-72	-11.1%	Adjustments to goodwill and merger and consolidation differences	-37	-34	-30	-11.8%	-18.9%
-263	-365	-27.9%	Provisions and net adjustments to loans and financial fixed assets	-215	-114	-149	30.7%	-30.7%
<b>1,330</b>	<b>1,056</b>	<b>25.9%</b>	<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>521</b>	<b>568</b>	<b>762</b>	<b>34,2%</b>	<b>46.3%</b>
65	72	-9.7%	Net extraordinary income	13	3	62	n.r.	n.r.
<b>1,395</b>	<b>1,128</b>	<b>23.7%</b>	<b>INCOME BEFORE TAXES</b>	<b>534</b>	<b>571</b>	<b>824</b>	<b>44.3%</b>	<b>54.3%</b>
-454	-402	12.9%	Income taxes for the period	-212	-218	-236	8.3%	11.3%
-	-	-	Change in reserves for general banking risks	-	-	-	-	-
-29	-35	-17.1%	Income attributable to minority interests	-17	-16	-13	-18.7%	-23.5%
<b>912</b>	<b>691</b>	<b>32.0%</b>	<b>NET INCOME</b>	<b>305</b>	<b>337</b>	<b>575</b>	<b>70.6%</b>	<b>88.5%</b>

# DETAIL ON NET CUSTOMER LOANS IN BANKING

27

€MM	Stock H105	Var. H105/FY04
<b>BANKING</b>	<b>123,607</b>	<b>+4.5%</b>
▪ Corporate	79,415	+5.5%
▪ SMEs	37,399	+5.4%
▪ International Corporate	6,103	+19.4%
▪ Large Groups	6,542	+1.9%
▪ Banca OPI	20,026	+3.8%
▪ Other companies	9,345	+4.2%
▪ Banca IMI	2,793	+12.7%
▪ Structured Finance	1,413	+0.2 %
▪ Private Equity	11	-21.4%
▪ Leasint	5,128	1.2%
▪ Private and Retail	43,724	+4.6%
▪ Private and Retail	39,530	+4.4%
▪ Other companies	4,194	+7.1%
▪ Neos	4,033	+7.5%
▪ Farbanca	161	-3.0%
▪ Other banking activities	468	-62.1%

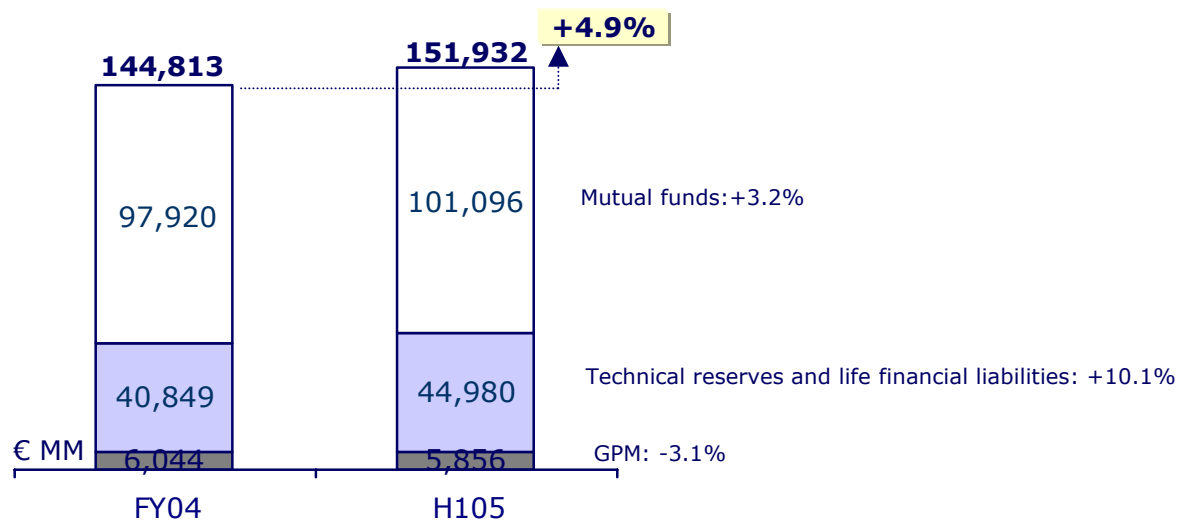
## DETAIL ON ASSETS UNDER MANAGEMENT

28

€ MM	H105 stock	H105 flows	H105 performance	Net change year to date
<b>TFA</b>	<b>400,960</b>	<b>+10,034</b>	<b>6,815</b>	<b>+16,849</b>
AUM	151,932	+2,532	+4,587	+7,119
▪ <i>Life assurance</i>	44,980	+2,840	+1,291	+4,131
▪ <i>Mutual funds</i>	101,096	+190	+2,986	3,176
▪ <i>GPM</i>	5,856	-498	+310	-188
Administered	105,096	5,366	2,228	7,594
Direct deposits	143,932	2,136	-	2,136

# DETAIL ON ASSETS UNDER MANAGEMENT

29



€ MM	H105 Flows				H105 Stock	
	Life assurance	Mutual funds	GPM	Total	Total	Var.H105/ FY04
<b>Sanpaolo (*)</b>	2,129	343	-17	<b>2,455</b>	<b>84,677</b>	<b>+5.7%</b>
<b>North East Network</b>	683	743	-500	<b>926</b>	<b>14,483</b>	<b>+11.3%</b>
<b>Fideuram</b>	143	-451	48	<b>-260</b>	<b>47,487</b>	<b>+2.5%</b>
<b>Other</b>	-115	-445	-29	<b>-589</b>	<b>4,925</b>	<b>-3.0%</b>
<b>Total</b>	<b>2,840</b>	<b>+190</b>	<b>-498</b>	<b>2,532</b>	<b>151,932</b>	<b>+4.9%</b>

(\*) Includes Sanpaolo Network, Sanpaolo Banco di Napoli and BPA

## DETAIL ON MUTUAL PORTFOLIO COMPOSITION

30

€ MM	H105	FY04
▪ Equity	25.2%	24.8%
▪ Balanced	8.6%	8.0%
▪ Bond	45.7%	44.0%
▪ Money	20.5%	23.2%
Mutual funds stock	100.0%	100.0%

**Market share: 19.3%** as of June 2005

# QUALITATIVE COMPOSITION OF THE LOAN PORTFOLIO

31

€ MM	H105					
	Gross exposure	Var. H105/FY04	Total adjustments	Net exposure	Var. H105/FY04	Coverage
<b>Doubtful loans</b>	7,406	-4.0%	4,099	3,307	-5.6%	55.35%
▪ <b>Non-performing loans</b>	4,531	-1.7%	3,422	1,109	-2.5%	75.52%
▪ <b>Problem and restructured loans</b>	1,693	-13.9%	534	1,159	-14.5%	31.54%
▪ <b>Loans to countries at risk</b>	39	+8.3%	10	29	+11.5%	25.64%
▪ <b>180 days past due loans</b>	1,143	+3.5%	133	1,010	+2.3%	11.64%
▪ <b>Non performing securities</b>	-		-	-	-	-
<b>Performing loans</b>	130,032	+5.2%	1,014	129,018	+5.2%	0.78%
<b>Total loans</b>	137,556	+4.7%	5,113	132,443	+4.9%	3.72%