

BUSINESS PLAN 2006-2008

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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.

- Group strategy and business plan objectives
- Banking activity business plan

1999-2002

- Priority on building core retail banking assets
 - Increasing the capital allocated to the retail business
 - Increasing the contribution from retail banking to the net income
 - Increasing the customer base and improving its geographical distribution
- Developing the distribution of the banking branch network
 - More than doubling the number of retail branches
 - Excellent geographical coverage through the branch footprint
- Refocusing the loan portfolio
 - Reduction of Banco di Napoli large corporate exposure and disposal of Banco di Napoli foreign activity
 - Reduction of concentration in the portfolio
 - Refocus the loan book to increase portfolio exposure to core commercial banking business from 58% to 70%
- Developing the asset gathering business

2003-2005

- Focus on core banking assets
 - Integrating the branch banking network
 - Extending the Sanpaolo branch distribution model
- Right-sizing the cost base
 - Optimising staffing levels in domestic banking by reducing headcount by 1,800
 - Cost savings through adoption of Group target operating platform
 - Efficiencies through concentration and centralisation
- Optimising the business portfolio
 - Rationalisation and strengthening competitive positioning in:
 - Asset gathering
 - Insurance
 - Asset management
 - Consumer banking
 - International business
 - Public finance
- Portfolio management
 - active and efficient management of the shareholding portfolio
 - > nearly €450 mln net benefit from disposal and adjustments of portfolio holdings
 - Healthy portfolio of shareholdings

Good results in difficult circumstances 2002-2005

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- Despite a difficult macro scenario

GDP growth (%)	2003	2004	2005
Real	0.4	1.0	-0.1*
Original forecast	1.5	2.2	2.5

Av. ECB policy rates (%)	2003	2004	2005
Real	2.3	2.0	2.0
Original forecast	3.0	3.8	4.4

- Despite the impact of integration

- 88,000 training days
- 27,000 working days in employee tutoring, 2,533 employees assisted their colleagues during the roll-outs
- Substitution of 7% of branch and customer managers through incentivised early retirement
- €150 mln investments relative to integration realised by MOI (o.w. €38 mln in 2002)
- IT Dept. working days on integration
 - Internal resources: 44,000 (33,000 for BdN**, 11,000 for Cardine)
 - External resources: 115,000 (91,000 for BdN**, 24,000 for Cardine)

- Despite external shocks

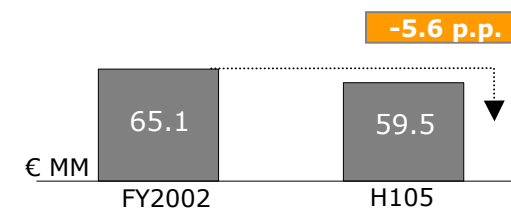
- Cirio, Parmalat, Argentina

* SANPAOLO IMI estimate

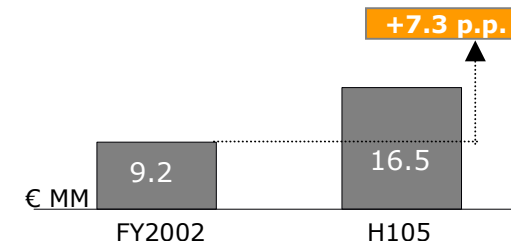
** This data takes into consideration efforts made in 2002

€MM (***)	CAGR 2005-2002
Operating income	> 10.0%
Net income	> 25.0%

Cost/Income (%) (***)



Annualised ROE (%) (***) (****)

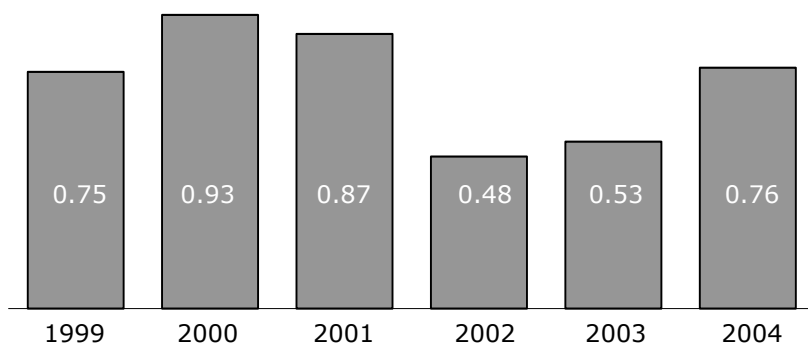


*** Data according to the Italian GAAP principles

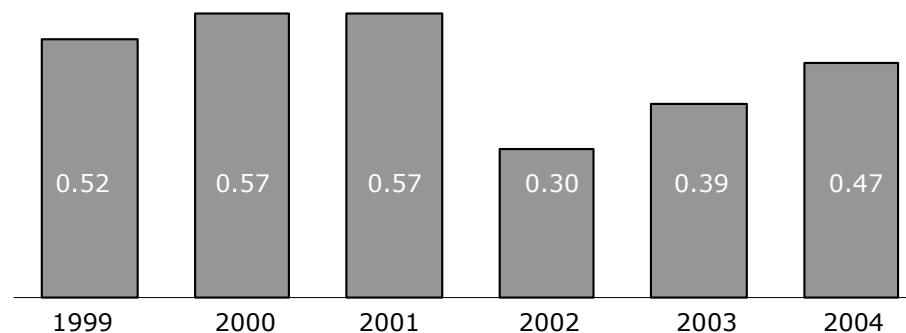
**** Calculated using new ROE methodology: net profit/ shareholder's equity excluding net profit for the current year. H105 data according to Italian Gaap principles

Solid track record in value creation

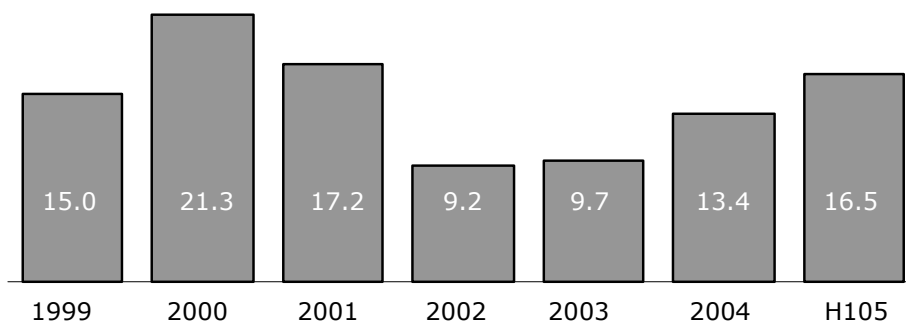
EPS (€)



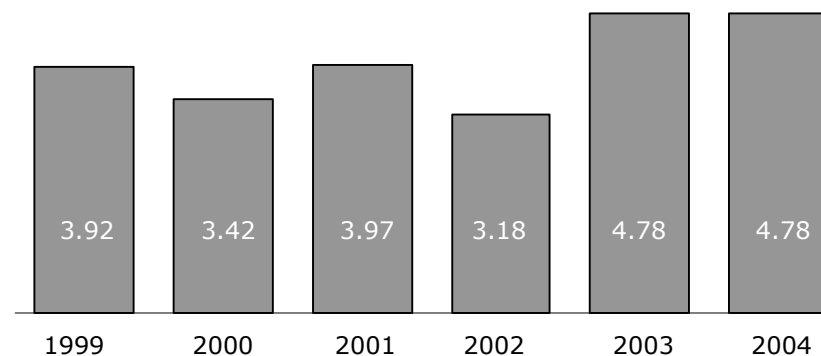
Dividend (€)



ROE (%) **



Dividend/Yield (%) *



*Dividend Yield calculated on average annual share price

** Calculated using new ROE methodology: net profit/shareholder's equity excluding net profit for the current year. H105 data according to Italian Gaap principles

Positive impact of IFRS FTA on shareholder's equity reflects sound and prudent management of the balance sheet

SANPAOLO IMI GROUP	Shareholders' equity as at 01/01/2005
Group Shareholders' equity	11,804
Minority interests	176
Shareholders' equity under Italian GAAP	11,980
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
Impact:	
Banking	271
Insurance	-12
Total impact	259
Shareholders' equity under IAS/IFRS	12,239
Minority interests	-204
Group Shareholders' equity under IAS/IFRS	12,035

FY04	
Core Tier 1 ratio	7.4%
Tier 1 ratio	8.1%
Total risk ratio	12.0%

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
- 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
- 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

The mission of Sanpaolo IMI Group is to create value for shareholders with a view to long term sustainability and in the context of constant, responsible attention to the company's various stakeholders

CUSTOMERS

Focus on customer relationship

- Customer care: stay close to our customers and meet their needs
- Openness to dialogue: customer satisfaction surveys
- Transparent guidelines and policies to strengthen the relationship with customers
- Simplification of banking processes and products
- Focus on sustainable financial products

EMPLOYEES

Focus on employee welfare and development

- Improving quality: attract, retain and enhance human capital through training and incentivisation
- Ensuring equal opportunities in the workplace
- Providing flexibility in contractual conditions (e.g. working hours and maternity leave)
- Improving internal communication and dialogue
- Incentive schemes linked to long term value
- Promoting ethical values throughout the Bank

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SHAREHOLDERS

Sustainable value creation

- Commitment to value creation while preserving the excellent asset quality and the solid capital ratios, maintaining a corporate governance model in line with the best international standards

COLLECTIVITY AND ENVIRONMENT

Focus on community support and involvement

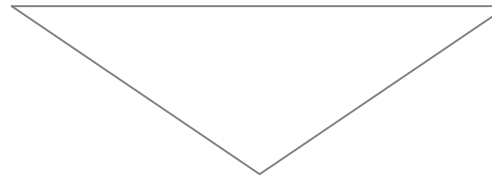
- Supporting local communities through specific projects
- Developing social and migrant banking
- Direct involvement in local communities through participation in consultative committees
- Initiatives aimed at environmental protection

Ongoing commitment to excellence:

- Excellent quality of assets
- Solid capital ratios and active capital management
- Disciplined cost control
- High brand recognition and customer satisfaction
- Quality of employees

Discontinuity in operating growth:

- Increase market shares
- Leverage on the potential from recent integrations
- Align commercial performance to internal best practice
- Introduce new service models for all customer sub-segments
- Adopt strategic projects for high potential growth sectors



Achieve leadership in the Italian market in terms of sustainable revenue growth

Drivers	CAGR 2005-2008
■ TFA	+6.0%
■ Loans	+9.4%

Limits	
■ Core Tier 1 ratio	~ 7%
■ Costs	0% in real terms
■ Cost of credit to finance growth	+4bps (on portfolio model)

Targets	2008
■ Pre-tax operating profit	4.1 bln
■ Net profit	2.5 bln
■ ROE	18%
■ Cost/ income	52%

	2008				
	Group	Banking activity	Asset Management and IPB	Savings and Pensions	Corporate Centre
■ Net profit (€ bln)	2.5	2.1	0.2	0.4	-0.2
■ ROE /RORAC (%)	18	19	n.r.	21	n.r.
■ Cost / income (%)	52	48	33	43	n.r

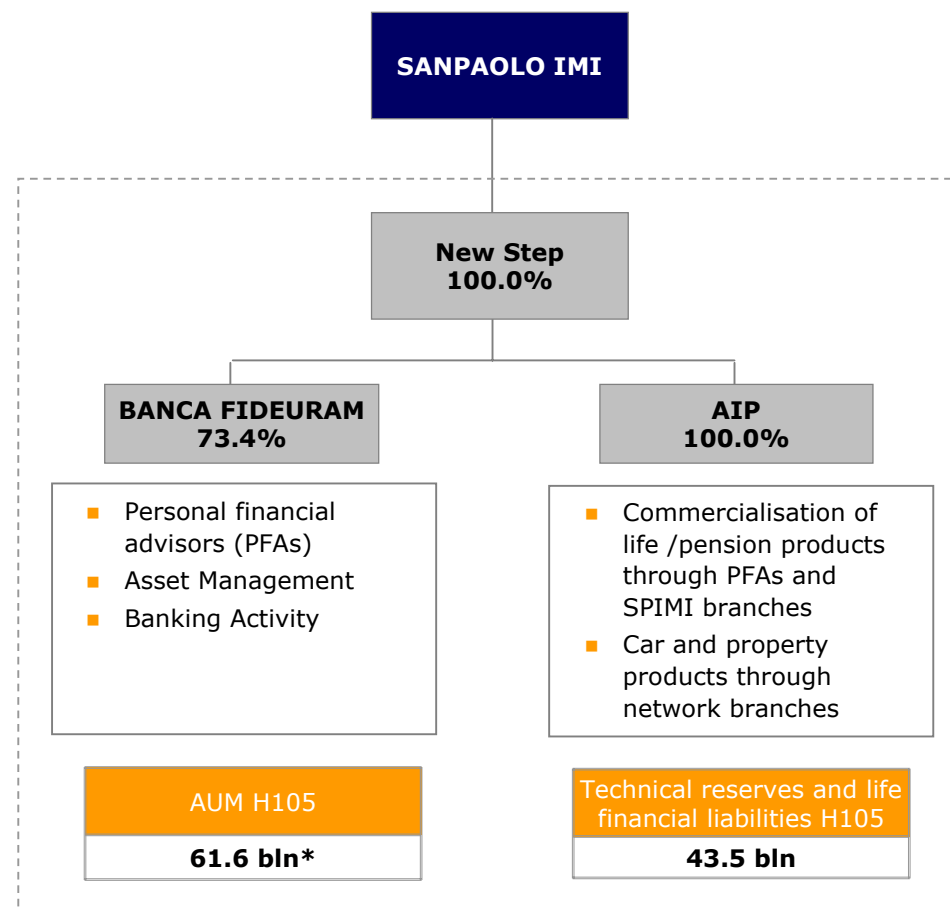
(*) The estimates do not include the extraordinary and not recurrent items

(**) The Corporate Centre has a negative pre-tax operating profit, therefore the negative sign indicates an improvement

Structure as at October 2005

Savings and Pensions

- December 2004: start-up of AIP through the integration of captive insurance companies into a single vehicle and creation of the biggest bancassurance company in Italy
- October 2005: set up of New Step realised through the spin-off of Sanpaolo IMI shareholdings in Fideuram and AIP, in order to achieve further integration
- A new business plan will be presented by the end of H1 2006



*Of which €12.9 bln of life reserves managed by AIP

- Structural transformations
 - Increased propensity for pension saving for the private sector
 - Re-allocation of current and future savings flows towards longer term needs
- Customers with more sophisticated needs
 - Need for an enriched and integrated product offering in order to cover a broader range of risks
 - Pricing will become increasingly competitive
 - Need to integrate channels and manage technologies flexibly
- Legislative changes
 - Greater transparency on financial products
 - Welfare reform and potential transfer of savings flows towards pillar II and pillar III pension plans



- AUM*: € 127 bln (€ 113 bln on issued products)
- Market Share*: 11.9% on Mutual Funds
12.3% on Total Assets

OBJECTIVES

Product innovation

**Asset Management
Internationalisation**

**Platform Upgrade &
Rationalisation**



ACTIONS

- Absolute Return Funds
- New Alternative Investments & Real Estate Products
- Life Cycle & Dynamic Asset Allocation products
- "Traditional" product range (ie vs benchmark) rationalisation

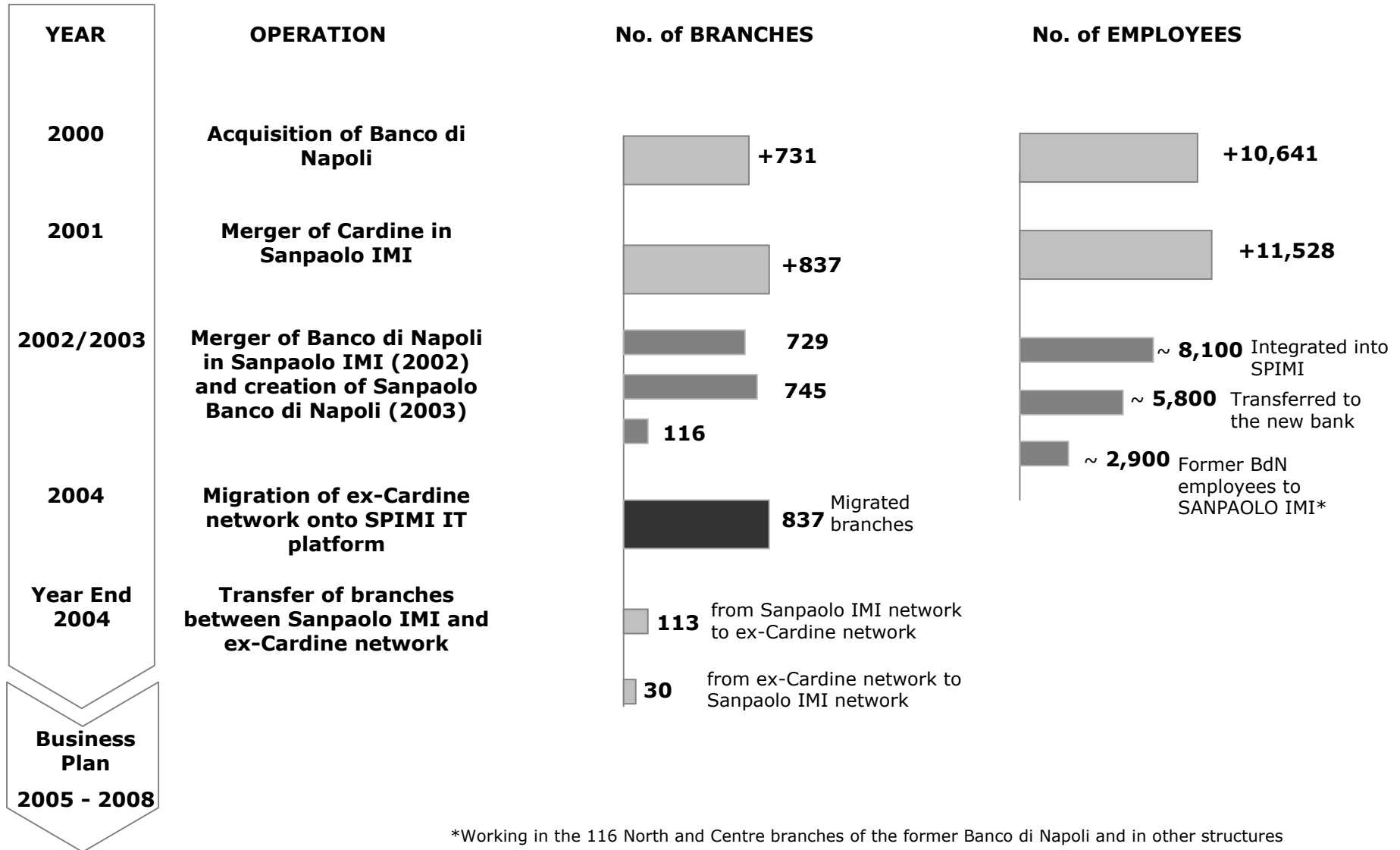
- New international management centres and JVs
- Strengthening of the commercial team to access extra captive customers (both domestic and international)
- Set up of local offices in Asia & Latin America

- Radical upgrade of IT architecture
- Set up of a Derivatives & Hybrid Product unit
- Focus on α generation through new investment approach, rewarding systems, organizational structure
- Merger of Sanpaolo Institutional AM in Sanpaolo Asset Management to achieve scale & scope economies

(*) Data as of 09/2005

- Group strategy and business plan objectives
- Banking activity business plan
 - Sanpaolo IMI: the beginning of a new phase
 - Our distinctive business model: the Italian Local Bank
 - A strategy of attack focused on revenues
 - An innovative plan, built collectively
 - Defined action plan to reach objectives
 - Disciplined by clear risk and cost control
 - Conclusions

Sanpaolo IMI has been through a period of great change



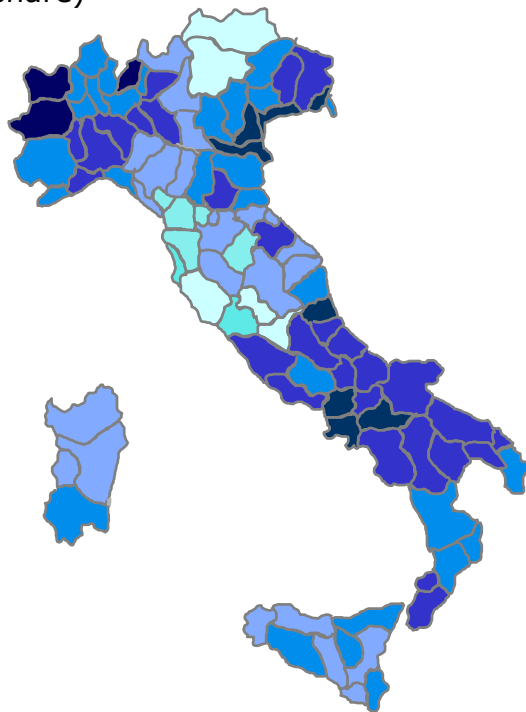
*Working in the 116 North and Centre branches of the former Banco di Napoli and in other structures

Today the Bank is ready to start a new phase

- The integration has now been completed
- The branch network is well structured
- The best geographical footprint in Italy

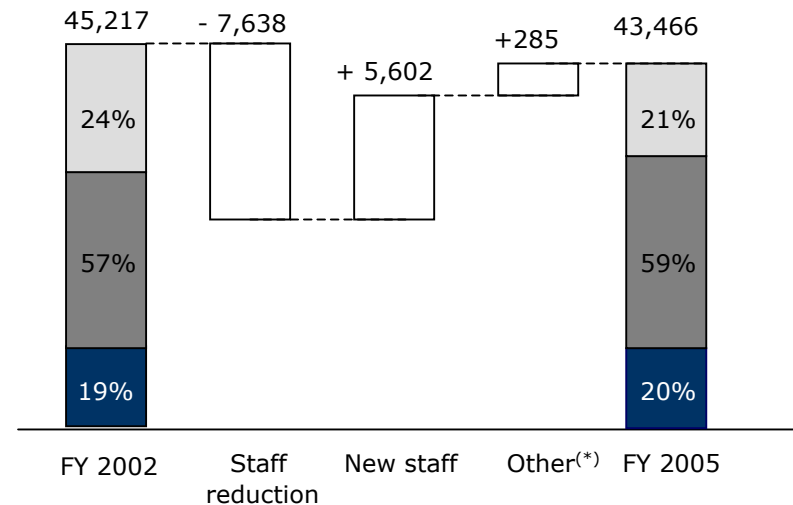
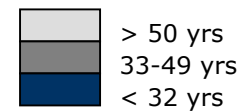
- Organisational structure is defined
- Generational turnaround in staff base has been completed

Branch network (market share)



- $\geq 20\%$
- $\geq 12\% - < 20\%$
- $\geq 5\% - < 12\%$
- $\geq 2\% - < 5\%$
- $\geq 1\% - < 2\%$
- $< 1\%$

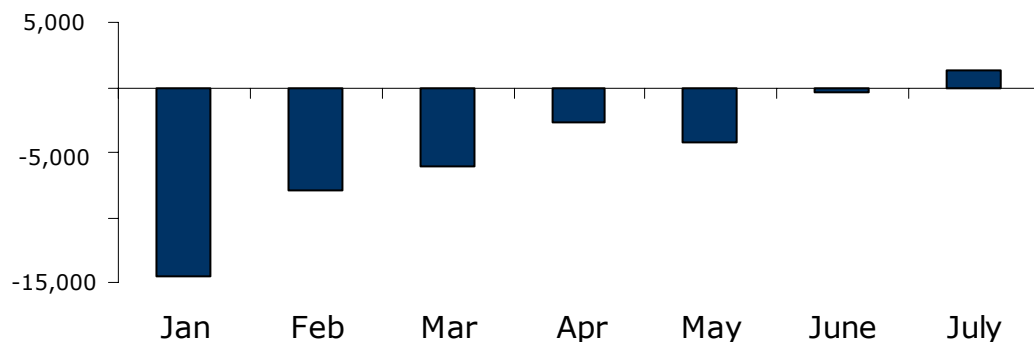
Generational turnaround (at Group level)



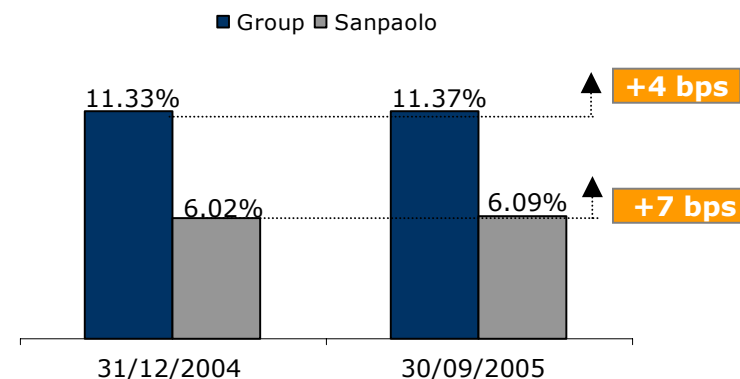
(*) Net changes in perimeter
Perimeter and data according to Italian Gaap rules

The first results in this new phase are starting to come through

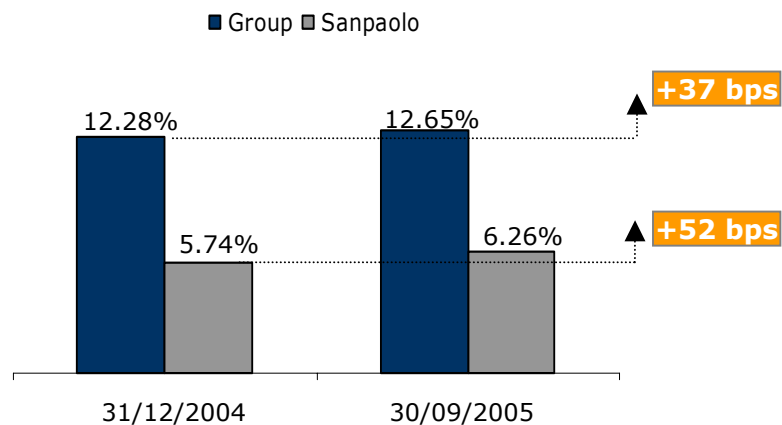
Retail customer flows



Evolution of customer deposit market share*



Evolution of loan market share*



Δ mark up 30/09/05-31/12/04

	SANPAOLO IMI	System
Households	0.26	-0.06
SMEs	0.02	-0.14

(*) Source: market shares based on sample of banks providing ten day reports to Bank of Italy

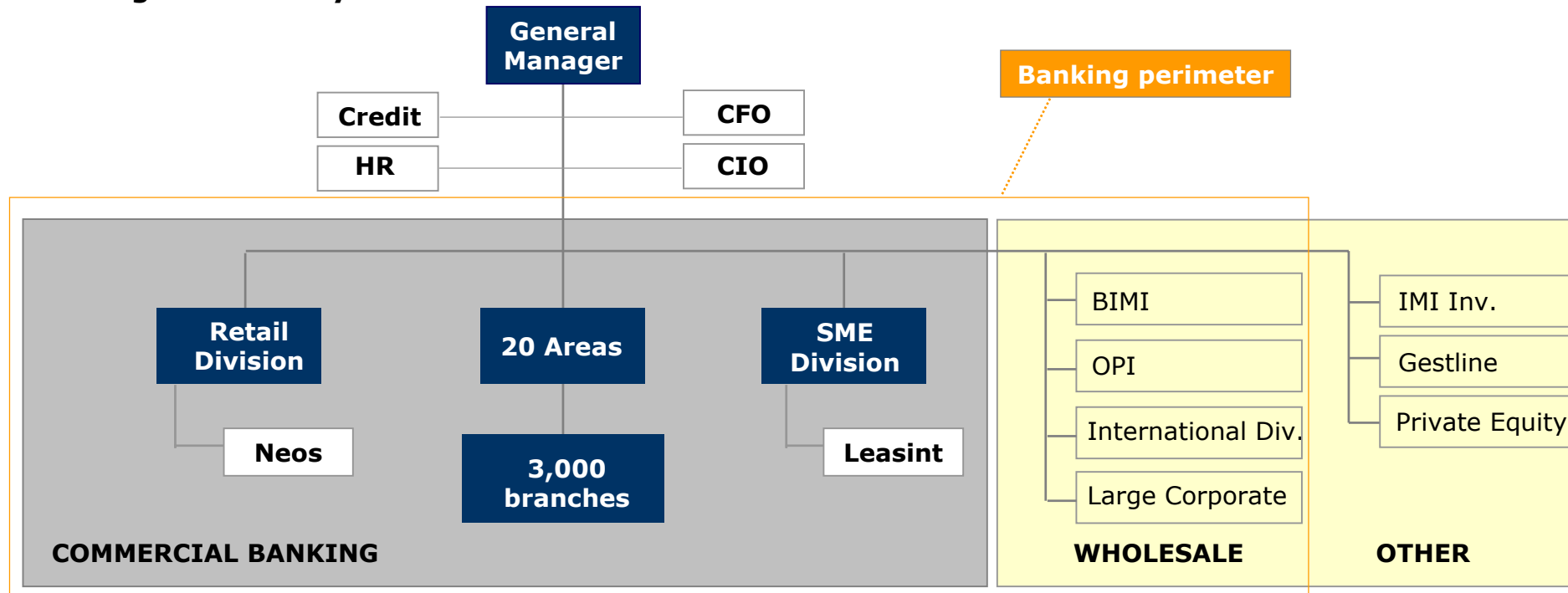
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"THE Italian Local Bank"

- A tradition of strong local ties to the local areas
- The decision to leverage on this competitive advantage
- An awareness of the need to adapt the governance structure to ensure:
 - Speed / Efficiency
 - Commercial effectiveness
- Fully coherent with differing local business scenarios

Our distinctive business model

The governance system



The organisation of THE Italian Local Bank:

- Making the area managers fully responsible for their areas, which are in effect local banks
- Reinforcing the link between corporate centre and areas (area managers reporting directly to the GM and take part in the Management Committee)
- Only one hierarchical level between GM and branches
- Clearly identifying the retail and SME divisions as product and service centres
- Strengthening the relationship between the commercial bank and specialist wholesale providers

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€ MM	H105	2005*	2008	CAGR 2005-2008	Δ € 2008-2005
■ Total operating income	3,191	6,432	8,214	+8.5%	+1.782
■ Net adjustments to loans **	-229	-490	-705	+12.9%	-215
■ Operating costs	-1,752	-3,659	-3,919	+2.3%	-260
- Personnel	-1,033	-1,944	-2,106	+2.7%	-162
- Other admin. costs and depreciation	-719	-1,715	-1,813	+1.9%	-98
■ Pre-tax operating profit	1,213	2,240	3,541	+16.5%	+1,301
■ Net income	737	1,372	2,085	+15.0%	+713
■ <i>Allocated capital</i>	8,088	8,197	10,739	+9.4%	+2,542
■ RORAC	18.2%	16.7%	19.4%		+2.7%
■ <i>Cost / income</i>	54.9%	56.9%	47.7%		-9.2%

(*) Estimated numbers for normalised revenues (i.e. excluding non recurrent items)

(**) Net of the recovery realised by the Corporate Centre

A strategy of attack driven by strong growth in key operating aggregates

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€ MM	CAGR 2008-2005	Market share 2005	Market share 2008
TFA for retail and private clients	+5.0%	10.0%	10.6%
Total loans	+10.4%	9.8%	11.3%
■ Private and Retail	+9.7%	7.9%	8.2%
■ SMEs	+10.2%	6.9%	8.5%
■ Neos	+19.3%	5.0%*	6.7%*
■ Leasint	+12.9%	5.6%	6.5%
■ Wholesale **	+9.5%	n.r.	n.r.

* Market share calculated on new lending

** Not including Banca IMI repos

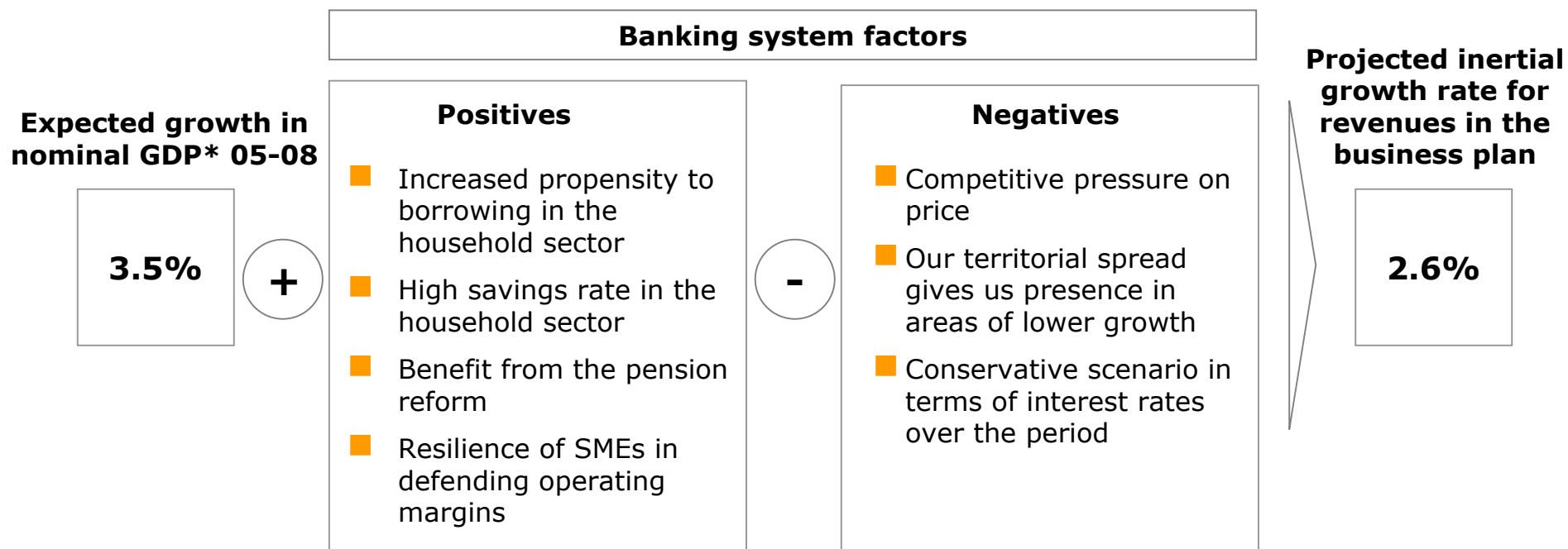
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A strategy of attack:

- complete
- accountable
- highly innovative

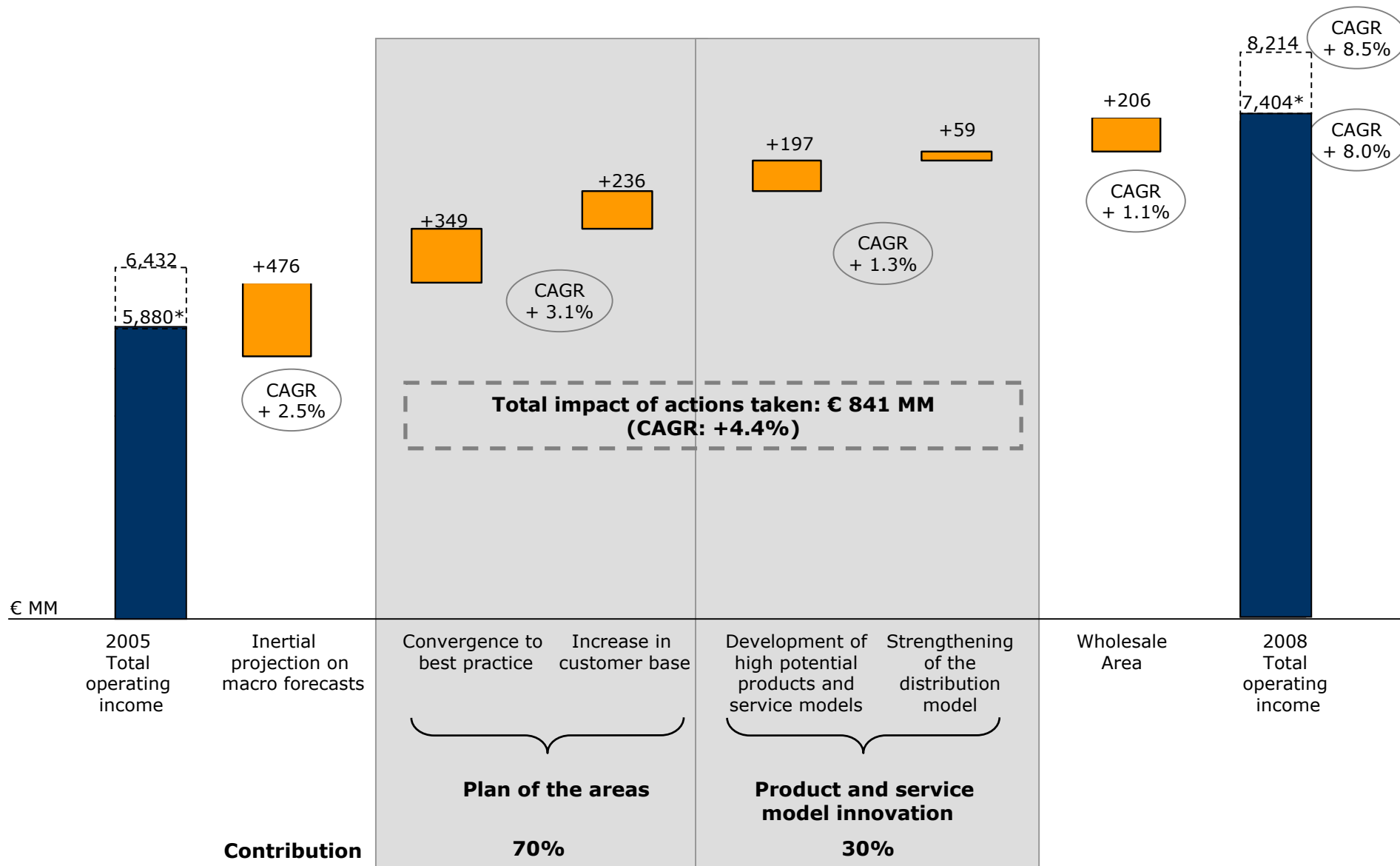


- Based on a moderate macro economic forecasts
- Capitalising on a distinctive model which enables a meaningful collective contribution
- Exploiting the potential for product and processes innovation
- Benefiting from the increasing contribution of the Wholesale area



* Source: SPIMI estimates

Macro-components of the plan for the Banking Activity



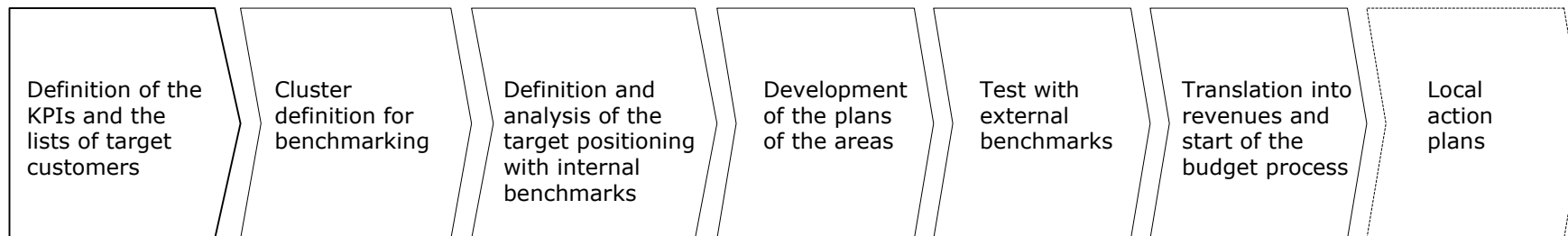
* Management reporting numbers of Commercial Banks and wholesale activity

The plan of the areas has two key drivers

- Convergence of the different areas toward internal best practice which taps the unexploited revenue reserve
- Increasing the customer base

Built with the full participation of the branch network, it is the sum of 20 business plans:

- **More credible** because all goals and objectives shared from the outset
- **Lower execution risk** thanks to full and clear accountability, as well as diversification by area and segment
- **Greater managerial flexibility** to changing local scenario and specific critical situations



Roles involved

Divisions Areas Areas Areas Divisions Divisions Areas / Divisions

Completed products

Retail:

16 product families for 4 segments

Corporate:

6 performance indicators

Definition of target cluster

Creation of specific benchmarks for each area

Breakdown of KPI targets to market and branches

Analysis at micro market level
Market share benchmarking

Draw up both the business plan and the budget

Result:

Volume and revenue growth deriving from convergence:

- penetration rates
- retention rates
- asset mix in funds
- share of wallet
- market shares

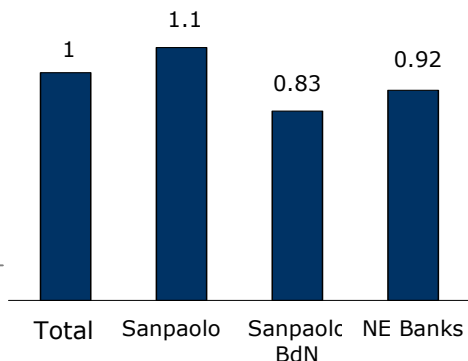
Plan of the Areas: competences and accountability

Shows principle responsibility assigned for initiatives

Areas	Commercial banking divisions	HR division	IT	
Convergence towards best practice	<p>To implement</p> <ul style="list-style-type: none"> To plan and act on main area gaps Realignment towards best practices 	<p>To implement</p> <ul style="list-style-type: none"> Introducing best practice actions To strengthen commercial governance To improve customer contact rates 	<p>To action</p> <p>To focus on the allocation of talented manager resources</p>	<p>To develop tools for multi-channel systems and for front-end productivity</p>
Increase the customer base	<p>To implement</p> <ul style="list-style-type: none"> Increase the customer base Adopt new marketing strategies 	<p>To support</p> <ul style="list-style-type: none"> Set guidelines Strengthen brand recognition 	<p>To action</p> <p>To focus on the allocation of talented management resources</p>	
Development of high growth products	<p>To distribute new products</p>	<p>To action</p> <ul style="list-style-type: none"> Develop new products Strengthen the role of product specialists 	<p>To introduce products specialists</p>	<p>To develop tools for multi-channel systems and for front-end productivity</p>
Strengthening of distribution model	<ul style="list-style-type: none"> To open new branches To apply the wholesale banking model to SME division 	<p>To action</p> <ul style="list-style-type: none"> Identify new branch opening opportunities To develop direct channels To develop a service model for SMEs 	<p>To identify new resources</p>	<p>To develop the direct channel infrastructures</p>

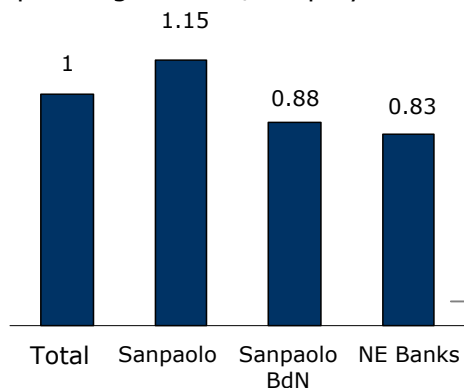
Plan of the Areas: productivity gaps between the banks

2005 index:
operating income/ household clients



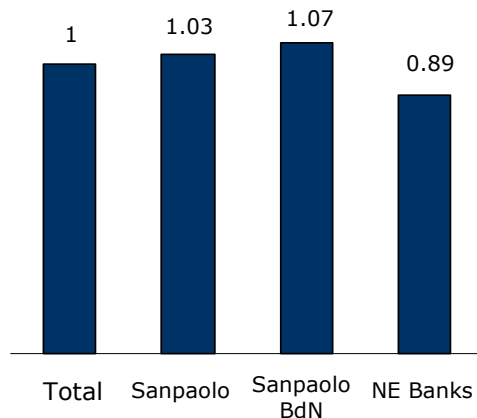
Household customers

2005 index:
operating income / employees

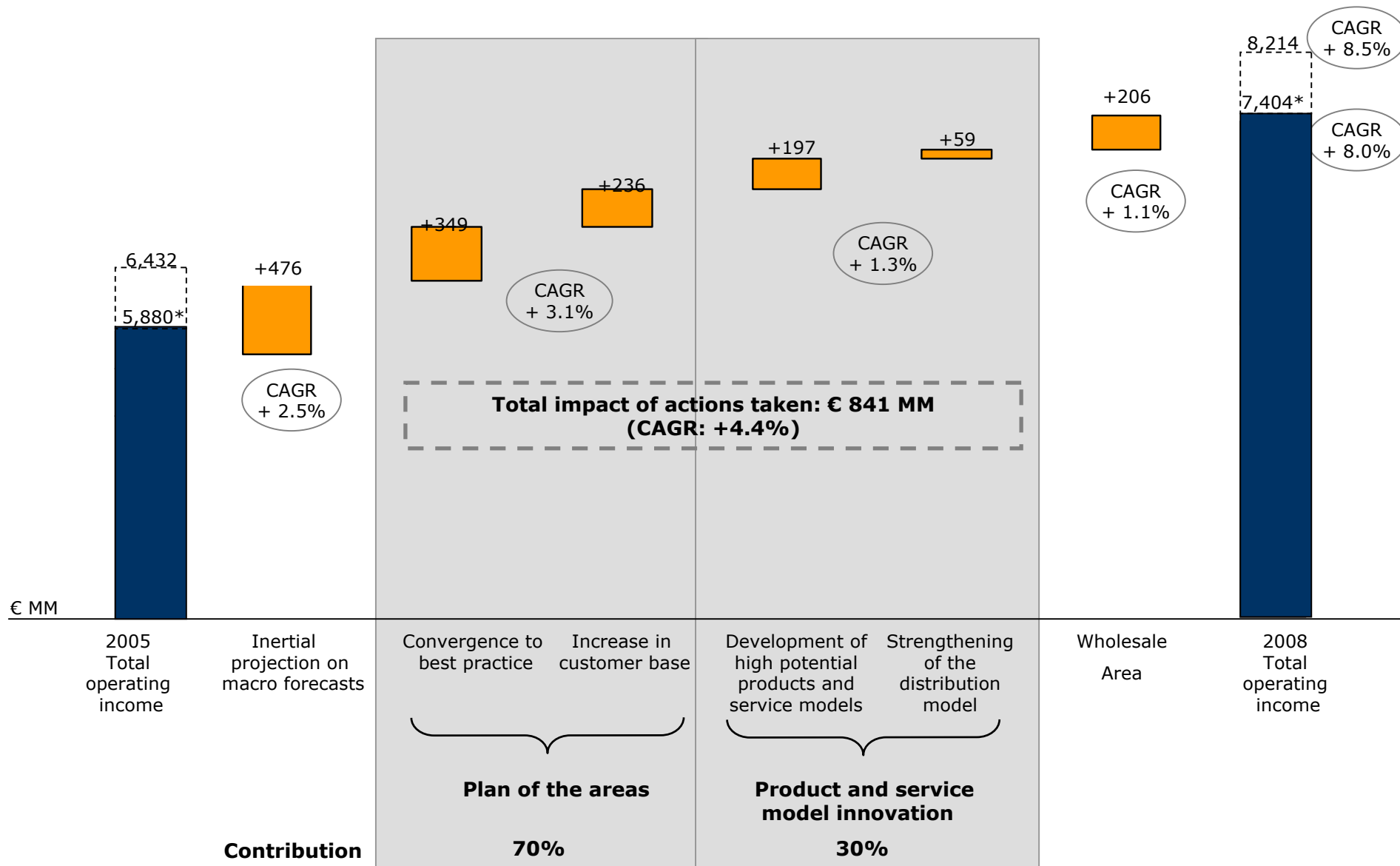


	Penetration rate 2005			
	Total	Sanpaolo	Sanpaolo BdN	NE Banks
Funds	30.4	36.0	25.6	23.8
Life	13.1	18.5	10.4	5.0
Personal loans	5.0	5.4	4.8	4.5
MLT	10.1	10.8	6.1	12.3

2005 index:
household clients / employees



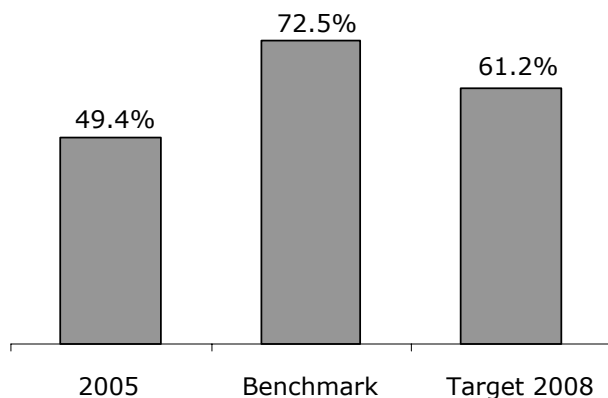
Macro-components of the plan for the Banking Activity



* Management reporting numbers of Commercial Banks and Wholesale activity

Penetration rates

Cariparo Funds - Personal segment

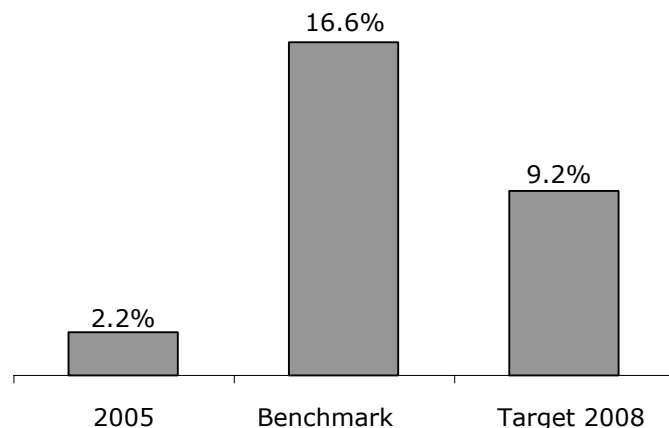


Cariparo Funds

3,000 stated convergence objectives in the plan, distributed through the 45 local Retail & Private markets and the 4 segments using 16 KPIs

	2005	2008	CAGR
Volumes	1,245	2,242	22%
Revenues	16.6	22.5	11%

BPDA Life products – Family segment

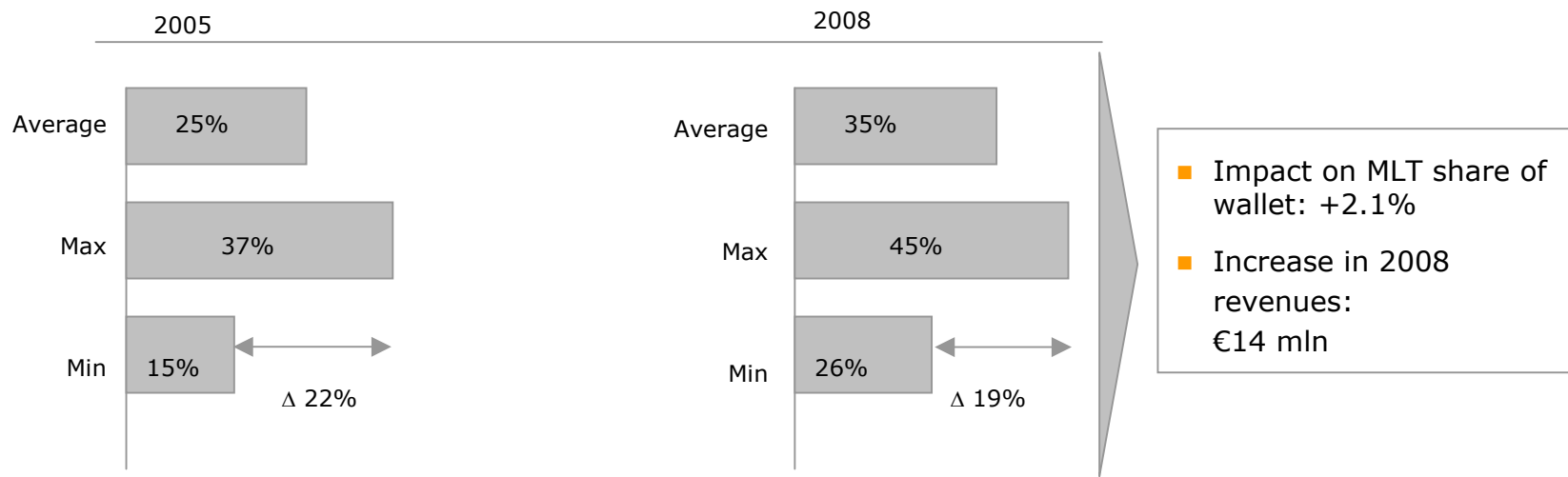


BPDA Premia

	2005	2008	CAGR
Volumes	162	392	34%
Revenues	1.4	2.7	24%

KPI Customer loyalty business mix. Combined use of basic services:

- ST loans
- MLT loans
- Transactional banking



Convergence to best practice will generate additional revenues of €349 mln in 2008

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	2005 %	2008 %	Δ 08-05 %	Δ (Max-Min) ⁽⁴⁾ 05 %	Δ (Max-Min) ⁽⁴⁾ 08 %	Revenues €MM
Private & Retail						284
Rate of penetration in key products ⁽¹⁾						
■ Funds	28.8	32.7	3.9	20.4	15.6	} 177
■ Life insurance	12.4	16.8	4.4	17.8	14.2	
■ Personal loans	4.8	7.4	2.6	8.8	5.0	
■ Mortgages	11.4	13.9	2.5	11.6	11.2	
Customer churn rate			1.90			64
Investment mix						43
Corporate						65
ST lending share of wallet	15.1	17.0	1.9	16.2	14.2	35
MLT lending share of wallet	13.4	15.5	2.1	18.5	16.5	14
Commercial transactional business market share ⁽²⁾	1.6	1.7	0.1	1.0	0.8	} 16
Trade finance market share ⁽³⁾	7.4	9.4	2.0	14.8	13.5	
Total						349

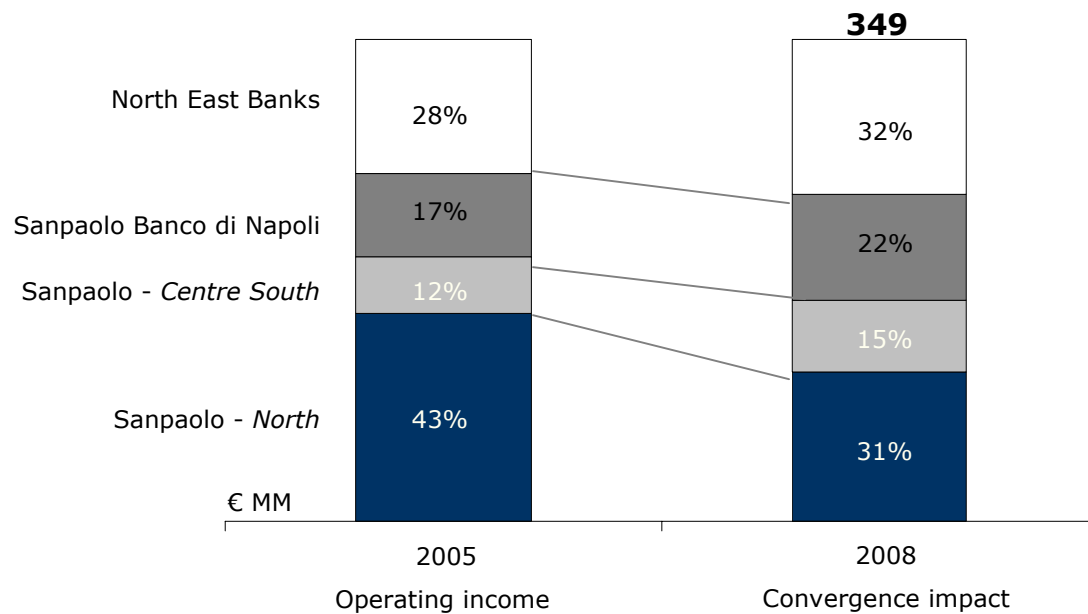
(1) Customer % holding at least one product of the family

(2) [(Commercial transactional business / 2)/client turnover]/share of wallet

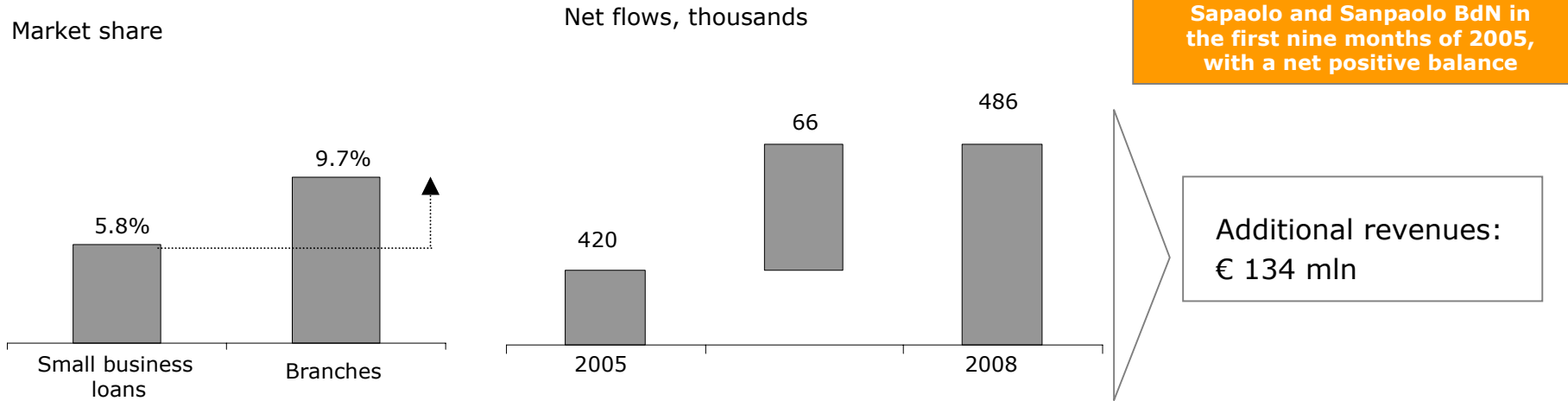
(3) Calculated on total flows for the System

(4) Difference between best and worst area

Convergence impact for Sanpaolo Banco di Napoli and North East Banks is relatively higher



Net Increase in Small Business Customers



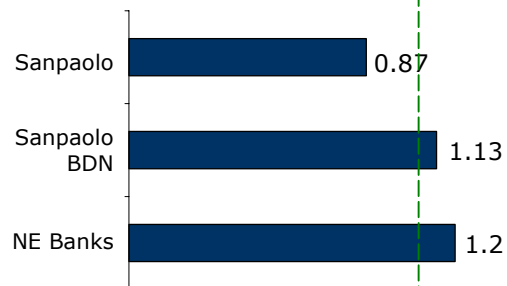
Increase in acquisition of household customers



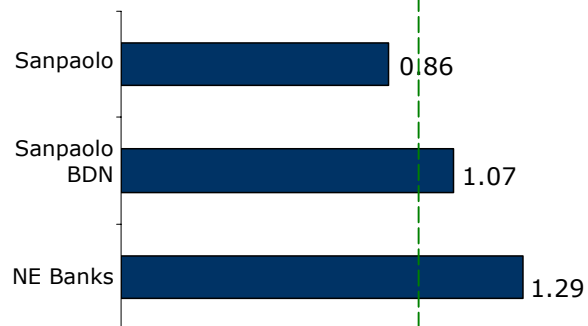
Plan of the Areas: reduction of productivity gap between banks

Index growth

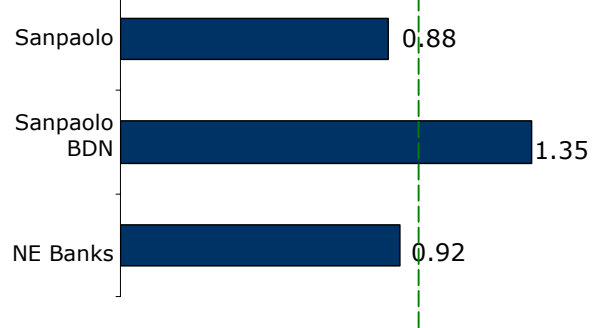
Operating income/employee



Operating income/client



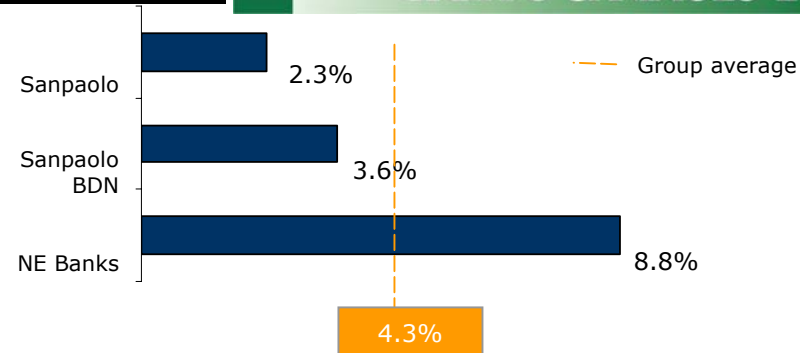
Clients/employee



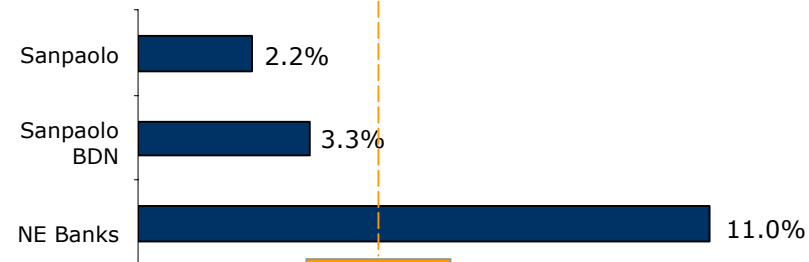
Increase in penetration rates - Key products

GRUPPO SANPAOLO IMI

Funds



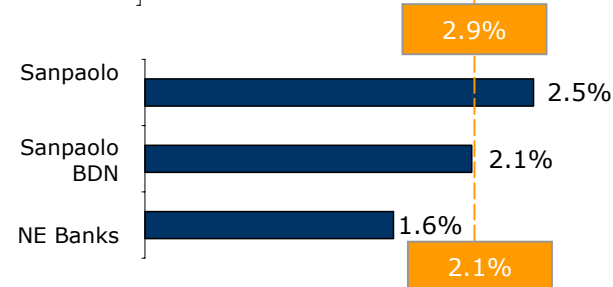
Life



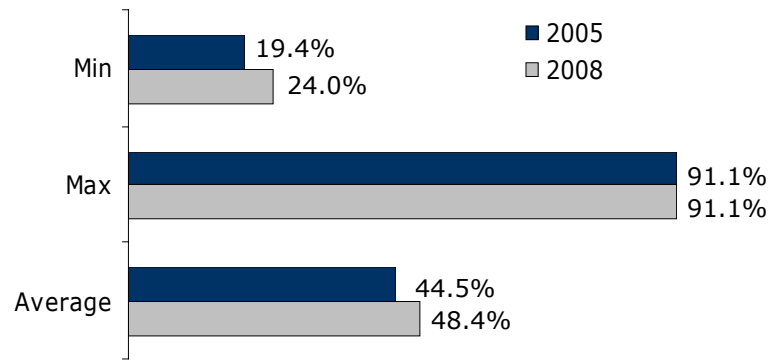
Personal lending



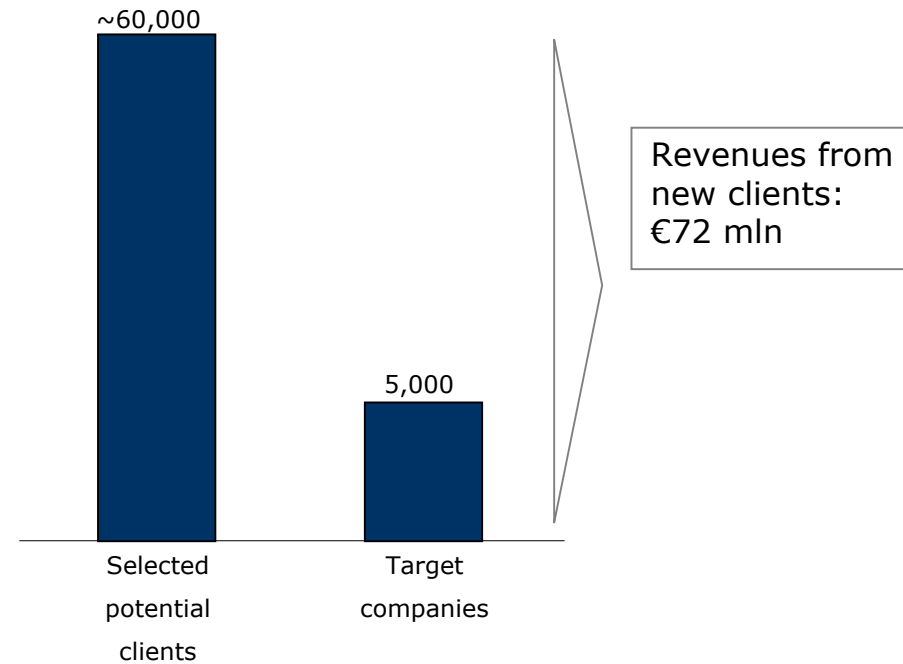
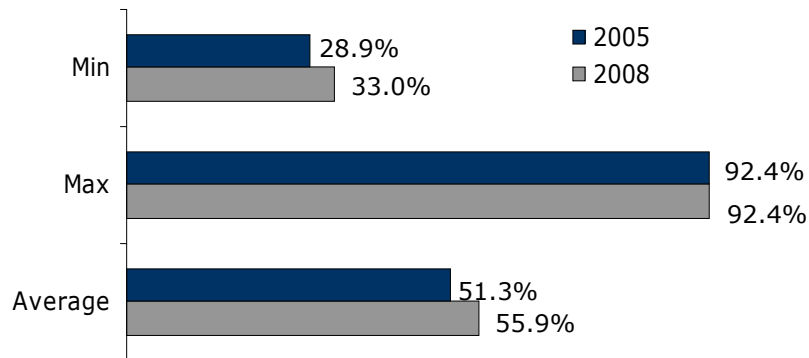
MLT lending



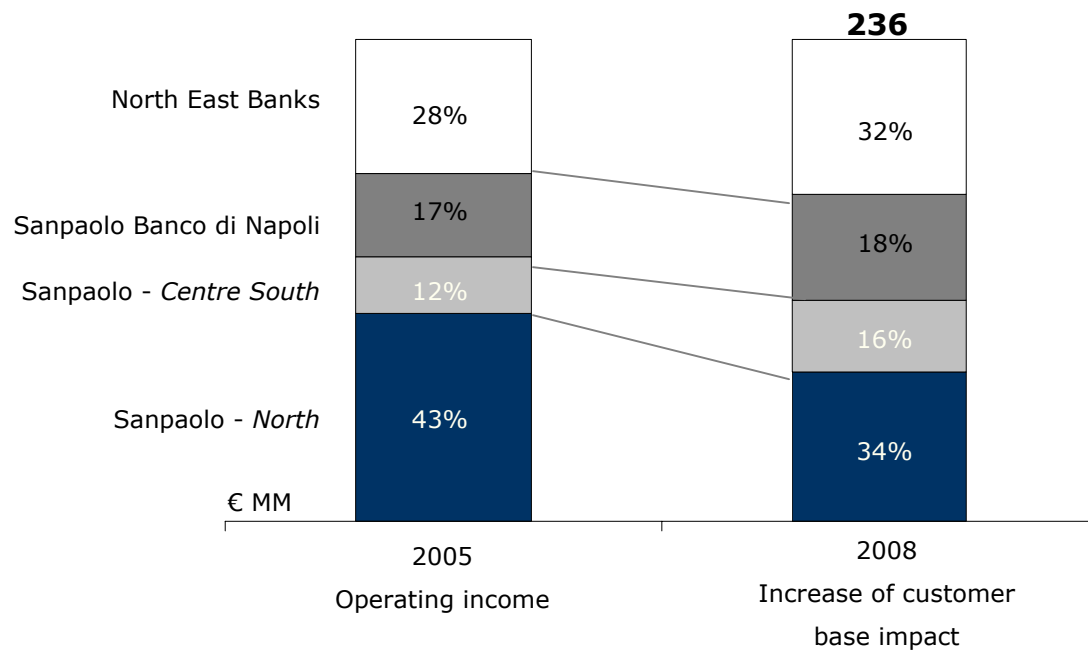
Market coverage of SPI customers MLT loans



Market coverage of SPI customers ST loans

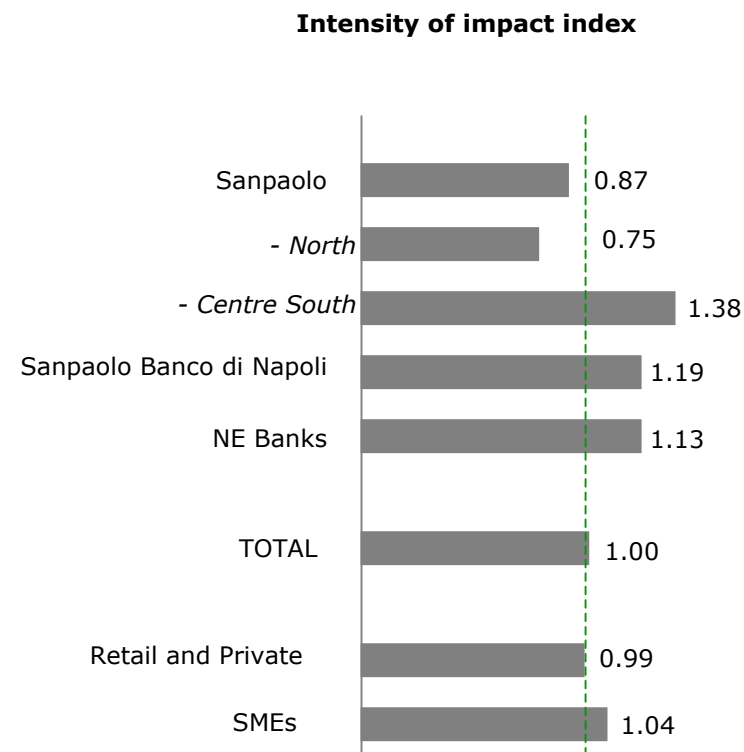


Compared to convergence, the impact of the increase from the customer base enlargement is more equally distributed among the macro areas



Summary of impact of the Plan of the Areas on increased revenues

	2005 revenues		Plan of the Areas	
	€/mln	%	€/mln	%
Sanpaolo	2,647	54.5	279	47.6
■ North	2,088	43.0	189	32.3
■ Centre South	559	11.5	90	15.4
Sanpaolo BdN	839	17.3	120	20.5
NE Banks	1,375	28.3	186	31.8
Total	4,862	100.0	585	100.0
Private & Retail	3,762	77.4	448	76.6
SMEs	1,100	22.6	137	23.4



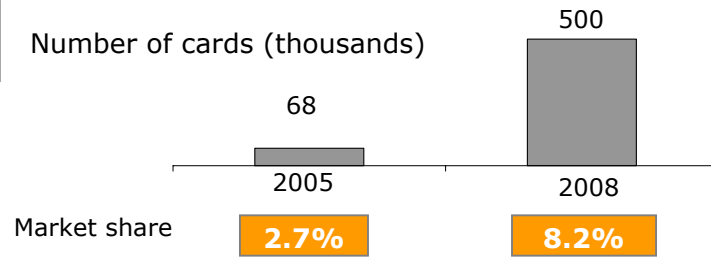
(index =1)

(1) Estimated numbers

(2) Management reporting numbers

Development of high growth products

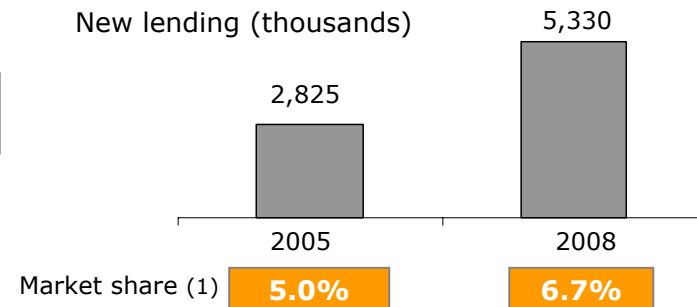
Credit cards



Additional revenues of €197m in 2008

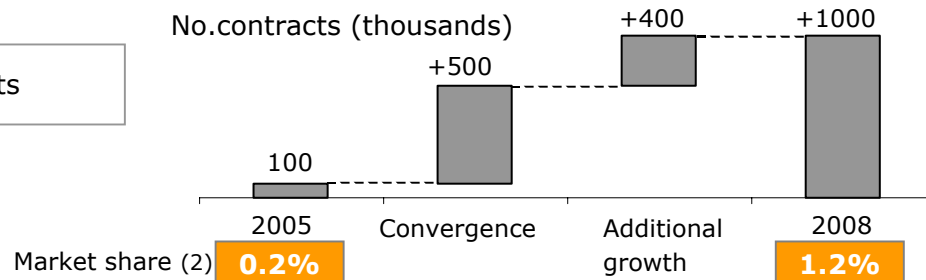
€ 17 mln

Consumer lending (Neos)



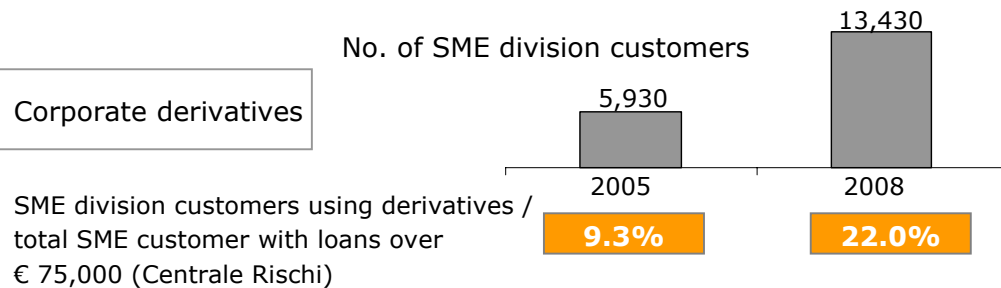
€ 80 mln

P&C products



€ 40 mln

Corporate derivatives

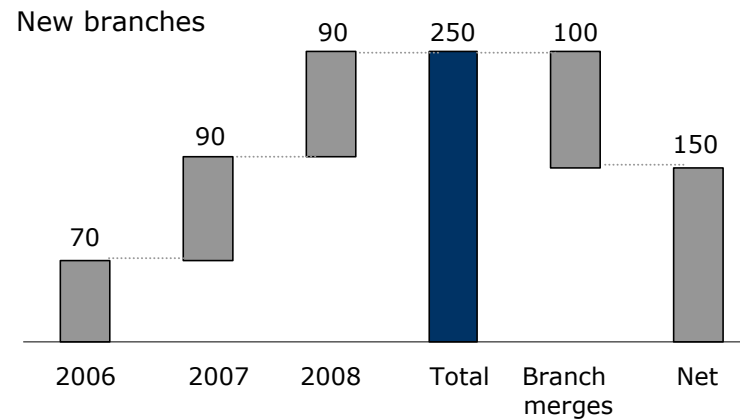


€ 60 mln

(1) Estimate on new consumer credit lending
(2) Estimate on system total premia

Branch development plan

- Focus on micro-areas of high potential
- Target
 - Market share in micro-areas > 10%
 - Critical mass to effectively manage local resources
- Joint planning with areas/banks
- Target: break even < 3 years



Additional revenue
2008-2005:
€ 38 ml

Mid Corporate Universal Banking model:

Identify a target group of companies to offer advisory services and extraordinary corporate finance, in addition to commercial banking activity.

**300
Key
Clients**

- Dedicating a customer service team, which includes not only local personnel but also specialists from corporate centre, creating client coverage teams
- Adopting a specific analytical tool, which has been developed in order to identify the corporate finance requirements of our customers

- Optimising the level of service
- Use of added value services from the specialist companies of the Group
- 7.2% increase in the share of wallet to these customers
- Revenue objective for 2008 of 20 mln

- Group strategy and business plan objectives
- Banking activity business plan
 - Sanpaolo IMI: the beginning of a new phase
 - Our distinctive business model: the Italian Local Bank
 - A strategy of attack focused on revenues
 - An innovative plan, built collectively
 - Defined action plan to reach objectives
 - Disciplined by clear risk and cost control
 - Conclusions

The business plans targets will be enabled through a broad set of initiatives

Increase commercial effectiveness

- Strengthening the specialist service model for each sub-segment by
 - investing further in our customer managers
 - introducing a new layout for the branches of the bank
 - reinforcing brand recognition

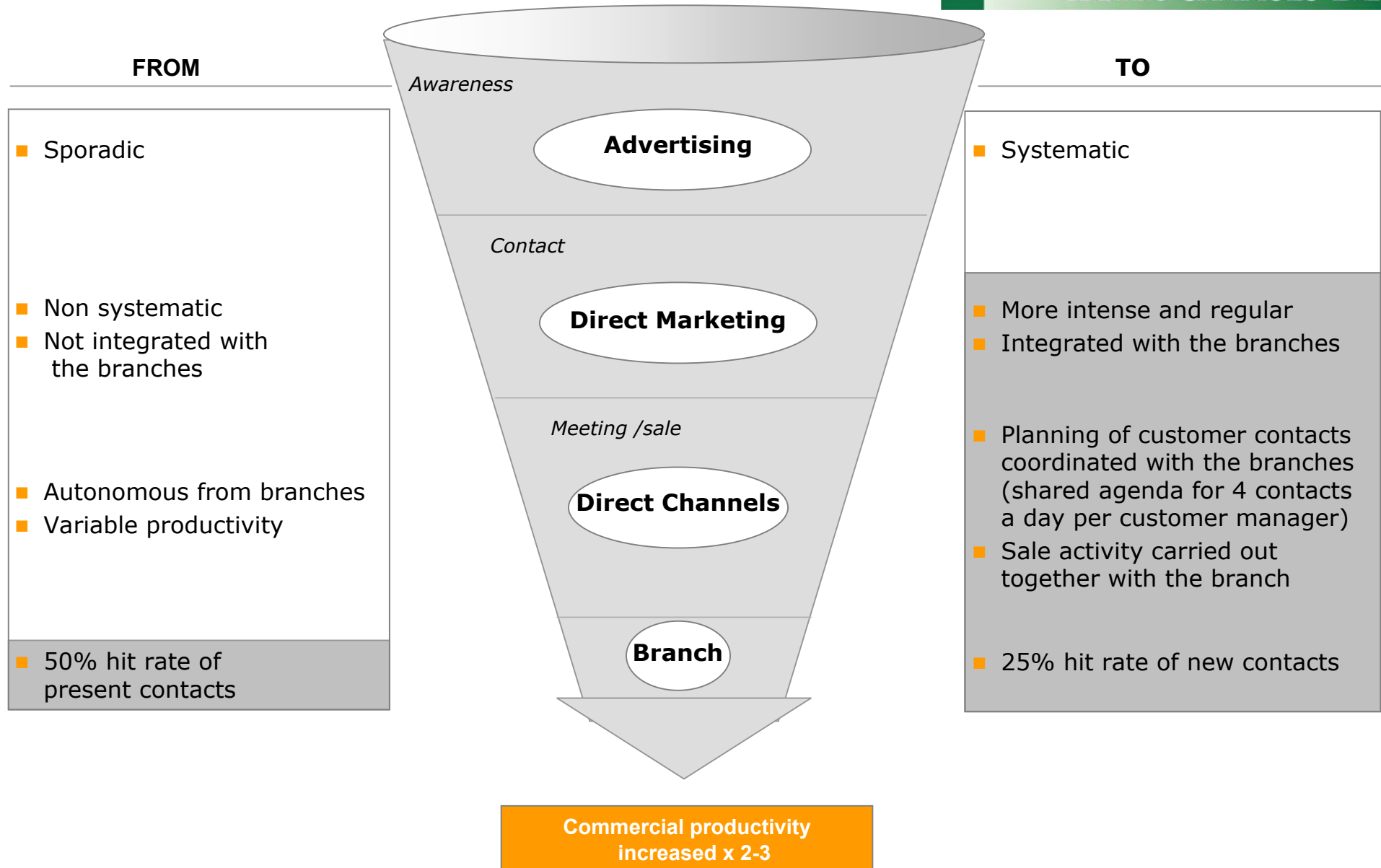
Increase productivity

- Developing support tools for customer managers
 - innovation and integration of the platforms of campaign management, customer manager agenda, CRM, Workstation
- Creating a customer approach based on an integrated business process
 - integration and specific actions assigned to the differing commercial channels
- Simplifying branch activities
 - reducing administrative tasks
- Increasing the use of direct banking and self-banking
 - Commercial plan to migrate basic banking transactions

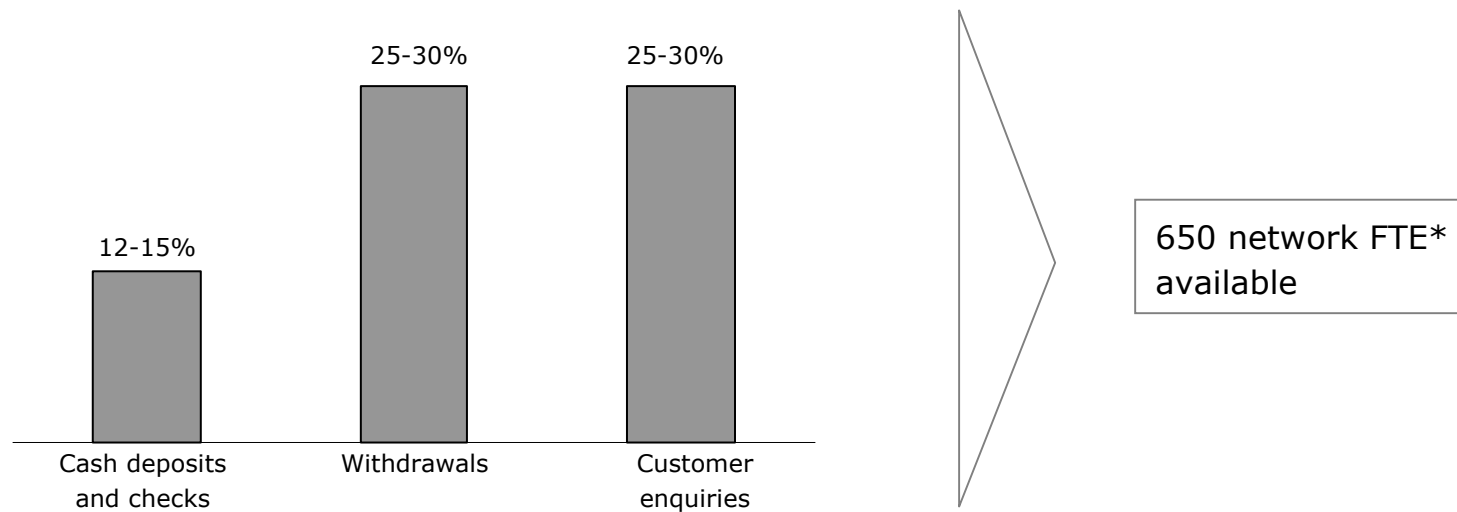
Improve the product and service offering

- Simplifying the product offering to the Family segment
- Enhancing the product offering to the other sectors

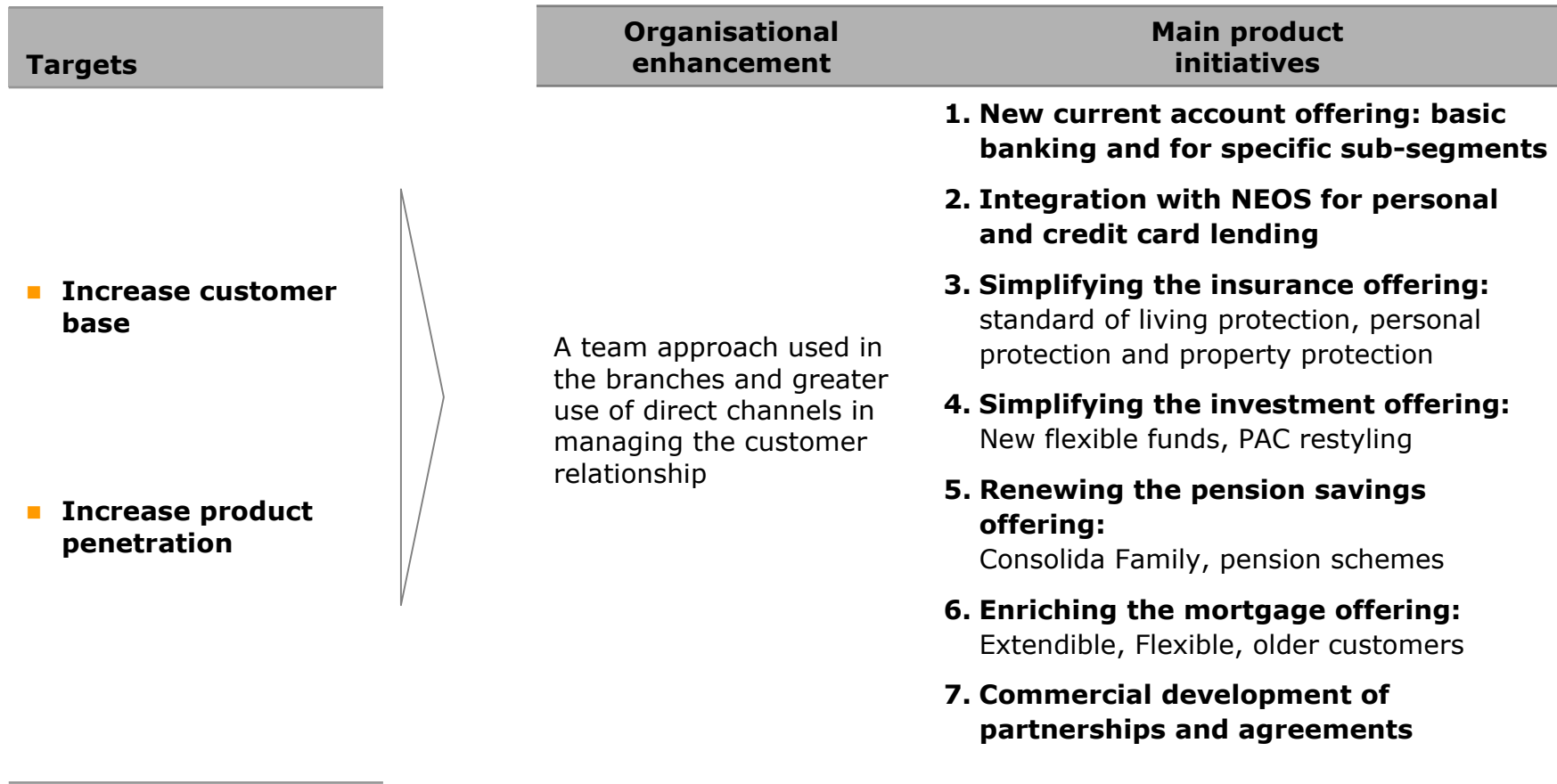
Retail & Private initiatives: integrating and systemising the commercial business process

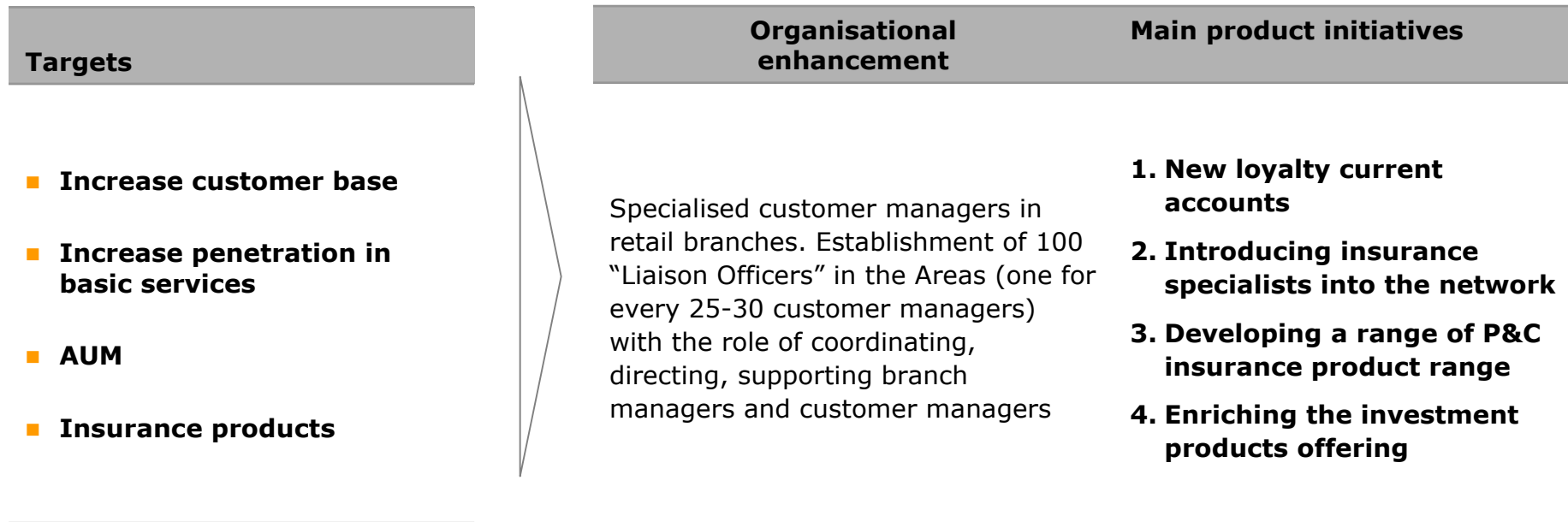


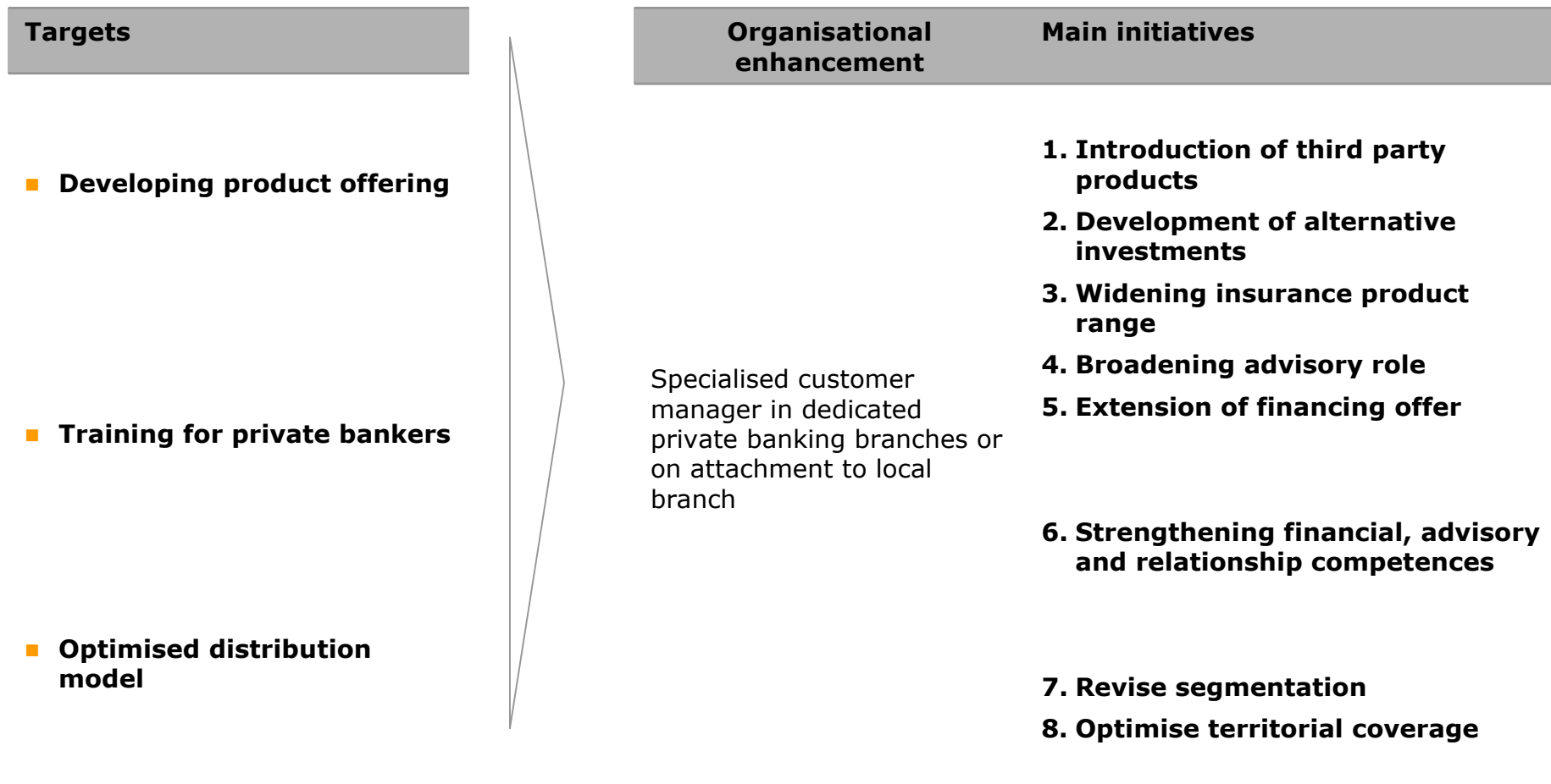
% of branch operations to be migrated to self-banking channels as at 2008



* Full time equivalent

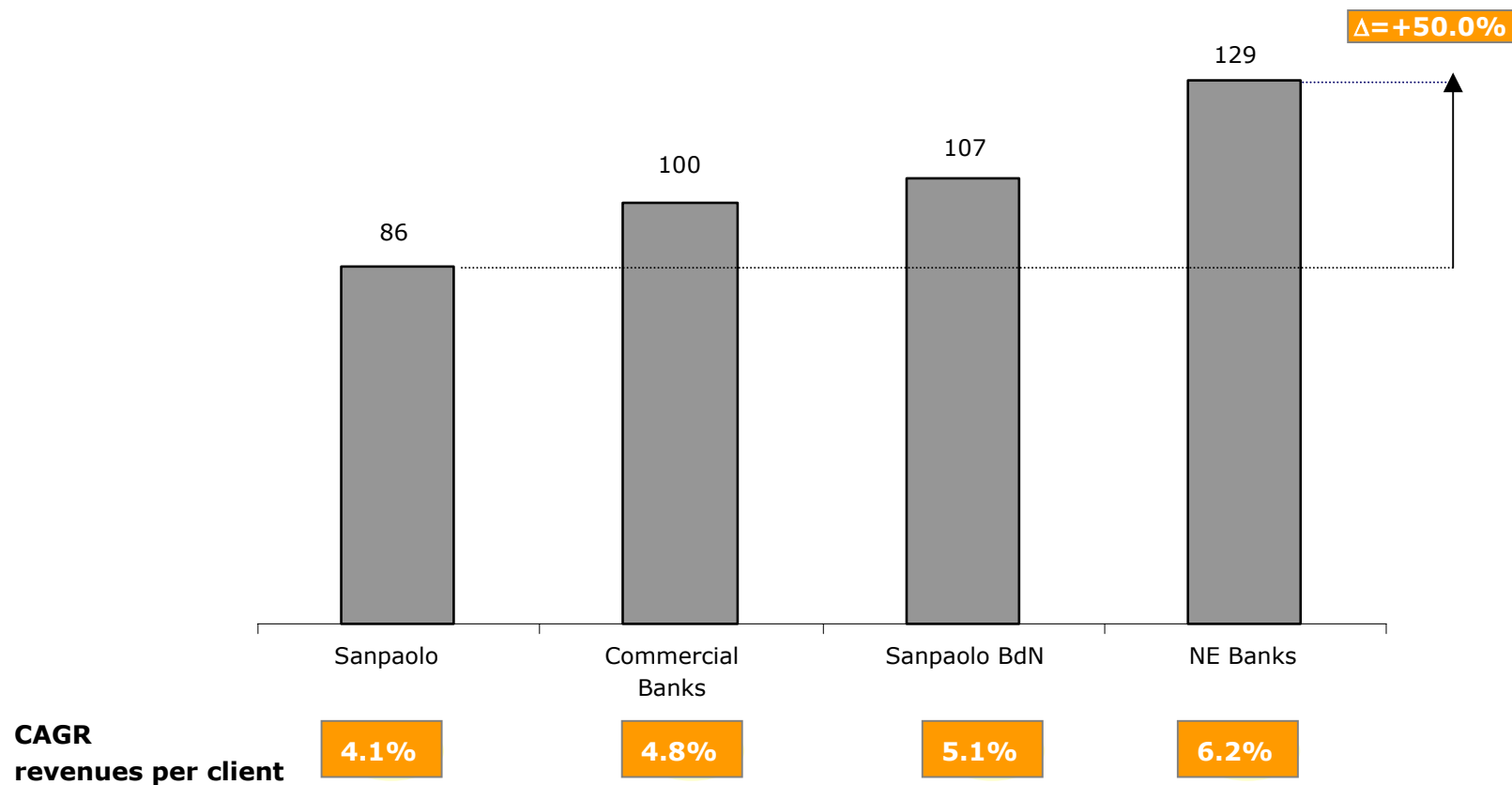




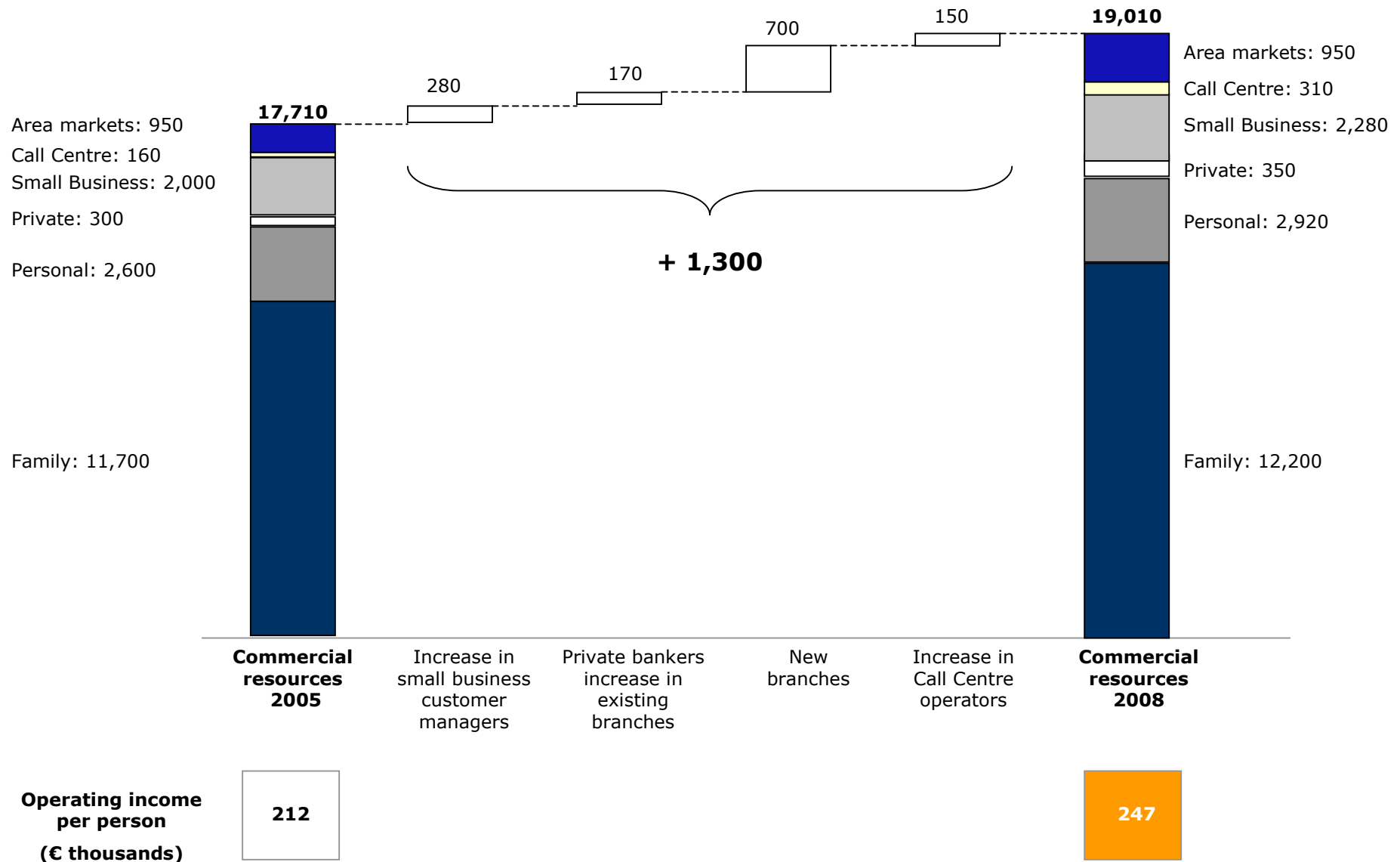


Targets	Organisational enhancement	Main initiatives
<ul style="list-style-type: none"> ■ Increase volumes ■ Increase the customer base ■ Improve segment profitability 	<p>Relationship managers in the branches and 60 itinerant customer support managers based in the areas to support smaller branches in client management and development</p>	<ol style="list-style-type: none"> 1. Increase lending to pre-selected customers 2. Build business on inactive or deposit based customers 3. Leverage on relationships with business associations and organizations providing guarantees (ConSORZI di garanzia) 4. Target specific segments (agriculture, tourism) 5. Develop distribution model (direct banking) 6. New product range (in: accounts, credit lines, transactional services and insurance) 7. Increase cross selling <ul style="list-style-type: none"> - Commercial loyalty programmes: POS - Trade loyalty programmes: Remote banking

Increase in operating income for household customers 2005-08



Retail & Private initiatives: evolution of the number of resources dedicated to sales activity



Main initiatives	
Reinforcing the performance	<ul style="list-style-type: none"> ■ Selective growth in some markets ■ Consolidating leadership in the "loans guaranteed against salary" market
Developing territorial coverage	<ul style="list-style-type: none"> ■ Completing the transformation of the proprietary branch network from specialist to multi-product
"Short channel"	<ul style="list-style-type: none"> ■ Leveraging on commercial bank and own brand marketing to build on the portfolio of clients through POS financing
Group synergies	<ul style="list-style-type: none"> ■ Centralising the Group production of both revolving cards and personal loans into NEOS

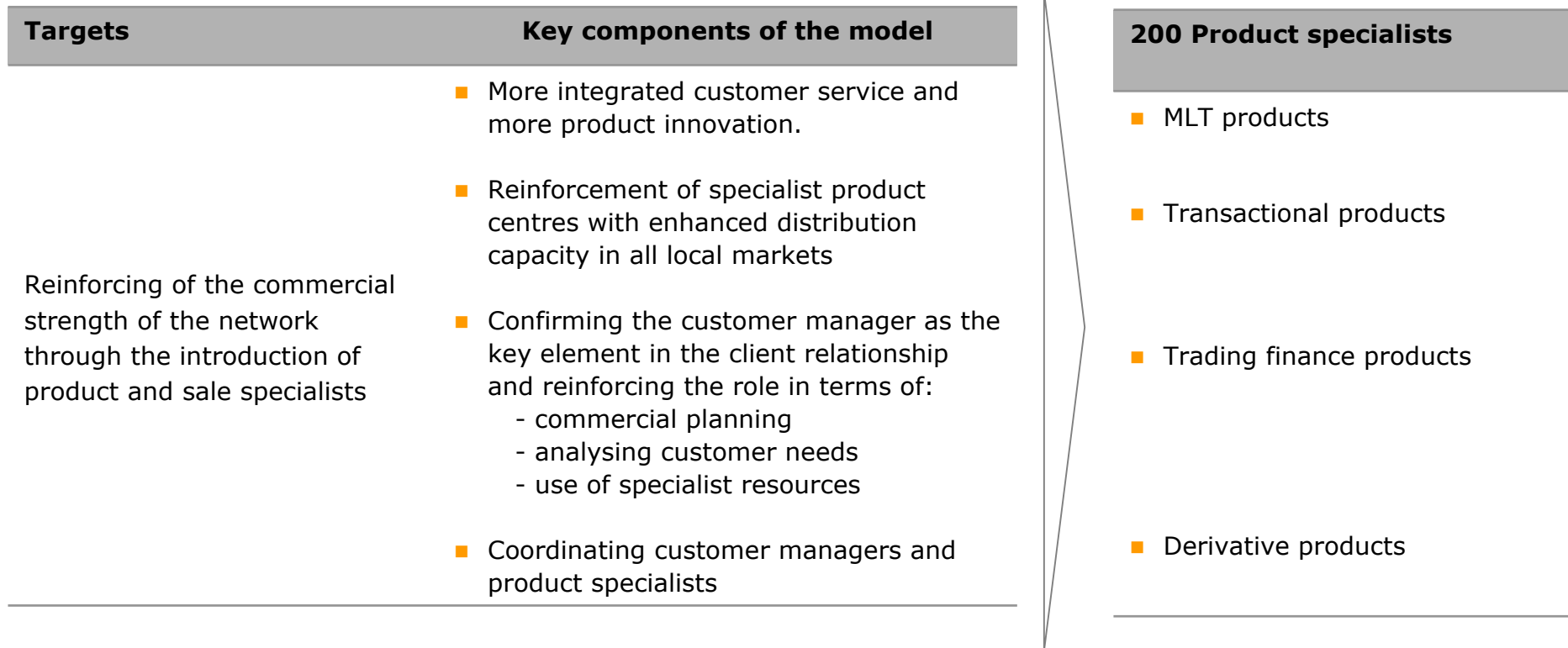
Quantitative targets	2005	2008	CAGR
New lending (€ mln)	2,825	5,330	23.6%
Market share	5.0%*	6.7%	6.3%

* New lending

Retail and private: summary of increased revenue results

GRUPPO SANPAOLO IMI

	2005 € MM	Inertial Δ € MM	Plan of the areas Δ € MM	Development initiatives Δ € MM	2008 € MM	CAGR %
Segment						
■ Family	1,549	197.6	197.1	}	4,701	7.7
■ Personal	1,169	82.7	84.2			
■ Private	173	9.4	18.8			
■ Small business	871	104.7	148.2			
■ NEOS	178			80	258	13.2
Total	3,940	395	448	176	4,958	8.0
Sanpaolo	1,977	216.0	191.4	53	2,437	7.2
Sanpaolo BdN	680	65.0	106.4	14	865	8.4
NE Banks	1,105	114.0	150.7	29	1,399	8.2
NEOS	178			80	258	13.2

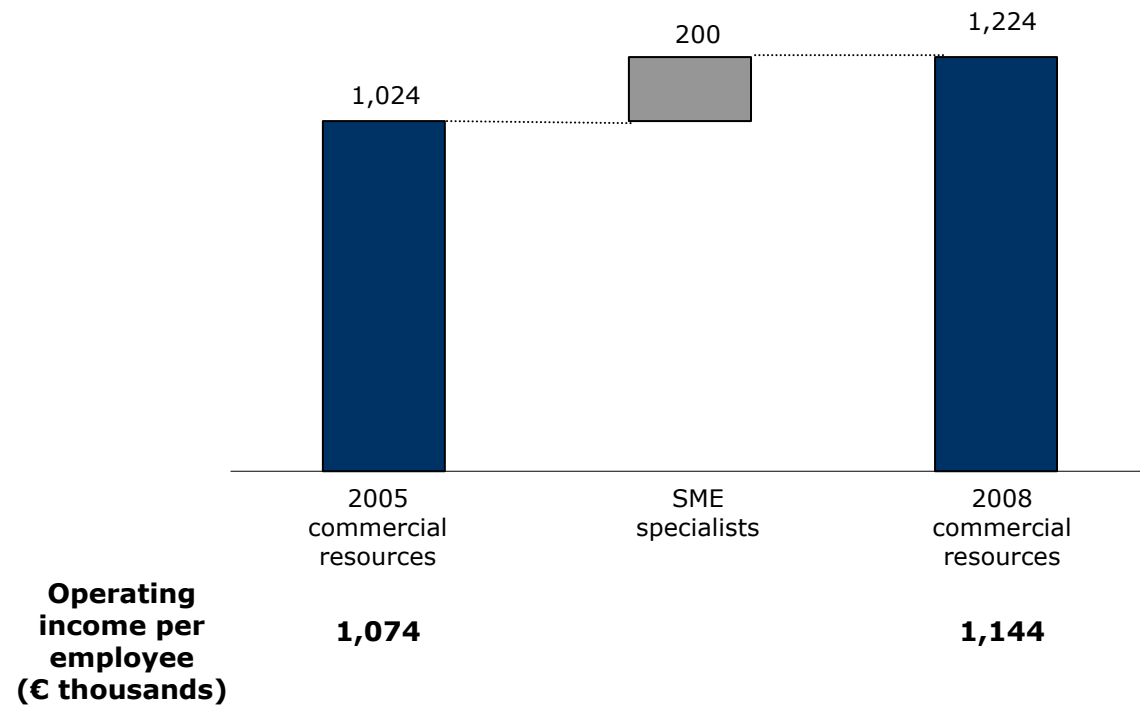


Targets	Key components of the model
Acquire new clients with acceptable risk profile	<p>Introducing into the network the role of business development officers, coordinated by division. Their introduction is aimed at at:</p> <ul style="list-style-type: none">■ market analysis■ identifying areas of growth■ developing commercial contacts with new customers■ contributing in the process to developing new products and services for emerging customer needs

50 business development officers

5,000 net new clients with a credit line in the next three years

- Increase in the number of SME specialists (+200)
- Customer service / specialist managers model allows for a higher productivity through greater role specialisation



SME division: summary of key aggregate targets

Competitive positioning targets	2005 %	2008 %
Share of wallet	14.3	16.3
Market coverage share	47.9	52.1
Market share	6.9	8.5
Commercial Transactional Business market share (*)	1.6	1.7
Trade finance market share (**)	7.4	9.4
Customers using corporate derivatives (***)	9.3	22



Volume of loans € MM	2005 (****)	2008	Δ	CAGR
Stock	38,380	51,397	13,017	10.2

Revenues € MM	2005	2008	Δ	CAGR
Loans	617	765	148	7.4
Services	398	542	144	10.8

(*) $[(\text{Commercial transactional business} / 2) / \text{customer turnover}] / \text{share of wallet}$

(**) Calculated on total flows of the System

(***) Active clients / Clients indicated to Centrale Rischi

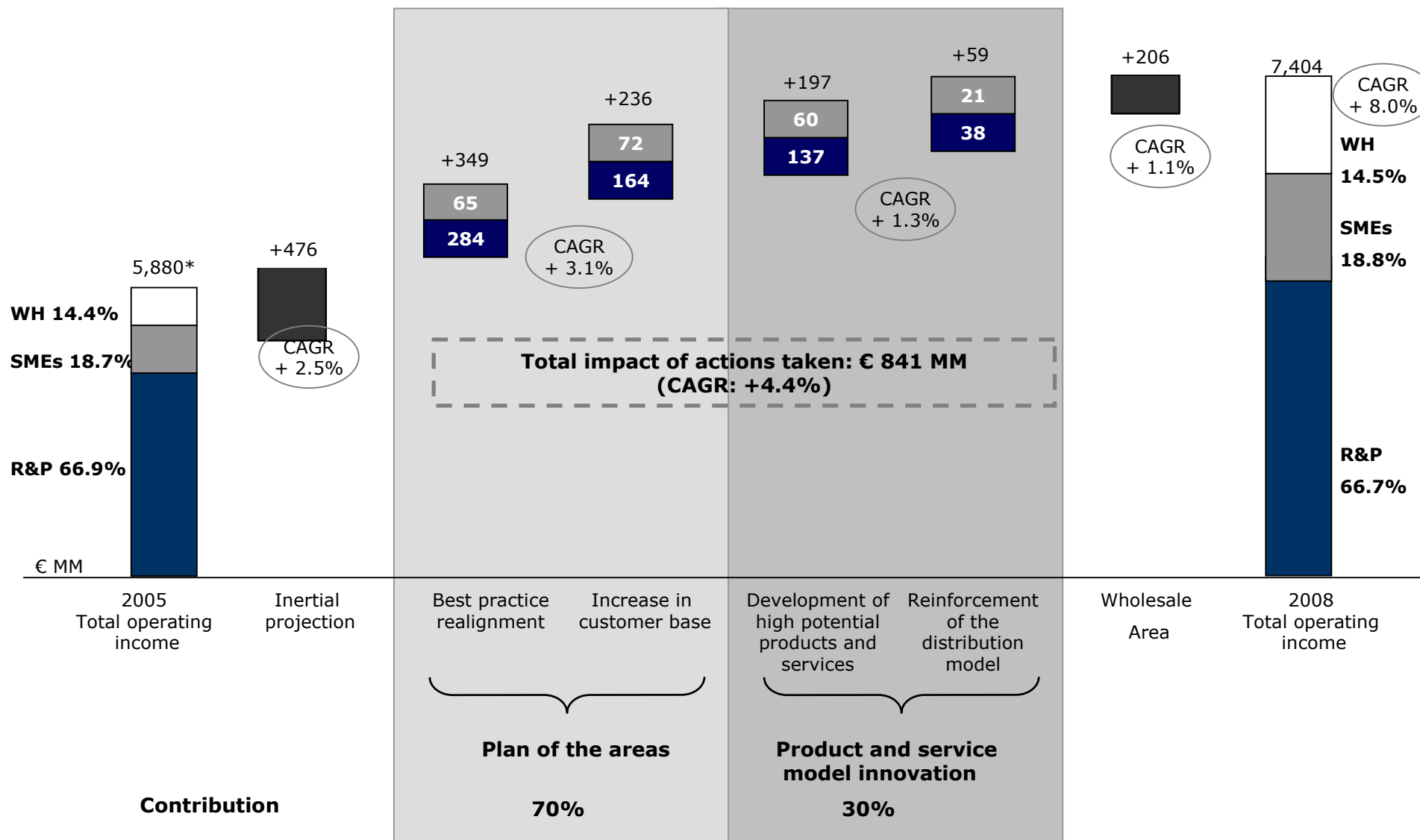
(****) Estimated

SME division: summary of increased revenue results

GRUPPO SANPAOLO IMI

€MM	2005	Δ Inertial	Plan of the Areas Δ	Development initiatives Δ	2008	CAGR %
ST loans	459.3	-7.9	68.9	5.1	525.5	4.6
MLT loans	157.6	48.0	26.2	7.7	239.5	15.0
Commissions	325.4	22.9	42.4	6.1	369.9	6.8
Corporate derivatives	73.0	10.6		61.9	145.5	25.8
Other	84.4	7.8			92.2	3.0
Total	1,100	81	137	80	1,400	8.4
Areas						
■ Sanpaolo	671.4	46.5	87.7	38.9	844.5	7.9
North	519.3	37.6	56.7	26	639.6	7.2
Centre South	152.1	8.9	31	12.9	204.9	10.4
■ Sanpaolo BdN	159.4	12.4	13.6	9.2	194.6	6.9
■ NE Banks	268.9	22.5	36.3	32.7	360.4	10.3

The macro-components of the plan for the Banking Activity



* Management reporting numbers of Commercial Banks and wholesale activity

Wholesale banking: summary of initiatives and revenue increase impact

GRUPPO SANPAOLO IMI

Activity	Strategic priority	2005-2008 variations			
		Revenues		Net profit	
		CAGR %	Δ €/mln	CAGR %	Δ €/mln
Banca IMI (*)	<ul style="list-style-type: none"> Specialist supplier of the Group Capital markets opportunities 	12.0	133	0.8	5
Banca OPI	<ul style="list-style-type: none"> Reducing the concentration of the portfolio and increasing profitability by broadening the existing customer base Improving capital management Reducing the cost of funding 	-3.0	-15	-1.5	-4
Large Corporate	<ul style="list-style-type: none"> Loan growth and cross-selling Strengthening cooperation with Banca IMI 	3.0	10	2.7	3
International Banking	<ul style="list-style-type: none"> Increasing activity with multinationals in Italy and worldwide Syndicated lending to small banks and institutional customers 	9.0	19	12.5	8
Foreign Banks (East Europe)	<ul style="list-style-type: none"> Acquisitions on a selective basis Strengthening the banks through organic growth 	12.0	60	16.4	11

(*) Including Structured Finance

Active role in developing the customer service model to our corporate customers



- Responsibility for the large Italian Groups and institutions
- Realising synergies with Banca OPI
- Supporting the network in supply of best in class products and services for the SME division
- Supporting the network in investment product innovation for household customers
- Selective development of activity leveraging on the needs of the Group's institutional customer base

A strategy of attack driven by strong growth in key operating aggregates

GRUPPO SANPAOLO IMI

€ MM	H105	2005*	2008	CAGR 2005-2008	Δ € 2008-2005
■ Total operating income	3,191	6,432	8,214	+8,5%	+1,782
■ Net adjustments to loans **	-229	-490	-705	+12.9%	-215
■ Operating costs	-1,752	-3,659	-3,919	+2.3%	-260
- Personnel	-1,033	-1,944	-2,106	+2.7%	-162
- Other admin. costs and depreciation	-719	-1,715	-1,813	+1.9%	-98
■ Pre-tax operating profit	1,213	2,240	3,541	+16.5%	+1,301
■ Net income	737	1,372	2,085	+15.0%	+713
■ <i>Allocated capital</i>	8,088	8,197	10,739	+9.4%	+2,542
■ RORAC	18.2%	16.7%	19.4%		+2.7%
■ <i>Cost / income</i>	54.9%	56.9%	47.7%		-9.2%

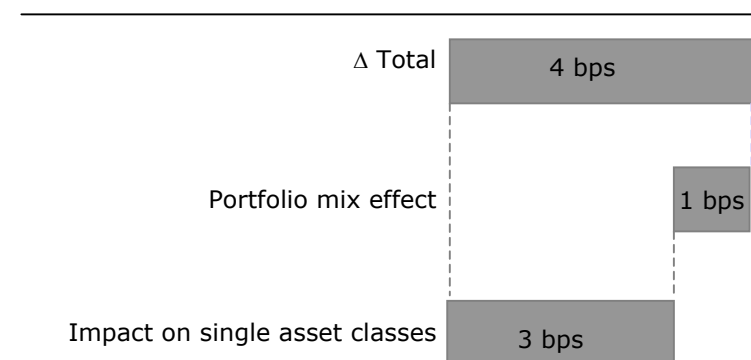
(*) Estimated numbers for normalised revenues

(**) Net of the recovery realised by the Corporate Centre

- Group strategy and business plan objectives
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 - Disciplined by clear risk and cost control
 - Conclusions

	Portfolio composition %	Loan portfolio % Δ 08-05	Est. increase in expected loss Δ 08-05
■ Small Business **	15	29	+0.11
■ Mortgages	15	31	+0.03
■ NEOS	3	57	-0.25
■ Corporate	34	36	+0.04
■ Banca OPI	19	19	-
■ Other*	15	25	+0.05
■ Total	100	30	+0.04

Breakdown of the variation of the cost of risk

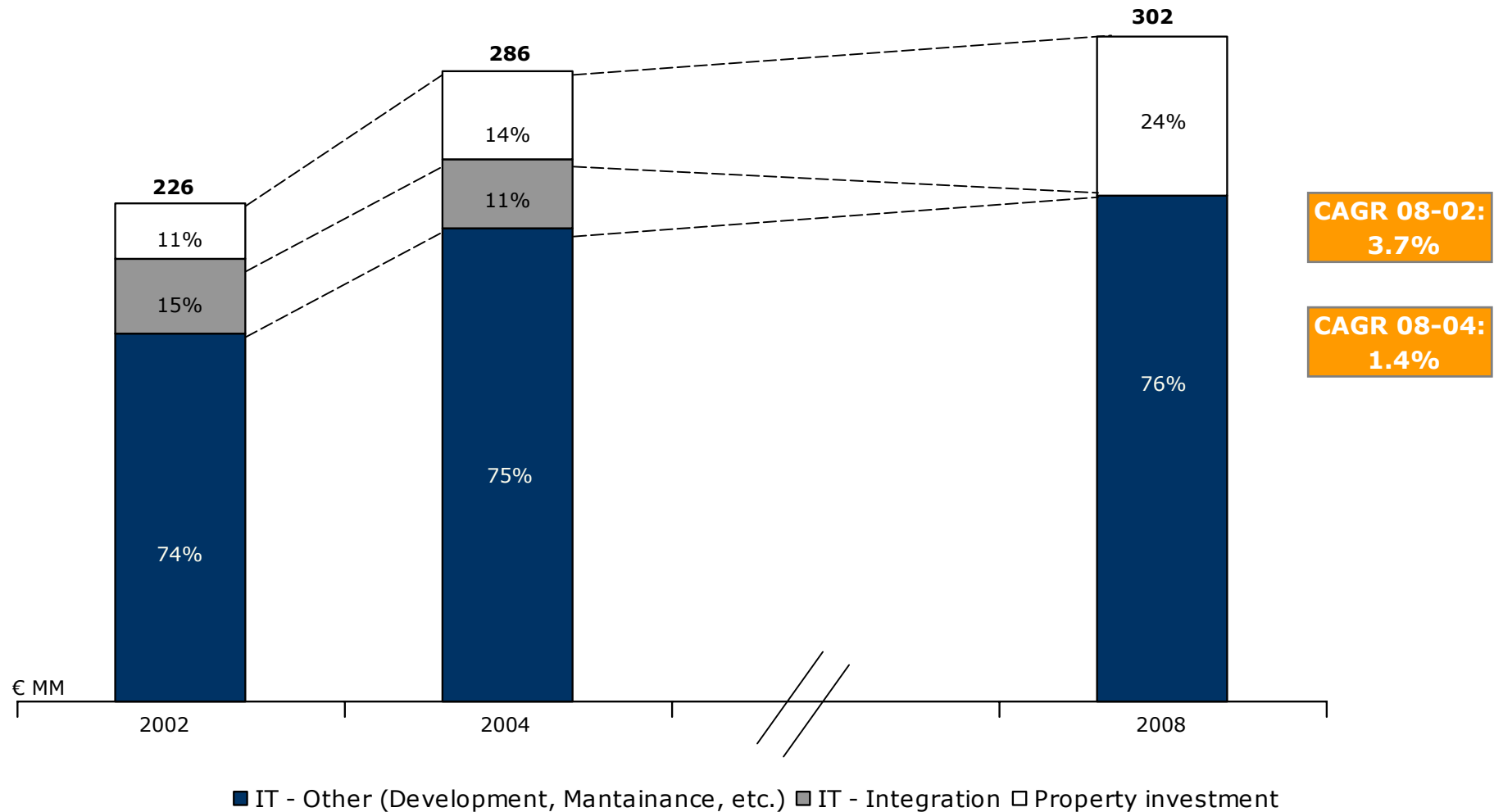


Forecast for incurred loss (IFRS)	2005	2008	%08-05
■ Loan Provisions (€MM)	-490	-705	44%
■ Cost of credit (bps)	40	44	+4

(*) Average of Large Corporate, Structured Finance and International Division

(**) Includes other retail loans

Commercial banks: projected investment costs



CAGR 08-02:
3.7%

CAGR 08-04:
1.4%

■ The end of the integration phase allows for the start of major development initiatives

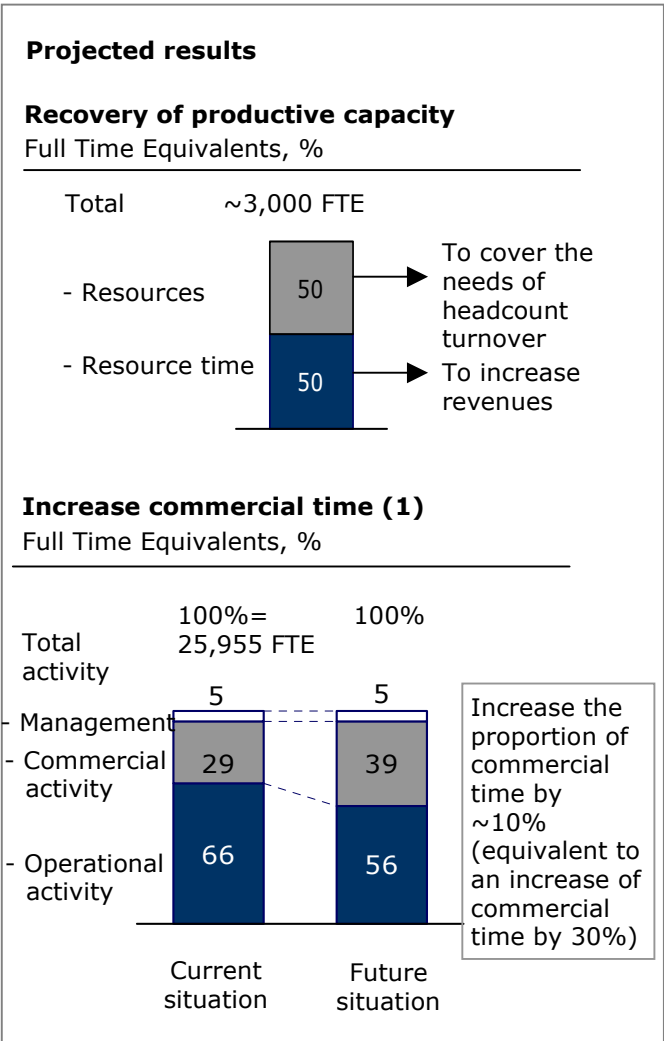
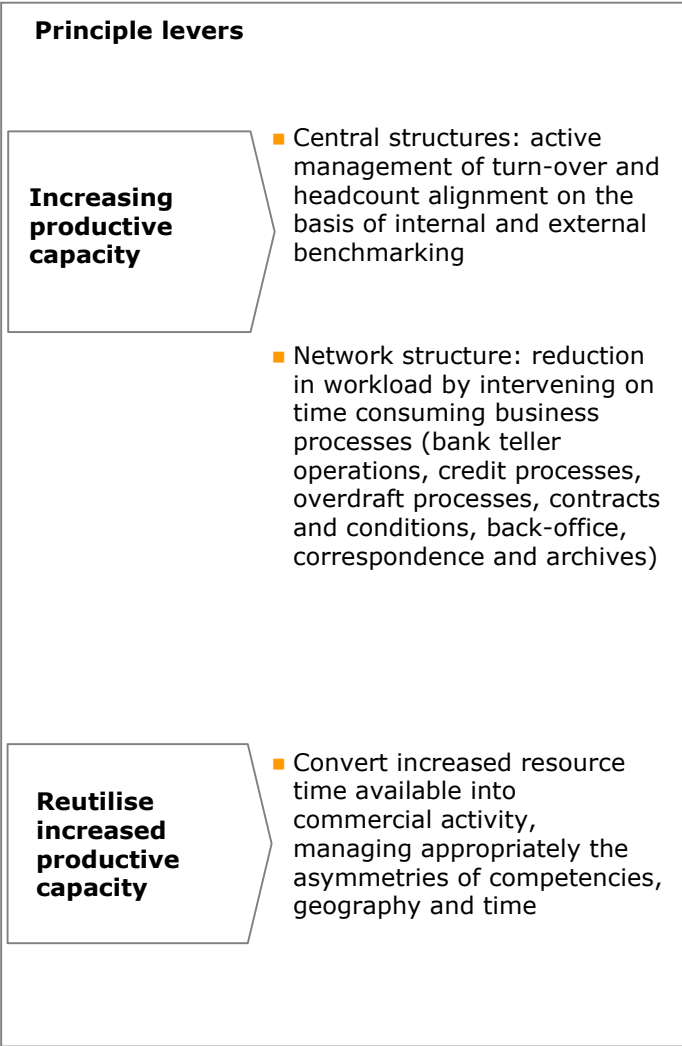
49 Projects have been identified in the following areas:

		Fully operational savings*
REAL ESTATE	Actions aimed at efficiently using real estate across the whole Group, through the rationalisation of space both in corporate centre buildings and in the commercial networks	25
CENTRALISATION OF ORGANISATION AND IT	<p>The principle initiatives regard:</p> <ul style="list-style-type: none"> ■ Service management of the banking applications of Banca Fideuram on the Group platform ■ Rationalisation of Finance through the unification of IT infrastructures and Back Office ■ Synergies on the IT and back office platforms of Asset Management through the asset management companies of the Group ■ Rationalisation of the call centre and Help Desk IT platforms and structures ■ Extending the technological service of the MOI to the companies of the Group 	56
COST MANAGEMENT	<ul style="list-style-type: none"> ■ Actions to extend purchasing agreements across a range of goods to all of the Group renegotiating contractual terms with suppliers ■ Definition of methodologies for analysis and investment valuation criteria 	30
OTHER INITIATIVES	<p>Other actions aimed at rationalising the costs of the Group, among which:</p> <ul style="list-style-type: none"> ■ Optimising use of databases and data transmission ■ Reduction in costs in providing customer information ■ Rationalising the credit recovery process ■ Optimising travel expenses 	39

* Figures in mln € and refer to Other administrative costs and Depreciation, net of investments and costs needed to action the plans.

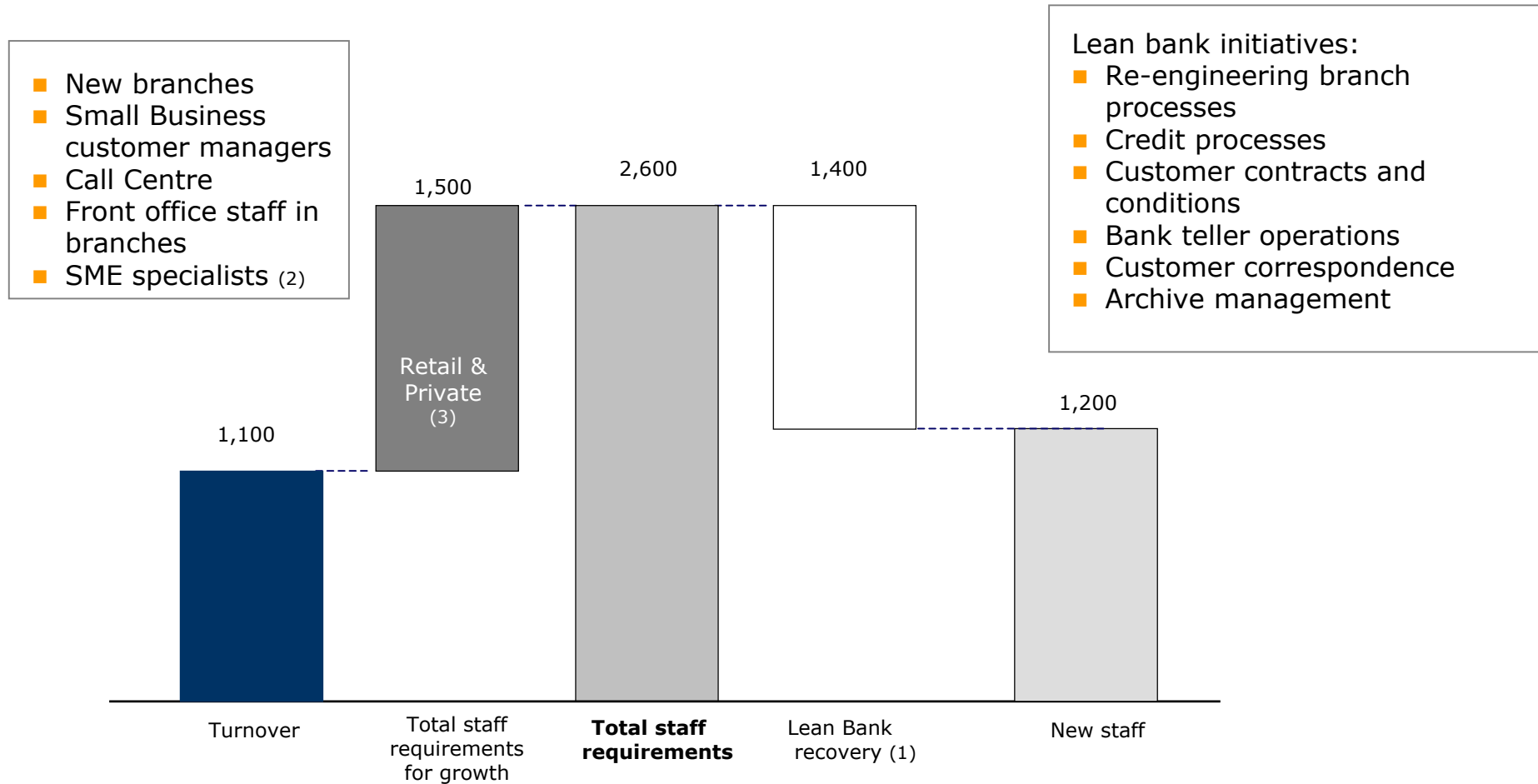
Objectives

- To develop an operational model for the Bank with the objective of:
 - increasing productive capacity
 - improving customer service levels
 - reducing operational risk
- Utilising increased productive capacity to finance the increased need for resources for growth in the network (increased commercial time and reduction of otherwise necessary hirings)



(1) On the same business perimeter

Lean Bank: financing growth through releasing productive capacity of internal resources



(1) In addition there are approx. 100 recoveries within the Group to finance needs of sectors other than the Banking Activity
 (2) The increase of front office resources projected by the SME Division will be self financed by the Division
 (3) Of which 1,300 commercial staff

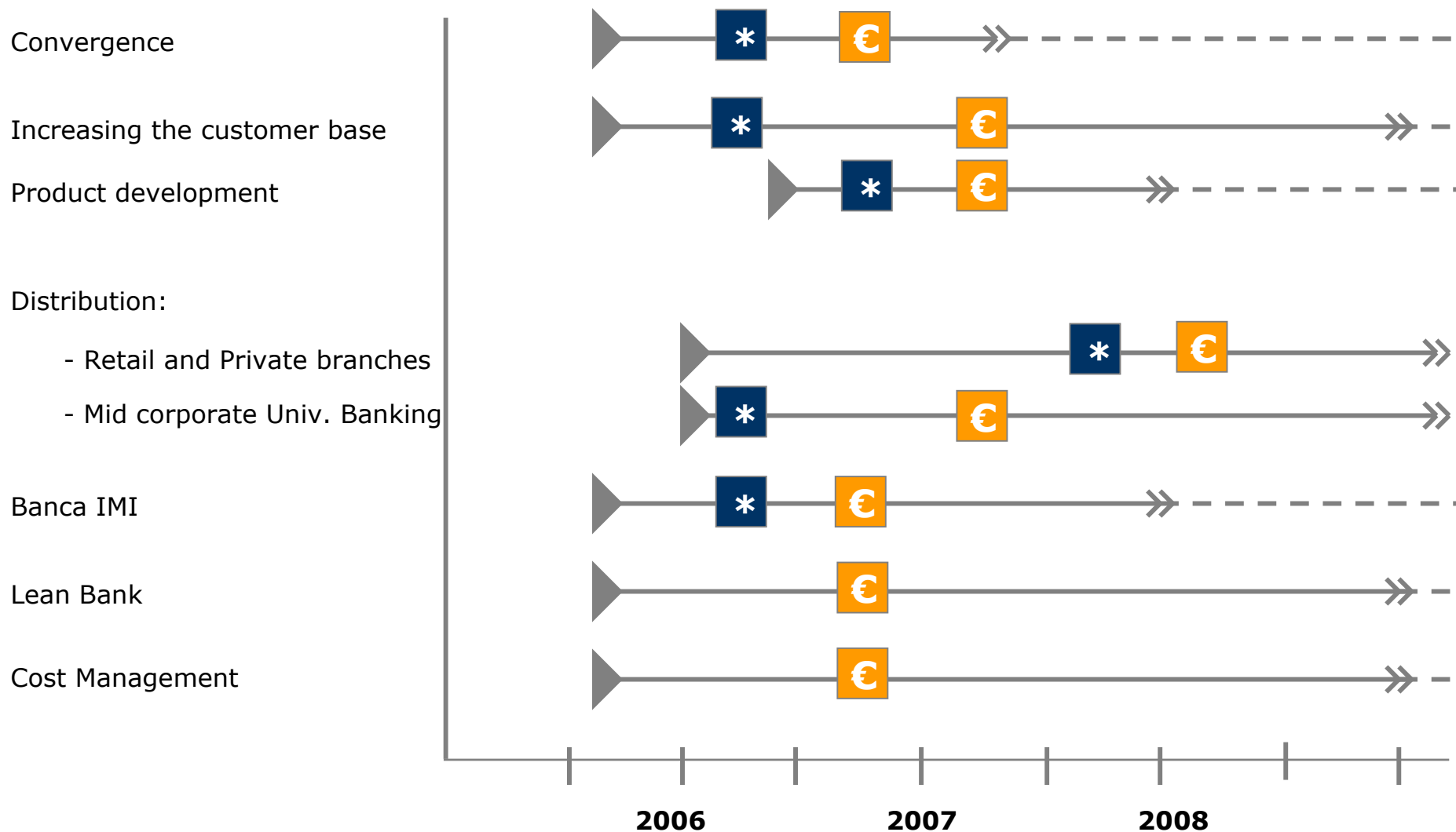
- Group strategy and business plan objectives
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 - Conclusions

Timed impact of the initiatives

* commercial effect starts

€ economic effect starts

» fully operational

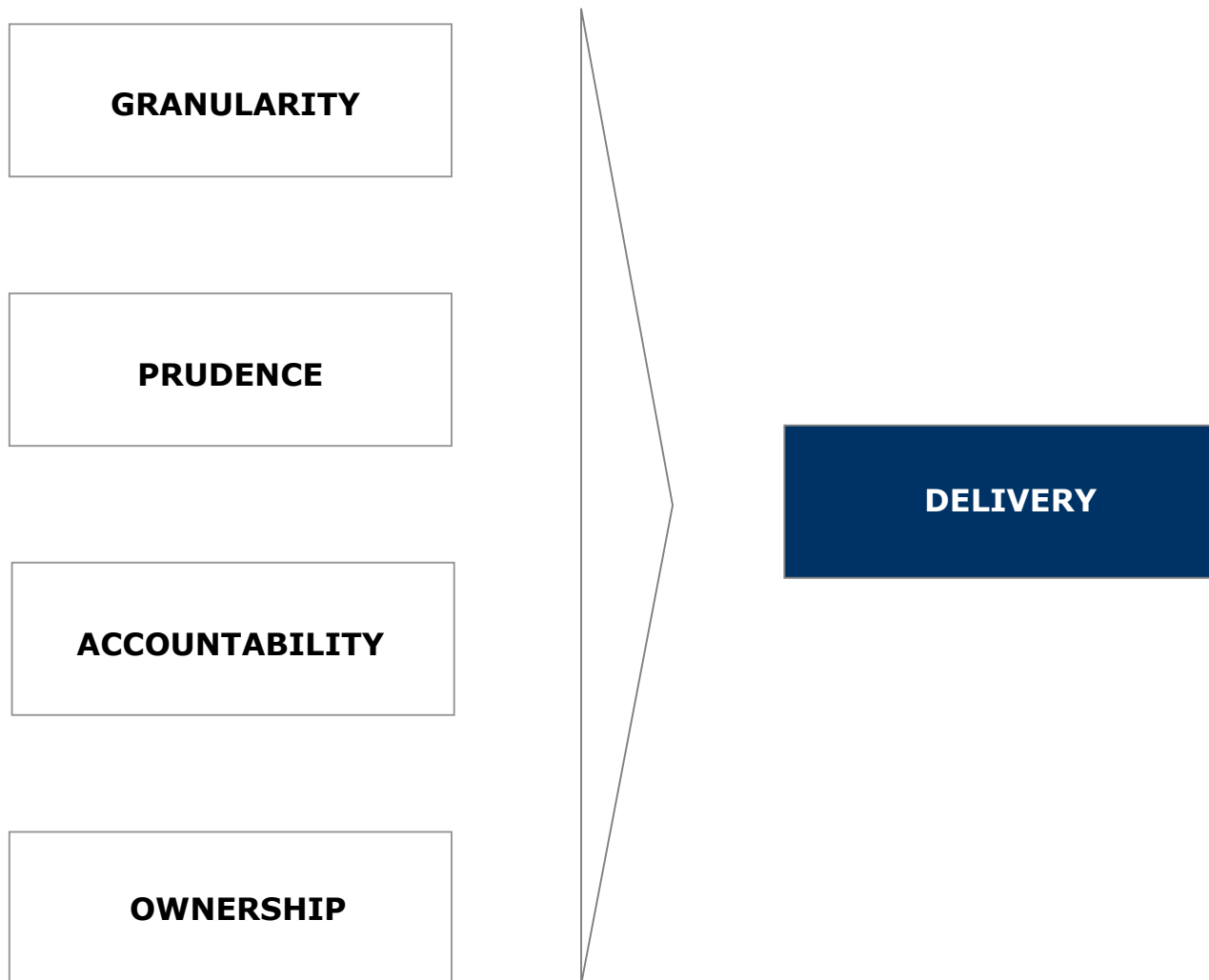


The targets are ambitious given the conservative assumptions for the macro-scenario and they are driven by the revenue growth of the banking sector which accounts for 80% of the Group's net profit but they are achievable because:

- they represent the unexpressed potential in the banking activity which can now be unleashed following a period of transition
- they are underpinned by an innovative plan which leverages on Sanpaolo's unique strength as THE Italian local bank and is fully underwritten by the whole bank's management team
- they are prudent in terms of risk, cost and capital management

	Group CAGR 08-05	Banking Activity CAGR 08-05	% 2005 Group	% 2008 Group
Total operating income	8.0%	8.5%	80.6%	81.7%
Pre-tax operating profit	17.4%	16.5%	88.5%	86.4%
Net profit	17.4%	15.0%	88.8%	83.3%
Allocated capital	6.6%	9.4%	71.9%	77.9%
ROE/RORAC	18.1%	19.4%		

- Wholesale activities still offer further potential to exploit
- "Savings and Pensions" area strategic plan will be presented before the end of H106
- This Plan doesn't include any benefit from capital management initiatives



APPENDICES

Banking income increased with no real competition in the past three years: market shares did not grow but the product mix sold to customers did change

	1995	2003	CAGR	Mkt share 1995	Mkt share 2003
Net interest and other banking income top 3*	13,664	23,934	7.3%	28.1%	34.7%
Operating income top 3*	3,907	9,794	12.2%	23.4%	33.6%
TFA top 3*	626	993	5.9%	11.5%	11.1%
Net interest and other banking income top 7	26,369	40,797	5.6%	54.1%	59.2%
Operating income top 7	8,112	16,037	8.9%	48.6%	55.0%
TFA top 7	1,113	1,772	6.0%	20.5%	19.8%
System TFA	5,426	8,968	6.5%		

* Excluding Sanpaolo IMI

Source: Reworking based on Bank of Italy data; the sample includes the first seven Italian Banks

2006-2008 scenario

- Ongoing anaemic growth in Italy for the period 2005-2006
- Impact of petrol price, decreasing only as from 2007
- Recovery in household investments
- Loan growth slowing down for 2005-2006, accelerating during the 2007-2008 period, thanks to investments and consumption
- Decelerating trend in deposits
- Rise in long term interest rates
- Inertial projections calculated on a more cautious basis

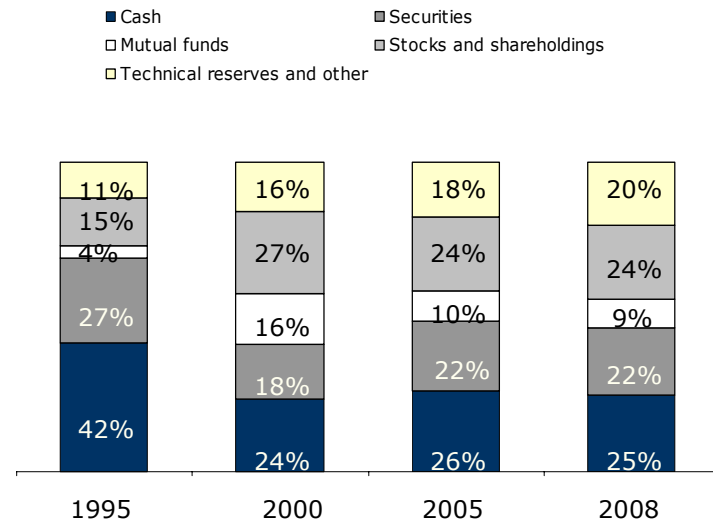
Main aggregates	Growth rates (%)			
	2005	2006	2007	2008
Real GDP (Italy)	-0.1	1.0	1.3	1.5
Inflation	2.0	2.1	2.1	2.0
Share performance (Comit globale)	5.6	4.2	5.6	7.2
Banking aggregates				
- Loans	5.1	5.0	5.1	5.2
- Deposits	6.4	4.9	4.5	4.1
- AUM	6.9	5.4	6.5	7.0
3 month Euribor (annual average)	2.12	2.26	2.37	2.37
3 month Euribor (inertial plan)	2.12	2.25	2.25	2.25

Trends in the financial behaviour of households

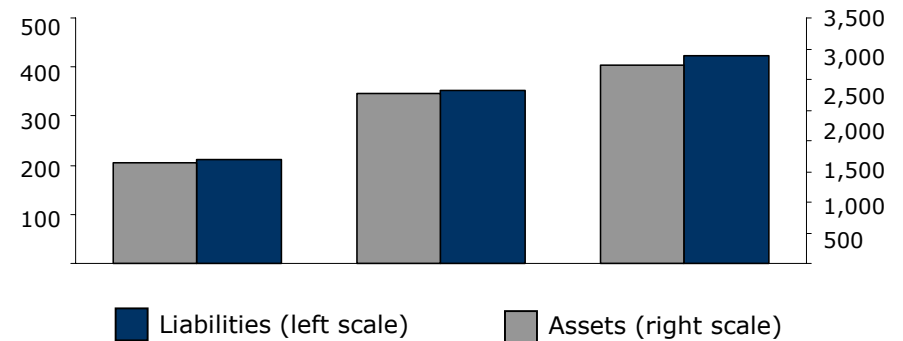
New trends in investments: from fixed income, to speculation, to long term savings

Search for income and non-financial investments requires financing

Evolution of the TFA composition



Evolution of assets and liabilities



Source: Reworking of Bank of Italy data

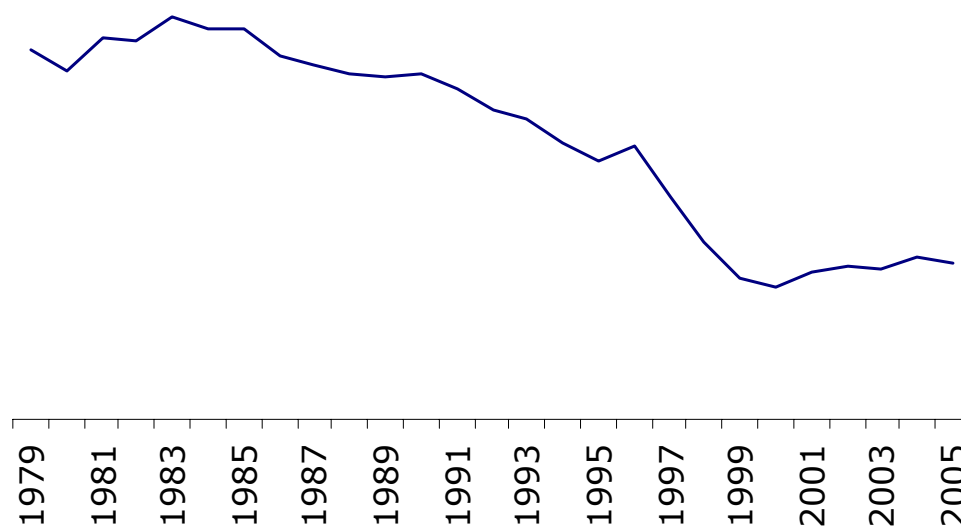
Source: Bank of Italy

Evolution of the TFA composition (consistencies)

	1995	2000	2005	2006	2007	2008
Cash	685.79	681.86	870.12	907.67	934.91	961.81
Securities	450.02	509.73	749.49	776.62	816.89	860.87
Mutual funds	68.08	459.76	332.30	334.03	341.89	353.91
Stocks and shareholdings	251.12	772.26	794.73	825.27	872.83	940.52
Technical reserves and other	188.65	455.66	592.97	653.02	718.85	790.81
Total	1,644	2,879	3,340	3,497	3,685	3,908
Growth rate		75%	16%	5%	5%	6%

Source: Reworking of Bank of Italy data

Evolution of the saving rate on available income



Source: Datastream

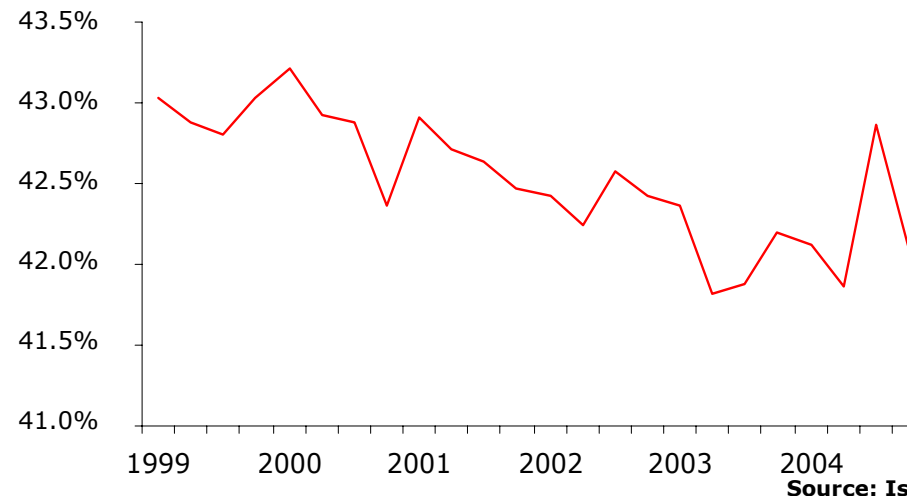
Scenario: risks and opportunities

Export market share

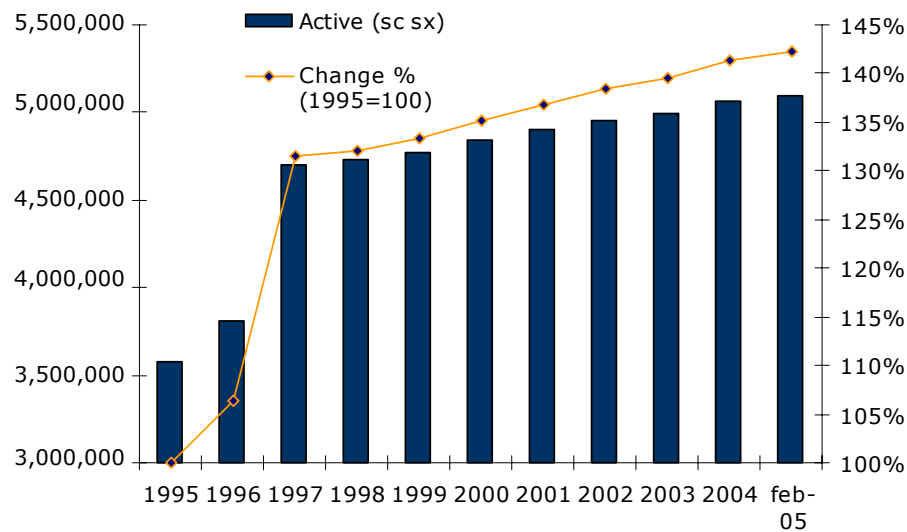
	Italian Export (€/ mln)	Market share
1999	221	4.2%
2000	260	3.8%
2001	273	4.0%
2002	269	4.0%
2003	265	4.0%
2004	285	4.0%

Source: Datastream

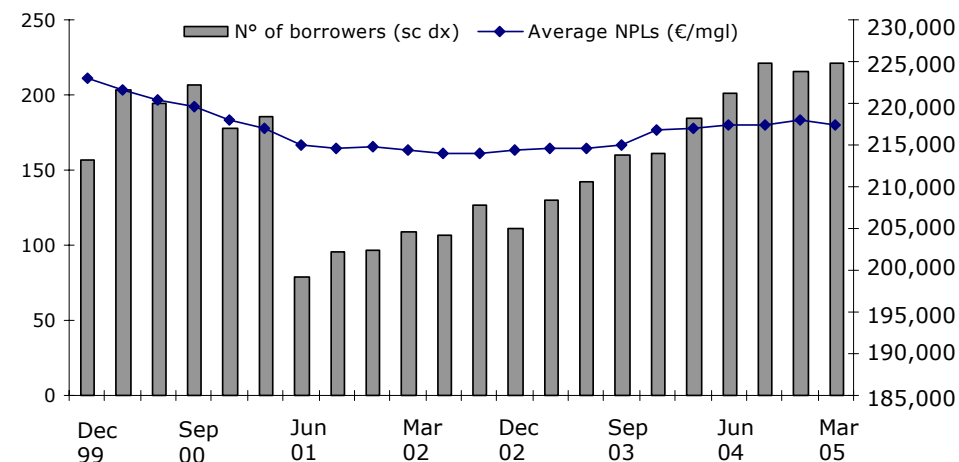
EBITDA/VA



Enterprises operating in Italy



Average banking NPLs and no. of borrowers



SANPAOLO IMI GROUP	Net Income for the year ended December 31, 2004
Group Net Income under Italian GAAP	1.393
Valuation of SCH at fair value	-122
Valuation of FIAT and other partecipations at fair Value	10
Derecognition of amortization of goodwill	122
Tax effect on derecognition of amortization	-32
Derecognition of payrolls capitalised on software	20
Derecognition of liabilities (net tax)	-17
Derecognition of treasury shares	-50
Other adjustments	-66
Impact:	-135
Group Net Income under IAS/IFRS	1.258

**Net impact on
net income**

-135 mln