

UBS - THE ITALIAN FINANCIAL
SERVICES CONFERENCE 2006

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GRUPPO SANPAOLO IMI

DISCLAIMER

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- Continuity in the Group's strategy
- Banking Activity well placed to outperform in terms of sustainable revenue growth
- Eurizon strategically positioned to unlock value and exploit market opportunities
- Conclusions

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 with positive AFS reserve greater than 850 mln

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

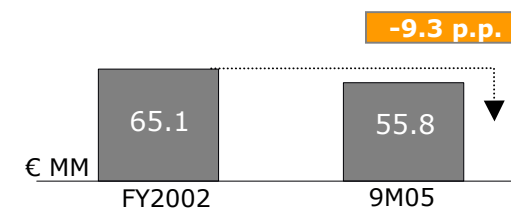
- Cirio, Parmalat, Argentina

* SANPAOLO IMI estimate

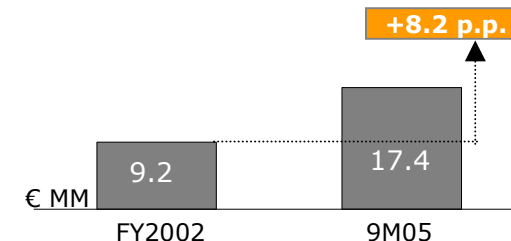
** This data takes into consideration efforts made in 2002

€MM Italian GAAP	CAGR 2005-2002
Operating income	> 10.0%
Net income	> 25.0%

Cost/Income (%) (***)



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



*** FY2002 according to the Italian GAAP principles, Q305 according to the IFRS principles

**** Calculated using new ROE methodology: net profit/ shareholder's equity excluding net profit for the current year.

Strong balance sheet as 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

Quality of balance sheet demonstrated by:

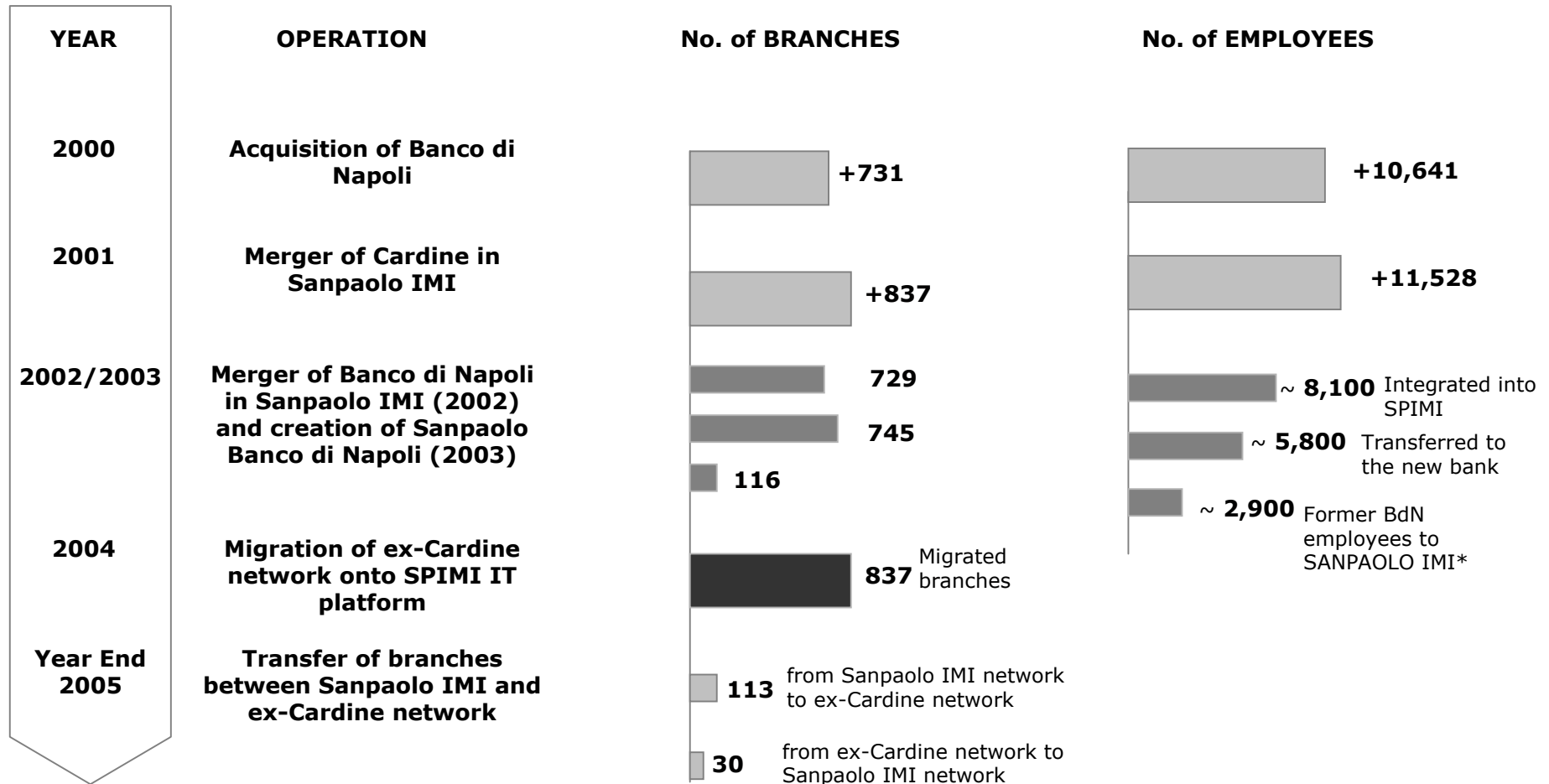
Net impact of IFRS FTA on shareholders' equity	
	+259 mln

Solid capital ratios* 9M05	
Core Tier 1 ratio	6.9%
Tier 1 ratio	7.6%
Total risk ratio	10.7%

* Solvency ratios have been estimated as IAS compliant, applying a stringent interpretation of Bank of Italy proposed regulations.

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Sanpaolo IMI has been through a period of great change



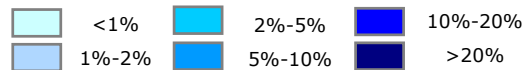
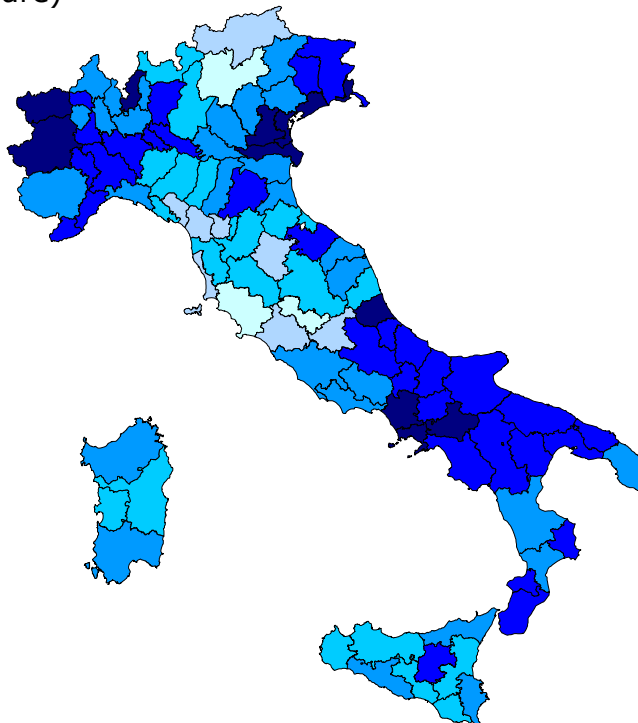
*Working in the 116 North and Centre branches of the former Banco di Napoli and in other structures

Today the Bank is ready to start a new phase

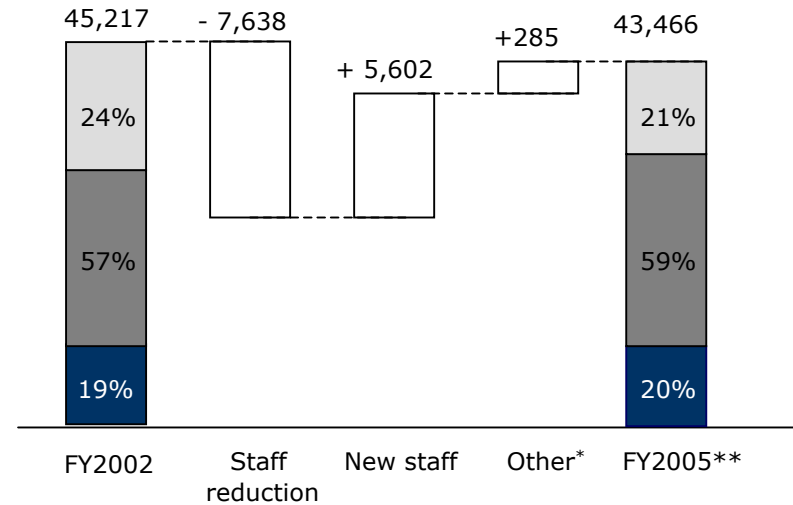
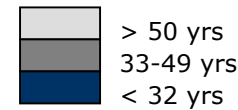
- The integration has now been completed
- The branch network is well structured
- The best geographical footprint in Italy

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

Branch network (market share)



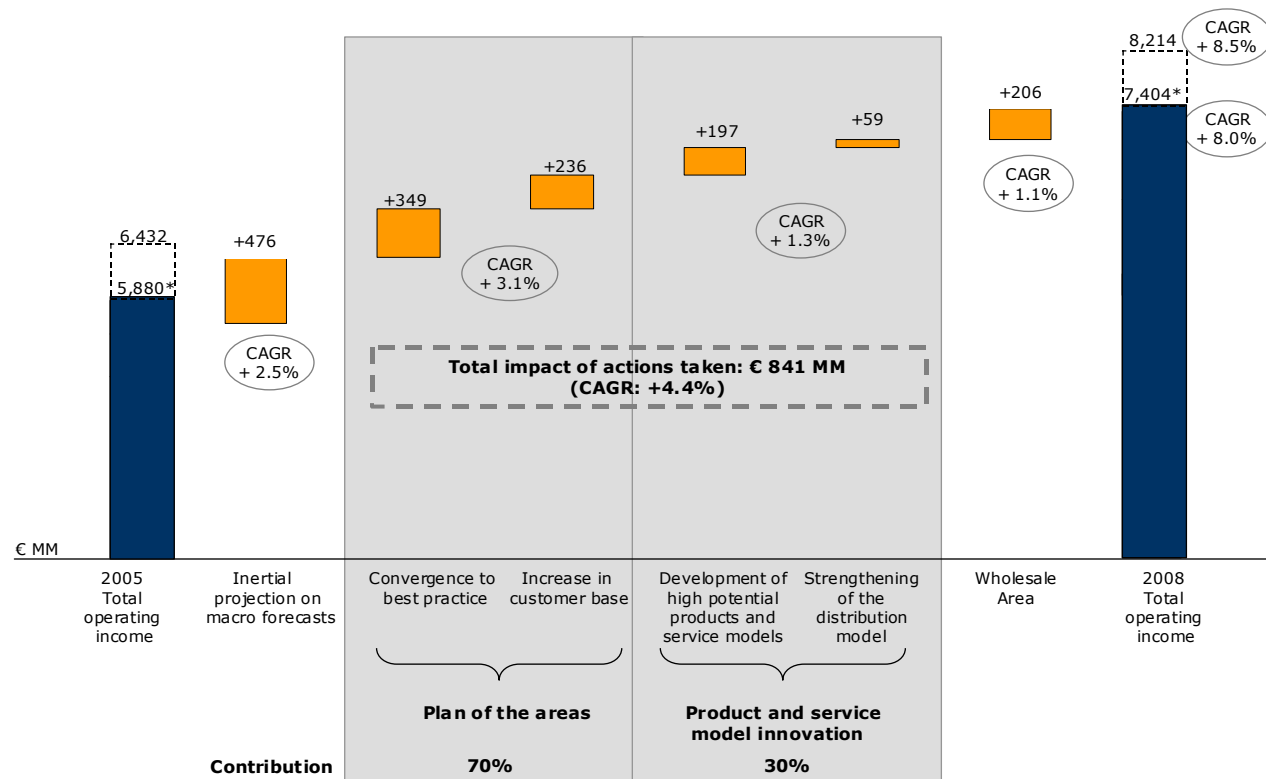
Generational turnaround (at Group level)



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

The plan:

- builds on a tradition of strong ties to the local areas
- leverages on the completion of integration
- focuses on the potential in the network

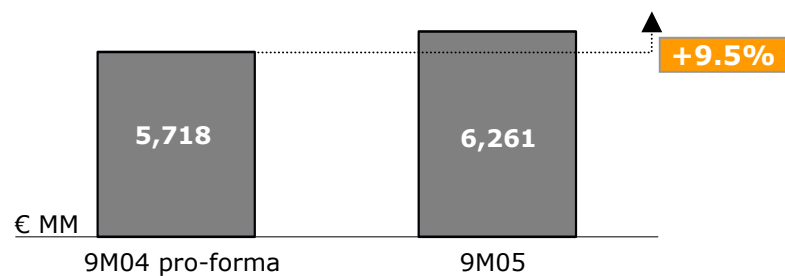


* Management reporting numbers of Commercial Banks and wholesale activity

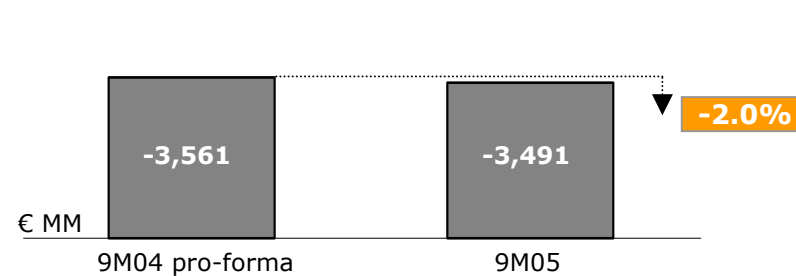
First results are very promising

- Results driven by discontinuity in operating growth and continuity in management of asset quality, costs and balance sheet strength
- Strong trends across all lines of the P&L
- Acceleration in growth of key income numbers

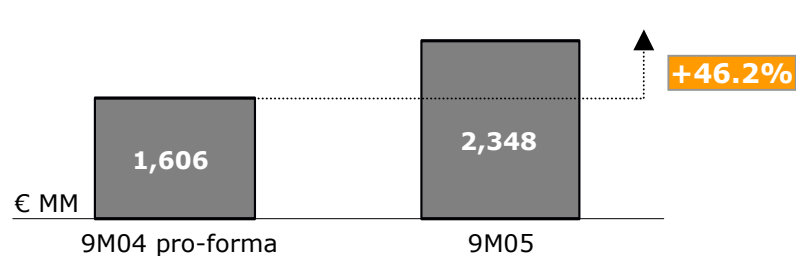
Total operating income



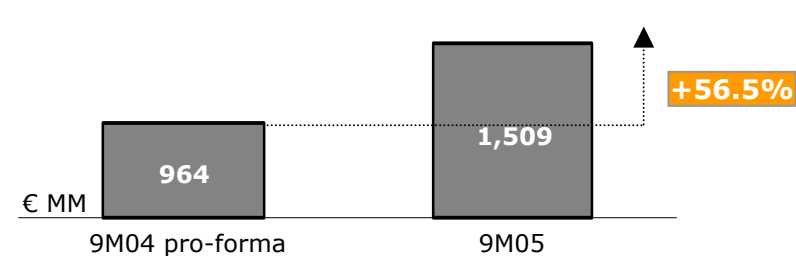
Operating costs



Pre-tax operating profit

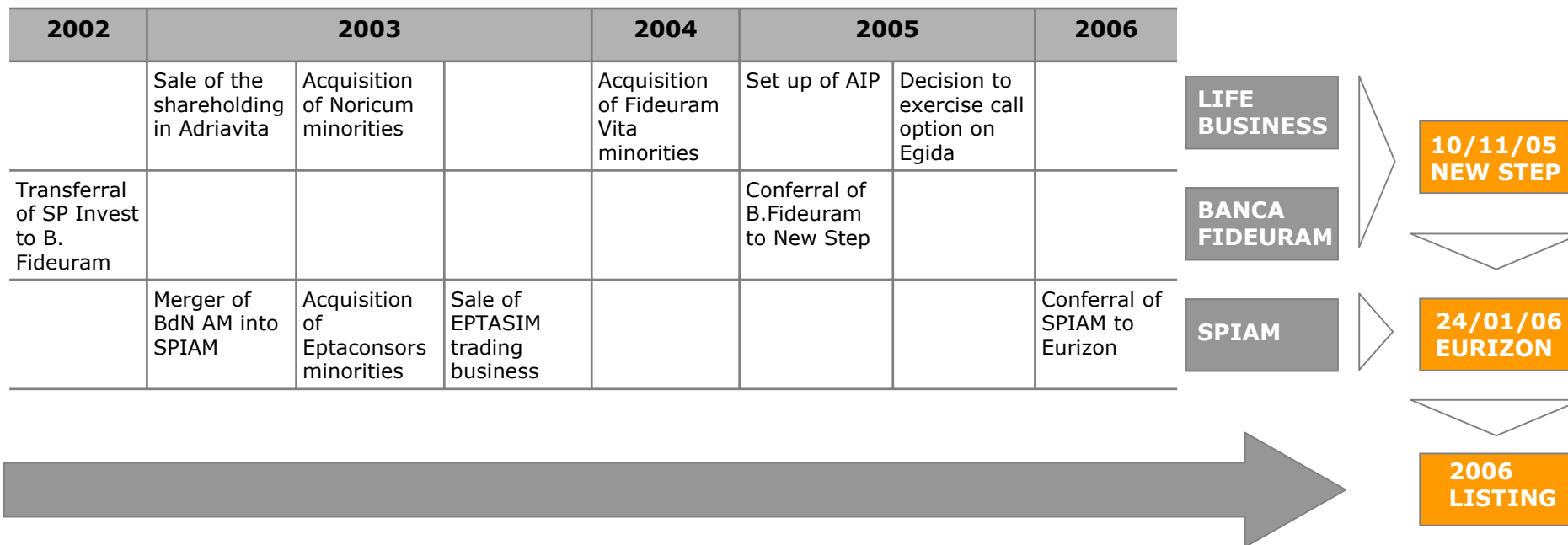


Net profit



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Eurizon is the result of a long term process



Technical reserves and life fin. liab.	Sept. 2005
Stock	€ 43.3 bln
Market share	11.7%
Ranking	2

STRONG COMPETITIVE POSITIONING

- successful development of the life insurance market
- creation of a leading player in the Italian life market

MARKET OPPORTUNITIES

- developing needs in the domestic market
- fragmented competitive market
- structurally underpenetrated market
- potential pension reform

MARKET CHALLENGES

- new capital requirements for financial institutions
- capital needs for business development

Key indicators	Sept. 2005
Number of PFAs	4,189
TFAs	€ 63.5 bln
- AUM	€ 49.1 bln
TFAs/PFAs	€ 15.2 mln

STRONG COMPETITIVE POSITIONING

- successful development of the asset gathering market
- creation of a leading player in the Italian asset gathering market
- quality of the network

MARKET OPPORTUNITIES

- positive scenario for savings growth in target customer segment
- fragmented market with many underscaled players

MARKET CHALLENGES

- need for scale in the business model is driving turnover in PFAs

Mutual funds	Sept. 2005
Stock	€ 103.8 bln
Market share	19.4%
Ranking	1

STRONG COMPETITIVE POSITIONING

- successful development of the asset management market
- creation of a leading player in the domestic market

MARKET OPPORTUNITIES

- advent of open architecture in the Italian market
- potential pension reform

MARKET CHALLENGES

- legislative changes to enforce the division between production and distribution in banking
- advent of open architecture in the Italian market

The Eurizon business model addresses the strategic issues discussed and creates the basis for further value creation through :

- a high quality and high profile management team
- a complementary multi-business group enabling economies of scale and scope
- 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
administration € 182 bln**

- First player in the Italian Asset Management market
- Second player in the Italian Life Insurance market
- Strongest PFA network, with high brand recognition

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The Group has a solid track record in value creation

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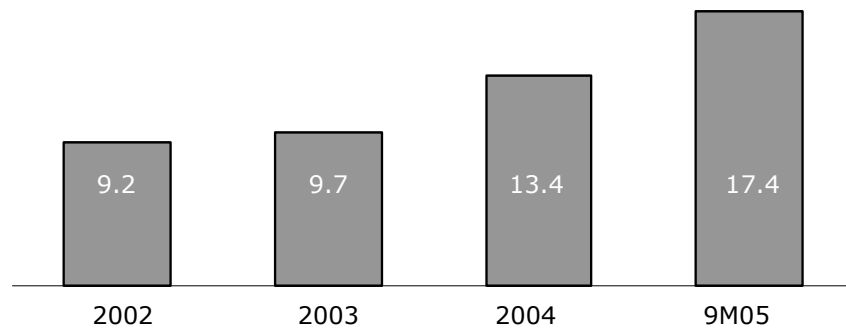
EPS (€)



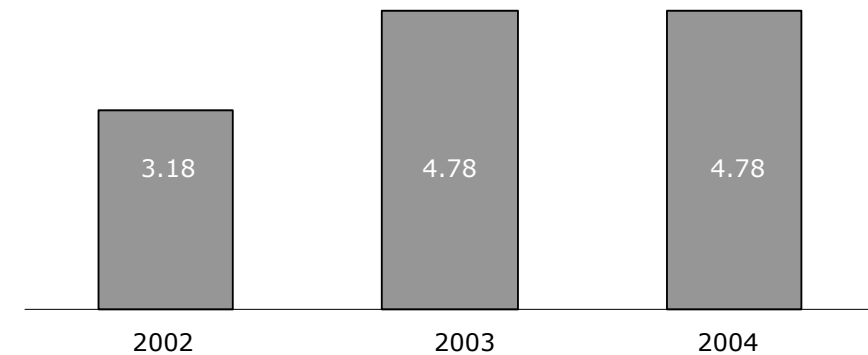
Dividend (€)



ROE (%) *



Dividend/Yield (%) **



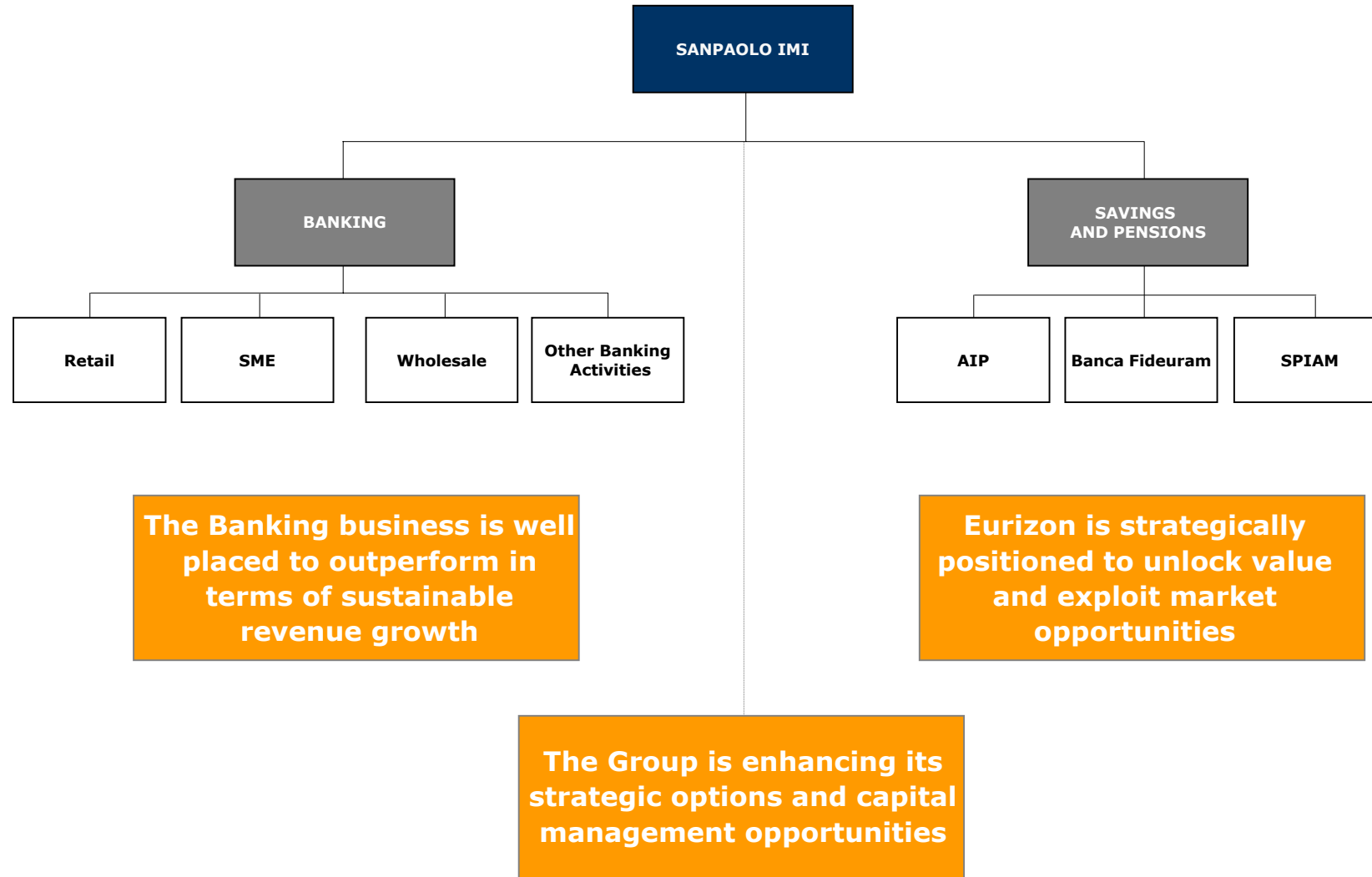
* Calculated using new ROE methodology: net profit/shareholder's equity excluding net profit for the current year. 9M05 data according to IFRS principles

**Dividend Yield calculated on average annual share price

The business plan aims to build on that platform

Drivers	CAGR 2005-2008	Limits	Targets	2008
<ul style="list-style-type: none"> TFA 	+6.0%	<ul style="list-style-type: none"> Core Tier 1 ratio ~ 7% 	<ul style="list-style-type: none"> Pre-tax operating profit 	4.1 bln
<ul style="list-style-type: none"> Loans 	+9.4%	<ul style="list-style-type: none"> Costs 0% in real terms Cost of credit to finance growth +4bps (on portfolio model) 	<ul style="list-style-type: none"> Net profit ROE Cost/ income 	2.5 bln 18% 52%

The new structure positions the Group to achieve objectives



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