



Eurizon Financial Group

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- Eurizon: The new Challenge
- Strengths and Strategic Guidelines
- Financial Results and Embedded Value
- Conclusions

- Created through a step-by-step restructuring of Sanpaolo Imi's shareholdings, Eurizon aims to become a best practice in "long term savings, pension and insurance" in Europe
- Reorganized with a new brand and a well defined business model, Eurizon takes off with leading position in Italy
- Reinforced by a new management team, a more efficient organization and a solid corporate governance structure, Eurizon is now ready for the new challenge

Eurizon establishment process

Life: Creation of **AIP** via acquisition of minority stake in Noricum, later merged with Fideuram Vita

2003-2004

P+C: Investment in **Egida** increased via exercise of call option to buy 50% owned by Reale Mutua; Egida to be merged with Fideuram Assicurazioni

2005-2006

AM: Streamlining of **SPIAM** via merger with BNAM, purchase of minority interest in Epta, and merger with Sanpaolo Imi Institutional AM

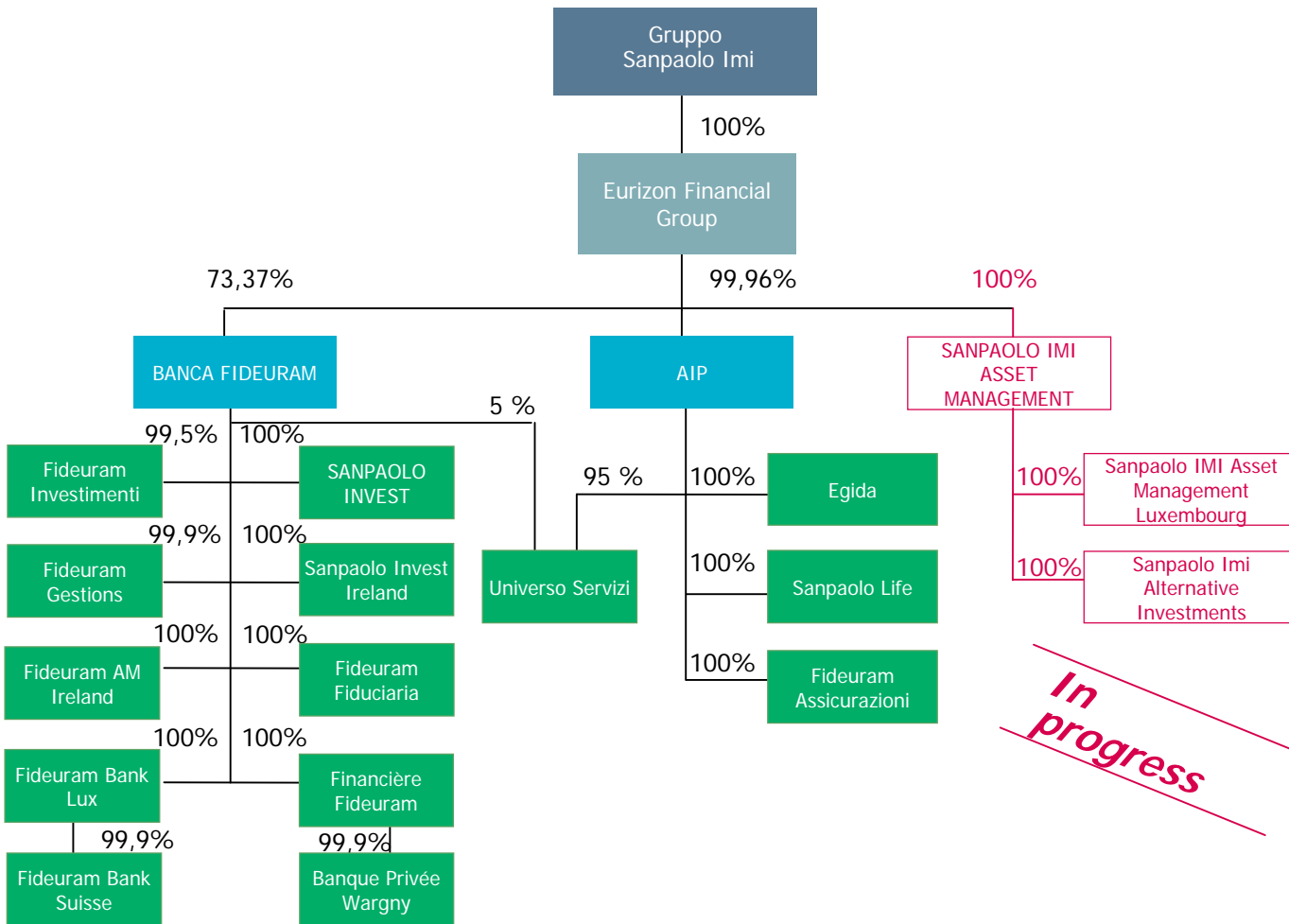
2003-2005

Distribution: Focusing **Banca Fideuram** on AM and distribution, with the transfer of Fideuram Vita and Fideuram Assicurazioni to AIP

2005-2006

- Creation of NewStep (4th October 2005)
- Sanpaolo Imi's contribution in kind of AIP and Banca Fideuram to NewStep (10th November 2005)
- NewStep changes its name to Eurizon (30th January 2006)
- Transfer of Banca Fideuram IT systems to an Eurizon subsidiary (27th April 2006)
- Acquisition of SPIAM (by the end of June 2006)

Eurizon organizational structure



In progress

- Eurizon is highly diversified, both in terms of its structure and skills within the organisation
- Eurizon is currently 100% owned by Sanpaolo Imi
- Eurizon Financial Group reported 2005 results in accordance with International IAS / IFRS

Eurizon: a new brand



The new logo is a reflection of Eurizon's core values: transparency, simplicity, modernity and a view to the European horizon

The cascading process on Eurizon group companies, with a coherent logo, aims to strengthen brand awareness

The brand architecture roll-out will consider potential goodwill specifically associated with the brand



Business description

Life Insurance
and Pension

The **life business** is mainly run by AIP, which also owns Sanpaolo Life, the Irish-law company focused on developing unit-linked products

P&C insurance

Egida is the group's **P+C** company, specializing in personal insurance and wealth-protection solutions

Asset Mgmt and
Investment
Services

The **asset management** business is run by two units, Sanpaolo AM and Fideuram AM, which boast an international platform with companies based in Ireland and Luxembourg

Investment services refer to banking services and third-party products sold by Fideuram

Distribution

- Banca Fideuram, with its two **private-banker** networks (Fideuram and Sanpaolo Invest), is active in financial advisory services
- As Italy's large banking network, the **Sanpaolo branches** are executing a strong business development plan
- Other channels are to be developed, including a new **pension specialist** network

Volumes by Line of business

Financial Group

Eurizon

Mln euro

Volumes	2005	1Q06 ⁽³⁾	
Life insurance and Pension	Gross Underwritten Volumes	8,118	1,296
	Technical reserves and financial liabilities	44,580	44,351
P&C Insurance	Gross Written Premiums	61	23
	Technical reserves	76	84
Asset Mgmt & Investment Services	Net inflows:		
	- Asset Mgmt	9,191	2,267
	- Investment services ⁽¹⁾	1,420	485
	Total Asset:		
	-Assets under Mgmt	156,142	158,948
	-Investment services ⁽¹⁾	19,528	19,941
Total asset under administration⁽²⁾		186,964	190,309
<i>- of which administrated in house⁽⁴⁾</i>		<i>181,419</i>	<i>184,449</i>

Distribution - 1Q06 (FY05)

- Banca Fideuram:
 - 4,160 private bankers
 - Net inflows 547 (1,222)
 - Asset under Administration more than 65bln (more than 64bln)

- Sanpaolo Imi branches:
 - # branches 3,183
 - Net inflows 1,603 (7,110)
 - Asset under Administration more than 104bln (more than 101bln)

- Other channels (CariFirenze, CariForli, Farbanca, Poste, Institutional)

(1) Securities under administration, third-party asset management products distributed through Banca Fideuram; (2) AUM, net of duplications within the group and other adjustments; (3) Unaudited; (4) Excluding third parties products

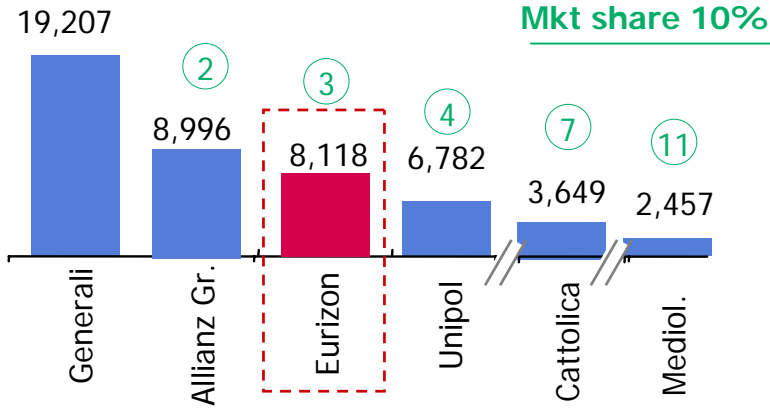
Sources: Banca Fideuram, Sanpaolo Imi, Eurizon, AIP, Sanpaolo AM annual and quarterly reports, internal elaboration

Leading position in Italy

2005 data

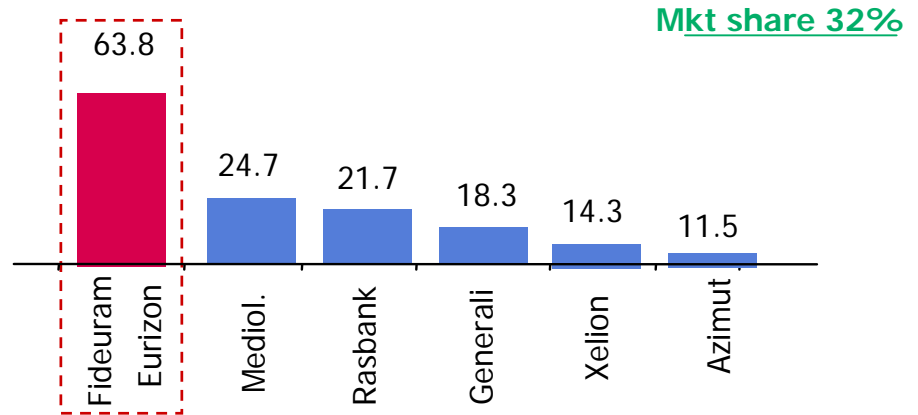
Life Insurance – Gross Underwriting

① volumes⁽¹⁾ mln euro

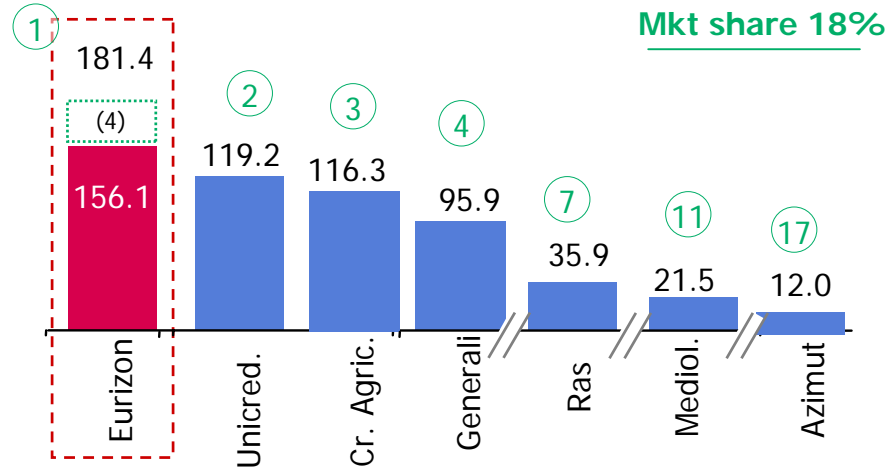


Asset Gathering – Asset under Administration ⁽²⁾

mld euro



Asset Management – AuM⁽³⁾ – mld euro



(1) Gross premiums (Source: ANIA) and Irish business (2) Assets under administration (Source: ASSORETI); (3) Source: ASSOGESTIONI (4) AUM, net of duplications within the group and other adjustments, excluding third parties products

Corporate Governance

- Corporate governance developed in accordance with the guidelines and standards set by Italian Stock Exchange
- To maximize transparency with respect to its stakeholders, the most rigorous best practices in the international marketplace will be adopted

Holding Company's Role in the Group

- With a streamlined organization, Eurizon Financial Group S.p.A. defines the strategic guidelines, handles the governance, management and control functions, and coordinates the activity of the subsidiaries

Transactions with Related Parties

- Transactions with related parties, including Sanpaolo Imi, are executed on the basis of best-practice standards and maximum transparency
- Eurizon's organization structure is separate and independent
- Business activities with related parties, such as distribution, are governed by clearly defined contracts based on market standards at arms lengths

Area

Actions

Management of Distribution Channels

- Strengthening of Banca Fideuram's management by rounding out the existing professionals' experience with new resources hired from the market
- Creation of a new management team, with the goal of developing a sales force specialized in the pension business

Risk Management & Finance

- Creation of a single department in charge of investment, actuarial risks, ratings and capital management
- Development of ALM tools, stochastic embedded-value model, and a risk capital model in order to maximize value
- New risk management procedures and governance

Marketing and Product Innovation

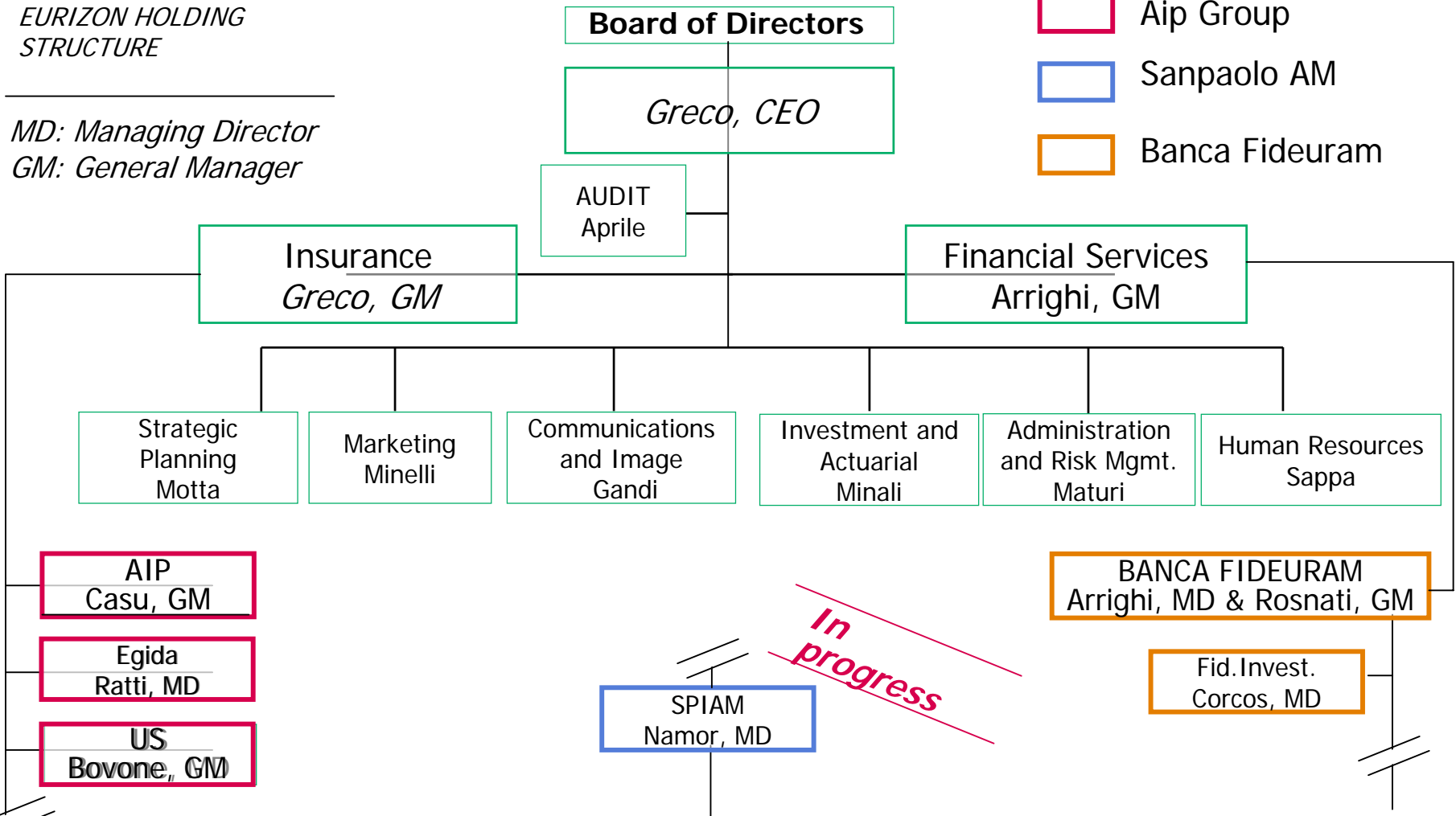
- Set-up of strategic marketing in charge of distribution support (training, client targeting, customer service approach), post-sale service, and product innovation
- Substantial investment to develop market intelligence tools, and a customer analysis to support the marketing process

Principal Organizational Units

SPIAM NOT INCLUDED IN EURIZON HOLDING STRUCTURE

*MD: Managing Director
GM: General Manager*

- Aip Group
- Sanpaolo AM
- Banca Fideuram



Benefits of the development phase

The described process provides Eurizon with the right structure and competences, to get a leading positioning in Europe in “Long-term investments and pension business”

New phase will give substantial *benefits*

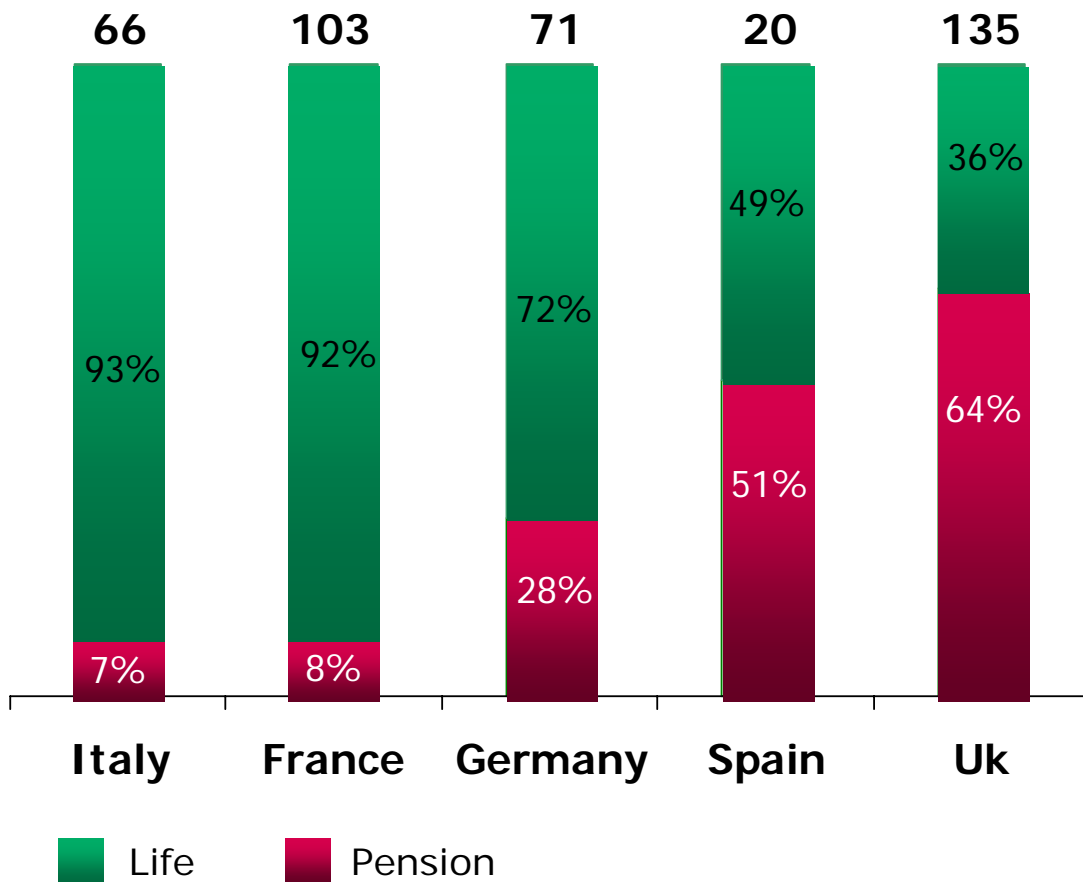
- **Accountability:** Fully responsible for its results, with clear and defined relationship with related parties based on market practices
- **Independence:** Pursuit of independent goals, set by Eurizon Board of Directors
- **Growth:** Develop a strategy based on internal and external growth, to enlarge its distribution base and improve profitability

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- The competitive environment will offer important opportunities to players capable of innovatively managing **long-term investment** and **protection needs** with simple solutions
- Eurizon has **distinct positioning** and a clear goal to leverage opportunities in this market area
- The Group has already embarked on **a plan to put it at the forefront of innovation**, in order to strongly compete in the new market context
- Eurizon's action plan and strategic guidelines call for strong **internal and external growth**

A Market Full of Opportunities

2004 data – Yearly gross underwritten volumes



Significant opportunities in Italy...

- The mix of household financial assets still includes a high percentage of liquidity; some of this liquidity will be reallocated to longer term investments.
- The shift will likely be driven by pension and estate-planning needs

...and
strong potential in Europe too

Source: Bain analysis using ANIA and Datamonitor data

Market Context

- Eurizon projects a reallocation of households financial assets (both stocks and new net flows) that will fuel demand for **pension and long-term investment products in Europe**
- With few company focusing on this business, Eurizon is positioned to emerge **among leaders in this market context**

Eurizon was **specifically created** to respond to market demand for pension and long-term investment products, and offers the customer:

- An integrated life-pension-asset management structure focused on long-term investment management
- Protection insurance (non-motor and retail)
- A dedicated distribution network appropriate to this new market
- A seasoned management team open to innovation, with strong track record
- A structure equipped with sophisticated risk management tools

Product Innovation

- Enhancements to life/pension products (also with MM, and Total Return)
- Enrichment of asset mgmt offer with high value products and new financial techniques

Financial Management

- Achievement of sustainable increase of performance via more dynamic financial management (equity exposure, ALM, hedging activity)
- Discontinuation of the sale of institutional capital-accumulation policies
- Development of tools/techniques for assessing financial/actuarial risks

Distribution Management

- Relaunch of private banker recruitment activity (entry packages by target, enhancement of the retention plan)
- New distribution agreement with Sanpaolo Imi branches
- Launch of dedicated channel, also through joint venture or outsourcing arrangement

Optimization of Costs

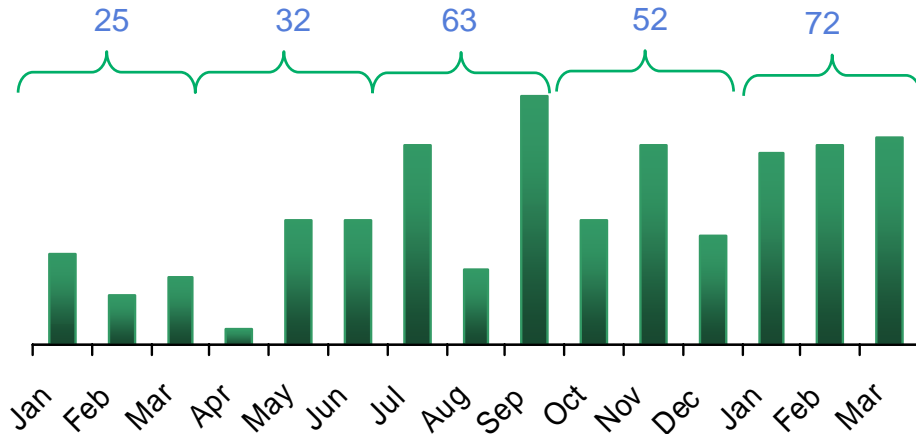
- Integration of all Operation activities in Universo Servizi, to develop an efficient IT systems still investing in innovation

Private-Banker Recruitment and Net Inflows

Monthly recruitment - # Private bankers gross of leavers

Recruitment

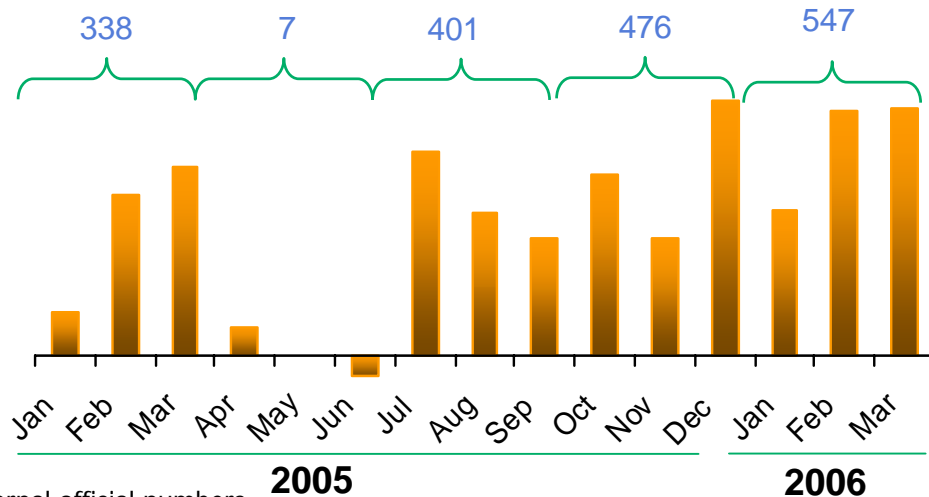
Positive trend in recruitment, with a growing number of Private Bankers joining Fideuram



Net inflows - mln euro

Net Inflows

A positive turnaround in asset gathering, with increases on a quarterly basis



Sources: Banca Fideuram quarterly report, Banca Fideuram internal official numbers

New Distribution Agreement with Sanpaolo Imi

Principal terms as approved by Sanpaolo Imi and Eurizon Boards of Directors held on the 12th of May 2006

Strategic Relationship

- Eurizon to remain Sanpaolo Imi's a reference product provider...
- ...and Sanpaolo Imi to remain Eurizon's reference distributor...
- ...across all of Eurizon's lines of business (Life, P&C, Pensions, Asset Management)

Term

- 9-year contract. Renewable on expiry

Open Architecture

- Asset management: potential for SPIMI to distribute third party products (up to maximum = 23% of AUM stock by the end year 9, to be reached gradually)
- Life insurance: exclusive agreement for the first 6 years; limited open architecture thereafter

Non-Captive Distribution

- Eurizon may distribute its products through other channels (with certain limitations in the case of bank branches in Italy)

Distribution commitment

- Sanpaolo is committed, on a best-efforts basis, to grow the stock of AUMs managed by Eurizon by at least 1.5% per year (excluding performance gains)

Production Commitment

- Eurizon is committed to provide Sanpaolo Imi with products / services in line with market best practice in terms of quality and price

New distribution agreement conditions

Principal terms as approved by Sanpaolo Imi and Eurizon Boards of Directors held on the 12th of May 2006

The new pay-out structure:

- regulates transparently distribution and production relationship
- aligns pay-out to market practice
- makes life insurance business more profitable than before for network
- marginally reduces asset management retrocession
- is applied on new business for life and on the whole portfolio for AM

- Pay-out to the network - %, based on new distribution agreements

	Previous conditions	New conditions
Asset Management		
• <i>Mgmt fee</i>	85%	80%
Life ⁽¹⁾		
• <i>Entry fee</i>	85%-95%	90%
• <i>Mgmt fee</i>	45%-50%	60%-70%

(1) Excluding Index Linked products

Life Insurance and Pension

- Development of new dedicated distribution channels
- Leverage on the current distributors' unexploited capacity

P&C Insurance

- Investment in the "Personal and Wealth protection" segment, with focus on Non-Motor retail business

Asset Management

- Strongly develop extra-captive business
- Capture and investment on special spikes to strengthen proprietary offer

- Seek and capture growth opportunities at European level
- Leverage current position to play a leading role in the consolidation process

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Significant **increase in Net income** in all the lines of business both in 2005 and in 1stQ06

Positive overall trend in distribution in 1stQ06, with **slowdown of life production** and **increase in asset management**

Strong **growth of Embedded Value** in 2005, thanks to positive contribution of NBV and increasing net income

Summary of Financial results

Consolidated figures for Eurizon, aggregated figures for SPIAM – mln euro – gross of minorities - 2005 data

Financial Statement data

	Mln euro	YoY growth
Net income	512	+22%
Shareholders' Equity	2,188	
ROE	23%	

Deterministic Embedded Value

	Mln euro	YoY growth
EV Earnings ⁽²⁾	724	
Embedded Value ⁽¹⁾	4,773	+10%

Eurizon expects to produce a new embedded value calculation, which will be compliant with CFO Forum Principles and will include Spiam inforce value

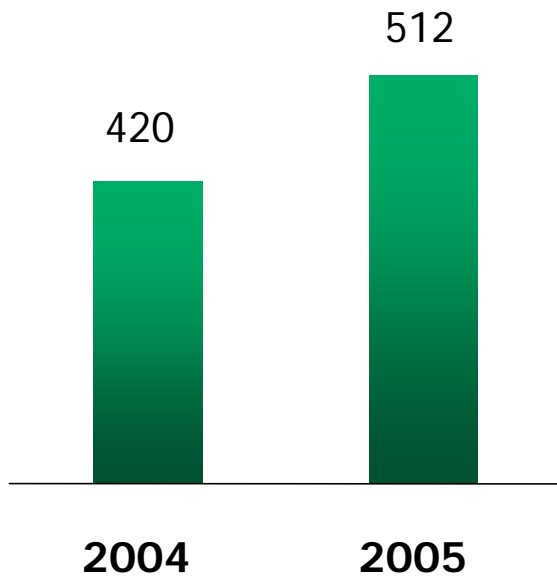
(1) EV Eurizon + Book Value SPIAM, does not include value of Inforce di Sanpaolo Asset Management

(2) EV includes Sanpaolo Asset Management shareholders' equity and net income, doesn't include Adjustments to the net assets and inforce value; Embedded Value Earnings Equal to EV change (426) + Distributed value through dividend or capital outflow (298)

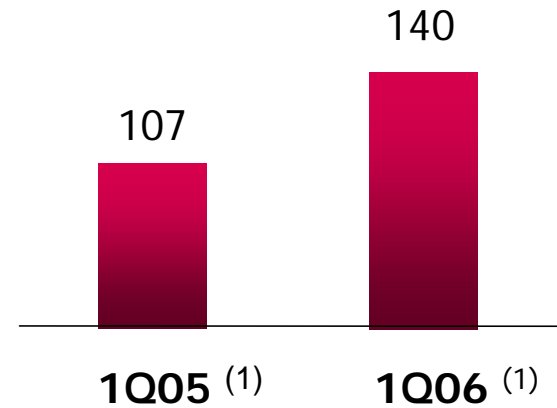
Eurizon net income

Consolidated figures for Eurizon, aggregated figures for SPIAM – mln euro – gross of minorities

- Net Income FY (+22%)
gross of minorities



- Net Income 1Q (+31%)
gross of minorities



Sources: Banca Fideuram, Sanpaolo Imi, Eurizon, AIP, Sanpaolo AM annual and quarterly reports

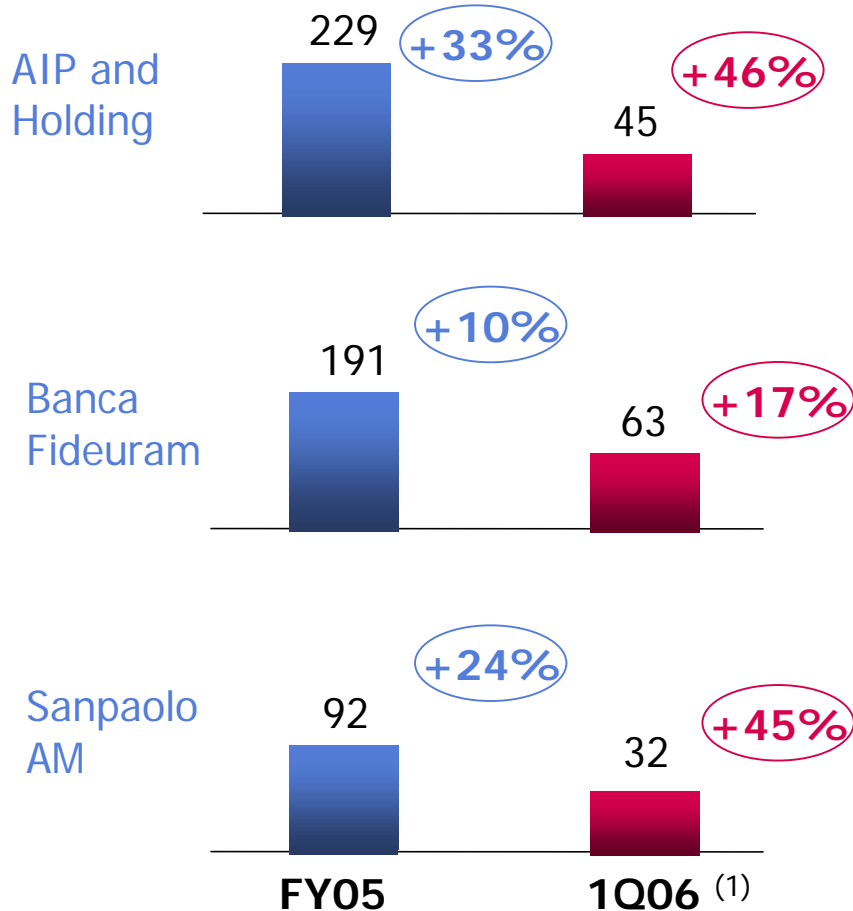
(1) Q1 unaudited

Net income by company

Mln euro – gross of minorities

+..% YoY growth

Net Income



Comments

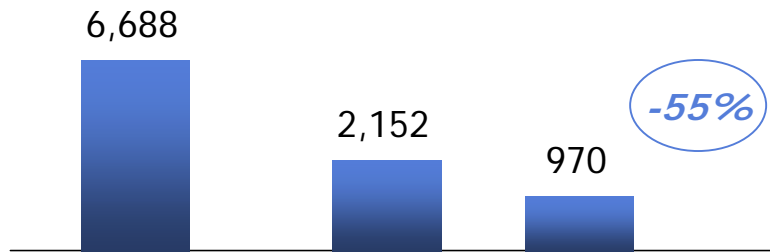
- No extraordinary items
- Increase in financial performance mainly due to structural changes in portfolio management
- Growth of recurring fees due to the increase of total assets, resulting from net new inflows and market performance
- Important write-offs (for a total of 57 mln euro) for Fideuram Wargny and corporate bond in 2005
- No extraordinary items
- Higher management fees thanks to net new inflows and market performance

Sources: Banca Fideuram, Sanpaolo Imi, Eurizon, AIP, SanpaoloAM annual and quarterly reports; Q1 unaudited

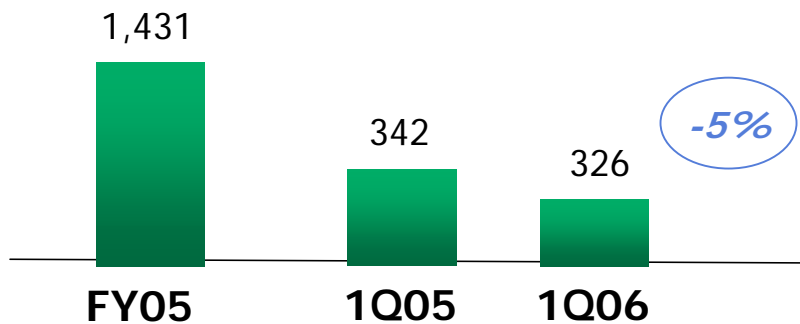
AIP: Life gross underwritten volumes

Mln euro – gross of minorities

Bancassurance



Private bankers



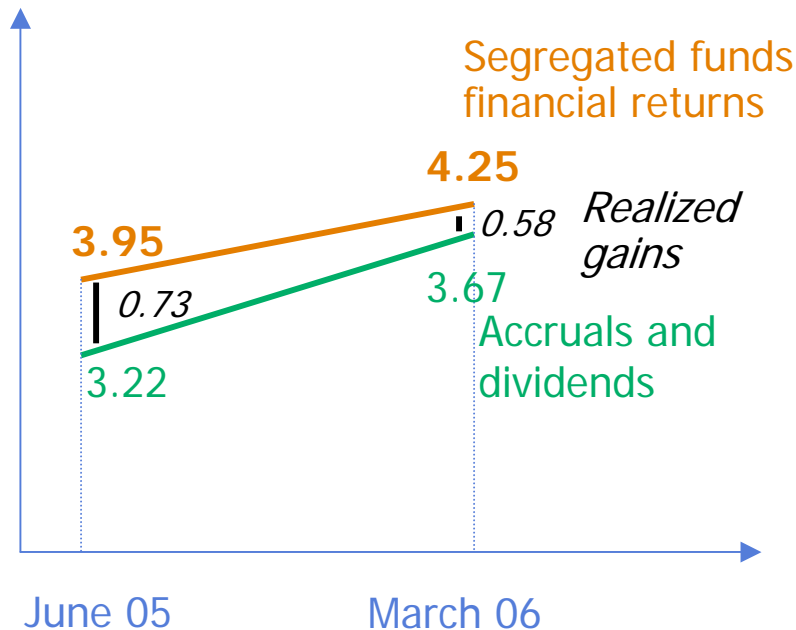
Focus on banking distribution channel

- 2006 target for Life business is more focused on value and product mix, rather than on volumes
- 1Q06 decrease in **Life Volumes** is due to:
 - Discontinuation of capital-accumulation policies
 - Low volumes of index linked businesses
 - Product revisions, to be completed in April-June 06
- 1Q06 **Asset Mgmt** net inflows strong increase is due to excellent performance of ABS funds

AIP: Financial performance – Life portfolio

Separate account: Vivapiù (8 bn of assets)

Financial Performance in %



Action taken

Better financial performance due to:

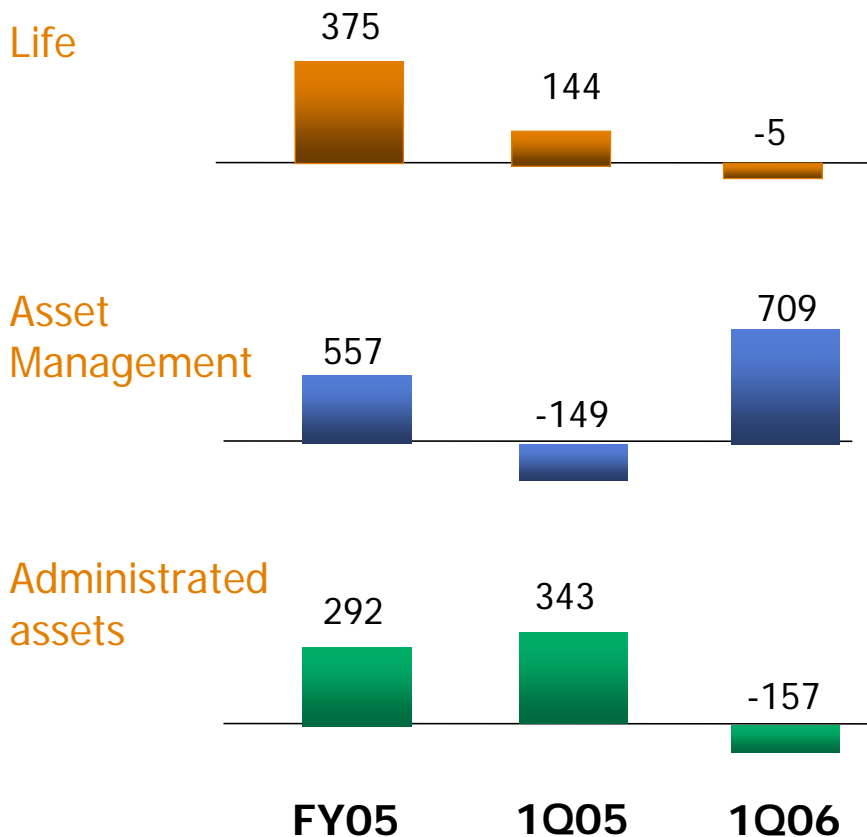
- Reduction of asset-liability duration mismatch from 1.30 to 0.1 years
- Increase exposure to equities and corporate bonds, (respectively from 2.1% to 6.2% and from 8.1% to 13.7%)
- Decrease of liquidity from 29% to 17%
- Investment in commodities

Activation of zero-cost hedging for 47% of unrealized gain on bonds, starting from April 2006 in order to:

- Optimize the matching of returns/guarantees over the entire life of the portfolio
- Maintain enough flexibility to be able to benefit from market movements

Banca Fideuram: Net Inflows

Mln euro – gross of minorities



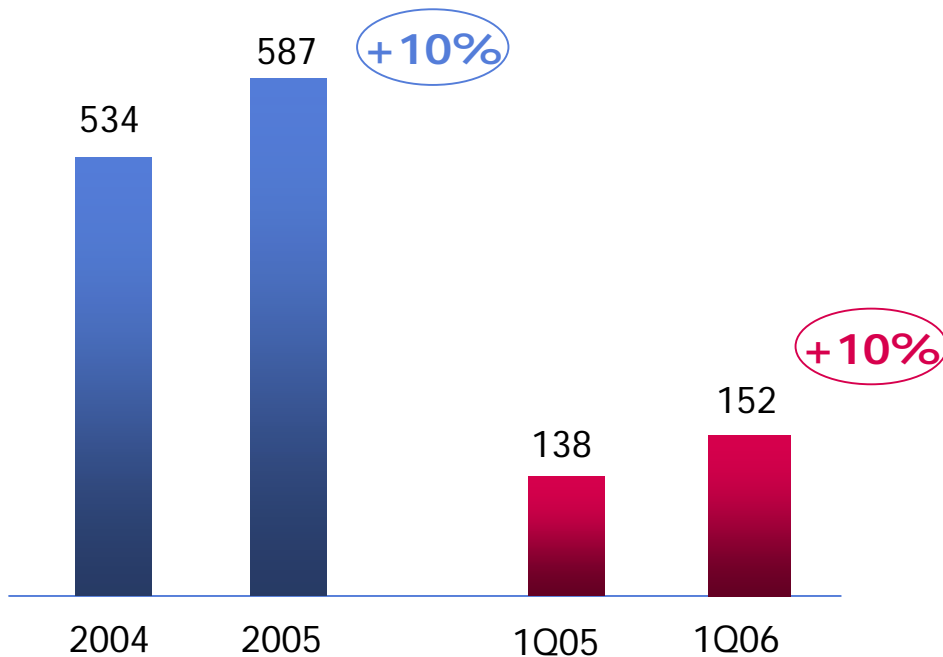
Key Data for 1Q2006

- Total net inflows 547 vs. 338 mln in 1stQ05 **+62%**
- Stable volumes coming from life business due to ongoing revision of product offer
- Strong growth of Asset mgmt products thanks to:
 - launch of new products, such as the Multi-Manager fund of funds, protected managed account, flexible-total return fund, total (of 1,045 mln euro)
 - Open architecture with important result (total 639 mln euro)

Banca Fideuram: Trend of Net Commission

Mln di euro

Total net commission



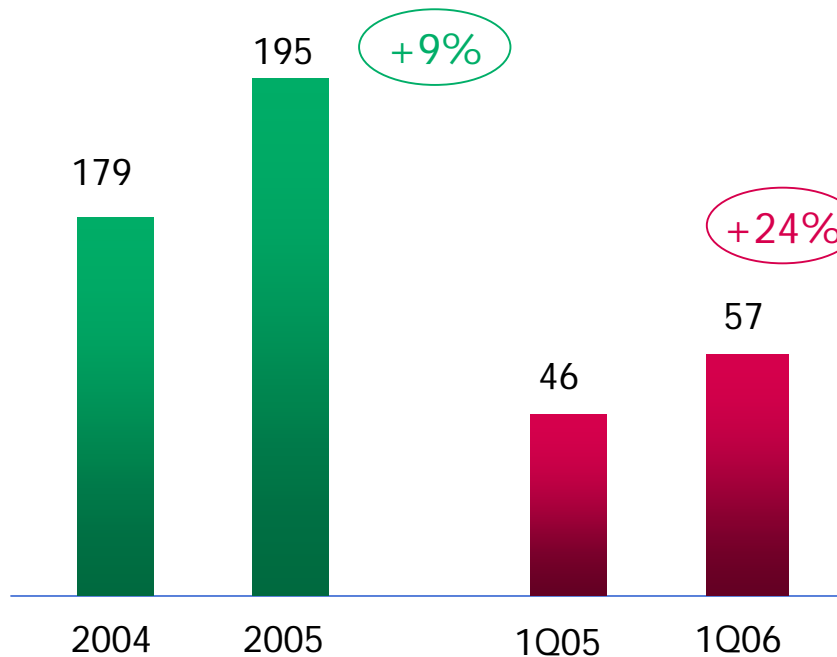
Main 1Q06 trends

- Ongoing reallocation of total assets, from assets under administration to assets in managed accounts
- Switch from low value-added and liquid products to products with longer term investment horizon
- Positive impact from market performance, partly due to the high percentage of the portfolio invested in equities

SPIAM: Net commission development

Mln di euro

Total net commissions



Main 1Q06 trends

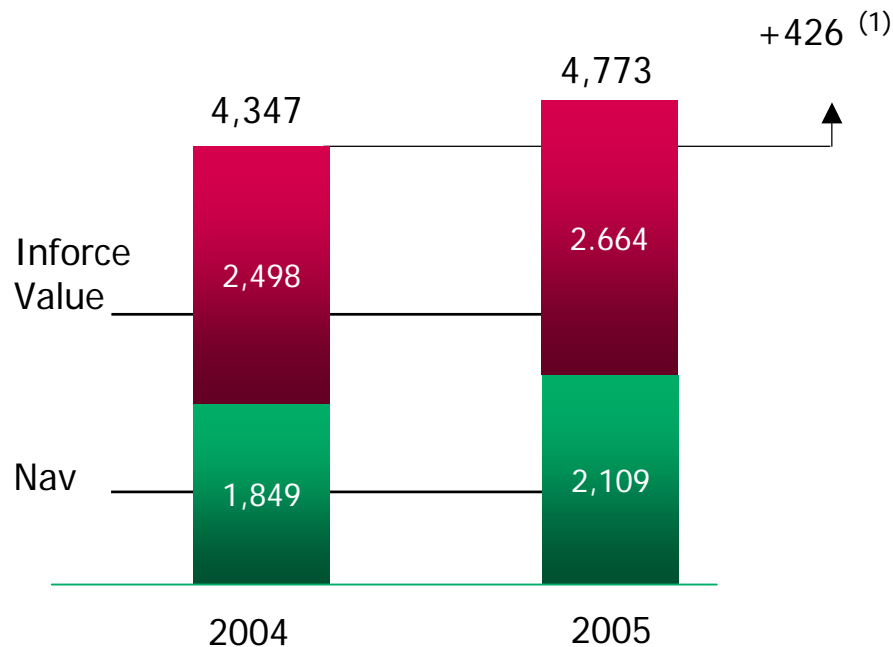
- Strong increase of net new inflows in asset management in Luxembourg-based accounts, with positive impact on net earnings (*“ABS” net inflows 3.3 bln*)
- Significant transfer of assets out of monetary funds and into equity and balanced funds (*Monetary Funds net inflows – 1.7 bln*)
- Positive impact from market performance

Eurizon Embedded Value

Mln euro – Consolidated numbers excluding Eurizon S.p.a and Sanpaolo Asset Management Value of Inforce

Deterministic Embedded Value

Gross of minorities (+10%)



Comment

- Current Embedded Value is developed with a deterministic approach
- NBV still reflects previous distribution agreements with Sanpaolo Imi
- EV includes SPIAM as Shareholders' equity and net income, without Inforce Value
- Current discount rate hypothesis: 6.25%
For 2005, 6.60% for 2004

Eurizon expects to produce a new embedded value calculation, which will be compliant with CFO Forum Principles and will include Spiam inforce value

Sources: Banca Fideuram, Sanpaolo Imi, Eurizon, AIP, SanpaoloAM annual and quarterly reports

EV includes Sanpaolo Asset Management shareholders' equity and net income, doesn't include Adjustments to the net assets and inforce value;

(1) 426 EV change + 298 Distributed value through dividend or capital outflow = 724 Embedded Value Earnings;

Eurizon is developing one single IT platform named “Financial Analysis Program” (FAP), which is the core of risk measurement and management in the company

The tool is based on stochastic modelling and will produce:

- Asset – Liability analysis, in order to optimize asset allocation maximising inforce value while controlling embedded optionality
- Risk base capital requirements, enabling to manage risk exposures, with high degree of analysis on actuarial sources of risk
- European Embedded Value almost fully compliant with market consistent valuation, which is the base for product development and insurance portfolio mix

Model solidity and quality of the output rely on its strong integration, as different FAP modules share the same platform, scenarios and assumptions

Outcomes of the model will drive strategic capital management decisions, like capital allocation, business diversification, leverage

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- Eurizon is a solid company with **significant earnings capacity**, and a **market leader**
- **Strong financial track record**, with life new business expected to accelerate and close the gap with asset mgmt
- Eurizon is positioning itself on the market as a **frontrunner in innovation**, leveraging its **expertise and skills in a range of businesses**
- By maximizing the use of its financial resources and its capacity to generate cash, Eurizon aims to achieve **strong growth in its core business**