Banca Intesa

Report and consolidated financial statements 2002

This is an English translation of an excerpt of the Italian original "Bilanci 2002" and has been prepared solely for the convenience of the reader. The translation contains the consolidated financial statements (made up of the balance sheet, the statement of income, the notes to the consolidated financial statements and the report on operations) and has been integrated by the translation of parts of the Parent Company's financial statements deemed to be of particular interest (the balance sheet, the statement of income, certain parts of the notes to the Parent Company's financial statements and the complete version of the Parent Company's report on operations).

The version in Italian takes precedence and will be made available to interested readers upon written request to
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Report and consolidated financial statements 2002

Banca Intesa Spa
Share capital 3,561,062,849.24 euro fully paid-in – Milano Company Register and Fiscal Code No. 00799960158
Member of the National Interbank Deposit Guarantee Fund – Included in the National Register of Banks No. 5361
Gruppo Intesa included in the National Register of Banking Groups

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Board of Directors, Board of Statutory Auditors and Independent Auditors

Board of Directors

Chairman	* Giovanni Bazoli
Deputy Chairmen	* Giampio Bracchi Jean Laurent Luigi Lucchini
Managing Director / Chief Executive Officer	* Corrado Passera
Directors	Giovanni Ancarani Francesco Arcucci Marc Antoine Autheman Benito Benedini Antoine Bernheim René Carron Alfonso Desiata * Ariberto Fassati * Giancarlo Forestieri Paolo Fumagalli Jorge M. Jardim Gonçalves Gilles Gramat Franco Modigliani Giangiacomo Nardozzi Eugenio Pavarani Giovanni Perissinotto * Axel Freiherr von Rüdorffer Sandro Salvati Eric Strutz Gino Trombi

* *Members of the Executive Committee*

Board of Statutory Auditors

Chairman	Gianluca Ponzellini
Auditors	Francesco Paolo Beato Paolo Andrea Colombo Franco Dalla Sega Bruno Rinaldi

Independent Auditors Reconta Ernst & Young Spa

Chairman’s letter

Distinguished Shareholders,

2002 has been a difficult year for world economy, since international tensions negatively influenced expectations of recovery. Financial markets saw the worsening of the negative trend which had commenced the previous year and the banking system suffered from a generalised reduction in operations and profitability.

Gruppo Intesa was particularly affected by this trend for the reasons which had already negatively influenced 2001. In particular, the results of the Sudameris conglomerate and exposure to large international groups again led to significant provisions and did not enable us to generate profitability in line with expectations.

However, I must also point out that in the year which has just closed we have set the foundations for a rapid relaunch of Intesa, with changes in top management and the approval of the new Business Plan.

Last May, Corrado Passera was appointed Chief Executive Officer of the Group. Mr. Passera is a manager with renowned abilities who had already guided the Bank in the past with extremely positive results. He and all of his direct aides and all employees are faced with the task of enabling our Group to return to satisfactory results.

The strategies for the 2003-2005 three-year period were defined in September. The Plan, approved by the Board of Directors, is being implemented by management; it deals with the problem areas which had emerged in the last two years and sets out the necessary interventions to unravel the Group’s great unexpressed potential, thus realising a positive inversion in the trend already starting with 2003.

The return to satisfactory profitability is possible solely by increasing revenues and containing costs. As concerns revenues, it is necessary to recover lost market shares and to acquire new ones, leveraging on an improvement in customer service. This requires the rapid completion of the integration of the different entities and cultures which formed Banca Intesa and significant investments in technology and training.

The Bank must therefore immediately focus its efforts and its investments in the development of its core business which, due to Banca Intesa’s diversified heritage, can leverage on its strong penetration in all customer target segments, from retail customers to small and medium-sized enterprises, to large companies, which always had in BCI a key reference point.

As concerns costs, we must rationalise activities and structures, with a reduction in presence in certain international markets, sale of non-strategic equity investments, exit from marginal activities and staff reductions.

I wish to linger on this point, since this decision affects people most directly and painfully. The measures we have adopted, typical of all aggregations, become absolutely indispensable at a time like the present in which the economic situation leads to a substantial contraction in revenues. I must therefore thank, on the one hand, the Chief Executive Officer for having been capable of managing this problem effectively and sensibly and, on the other hand, the Trade Union counterparties for having showed a great sense of responsibility.

The results for the period (the consolidated financial statements closed with a net income of 200 million euro, the Parent Company's financial statements with an even lower income) were significantly affected by the negative performance of the South-American subsidiaries, the reduction to presumed realisable value of certain important credit exposures and the marking to market of own shares.

These charges, that were for the most part extraordinary, were partly offset by the significant capital gains realised on the sale of non-strategic assets, which will in no way affect expected future profitability.

The modest net income permits the distribution of a cash dividend lower than last year's, mostly using reserves. However, the Board of Directors decided to propose to the Shareholders' Meeting the distribution of treasury shares amounting to approximately 300 million euro (calculated using market prices in the last few weeks).

The uncertain economic and financial market situation, which depends on the evolution of the international political situation, make it difficult to forecast 2003. Nonetheless, we are certain that our strategies will start to produce the positive results that we all expect.

Giovanni Bazoli

Milano, 10th March 2003

Gruppo Intesa – Financial highlights

	2002	2001 pro forma [1]	Changes	
			amount	%
Statement of income (in millions of euro)				
Net interest income	5,753	6,024	(271)	(4.5)
Interest margin	5,946	6,236	(290)	(4.7)
Net commissions	3,335	3,677	(342)	(9.3)
Net interest and other banking income	9,924	10,592	(668)	(6.3)
Operating costs	(6,816)	(7,388)	(572)	(7.7)
including Payroll	*(3,692)*	*(4,056)*	*(364)*	*(9.0)*
Operating margin	3,108	3,204	(96)	(3.0)
Net adjustments to loans and provisions for possible loan losses	(2,384)	(2,425)	(41)	(1.7)
Income (Loss) from operating activities	(59)	(79)	(20)	(25.3)
Extraordinary income (loss)	286	1,196	(910)	(76.1)
Net income for the period	200	928	(728)	(78.4)
Balance sheet (in millions of euro)				
Loans to customers	168,532	182,772	(14,240)	(7.8)
Securities [2]	36,266	50,920	(14,654)	(28.8)
including Investment portfolio	*8,108*	*12,585*	*(4,477)*	*(35.6)*
Equity investments	3,620	4,754	(1,134)	(23.9)
Total assets	280,733	317,248	(36,515)	(11.5)
Direct customer deposits	182,033	186,850	(4,817)	(2.6)
including Subordinated and perpetual liabilities	*11,631*	*11,708*	*(77)*	*(0.7)*
Indirect customer deposits	301,749	328,150	(26,401)	(8.0)
including Managed funds	*125,552*	*138,336*	*(12,784)*	*(9.2)*
Customer deposits under administration	483,782	515,000	(31,218)	(6.1)
Due to banks, net	14,155	36,633	(22,478)	(61.4)
Shareholders' equity [3]	13,951	14,141	(190)	(1.3)
Operating structure				
Staff (number)	71,501	73,864	(2,363)	(3.2)
Branches (number)	4,341	4,319	22	
including Italy	*3,277*	*3,254*	*23*	
Abroad	*1,064*	*1,065*	*(1)*	

[1] Figures restated on a consistent basis.
[2] Including own shares of 981 million euro as at 31st December 2002.
[3] Including net income for the period.

Gruppo Intesa – Financial ratios

	2002	2001 pro forma [1]
Balance sheet ratios (%)		
Loans to customers/Total assets	60.0	57.6
Securities/Total assets	12.9	16.1
Direct customer deposits/Total assets	64.8	58.9
Managed funds/Indirect customer deposits	41.6	42.2
Statement of income ratios (%)		
Interest margin/Net interest and other banking income	59.9	58.9
Net commissions/Net interest and other banking income	33.6	34.7
Operating costs/Net interest and other banking income	68.7	69.8
Net income for the period/Average total assets (ROA) [2]	0.1	0.3
Net income for the period/Average shareholders' equity (ROE) [3]	1.6	6.7
Risk ratios (%)		
Net doubtful loans/Total loans	3.2	3.0
Accrued adjustments on doubtful loans/Gross doubtful loans to customers	62.5	59.5
Capital ratios (%)		
Tier 1 capital/Risk-weighted assets [4]	6.8	6.0
Total capital/Risk-weighted assets [4]	11.1	9.3
Risk-weighted assets (in millions of euro) [4]	199,714	246,123
EPS – Earnings per share – euro	0.03	0.14

[1] Figures restated on a consistent basis.

[2] Based upon the arithmetical average of total assets at the end of the current and previous period.

[3] Net income for the period, excluding the change in the reserve for general banking risks, divided by the weighted average of share capital, share premium reserve, revaluation reserves, reserves from retained earnings, and the reserve for general banking risks.

[4] Figures for 2001 have not been restated.

Banca Intesa – Financial highlights

	2002	2001 pro forma [1]	Changes amount	Changes %
Statement of income (in millions of euro)				
Net interest income	3,449	3,593	(144)	(4.0)
Interest margin	4,233	4,401	(168)	(3.8)
Net commissions	1,887	2,085	(198)	(9.5)
Net interest and other banking income	6,388	6,721	(333)	(5.0)
Operating costs	(4,035)	(4,391)	(356)	(8.1)
including Payroll	*(2,107)*	*(2,341)*	*(234)*	*(10.0)*
Operating margin	2,353	2,330	23	1.0
Net adjustments to loans and provisions for possible loan losses	(1,384)	(1,521)	(137)	(9.0)
Income (Loss) from operating activities	(365)	(406)	(41)	(10.1)
Extraordinary income (loss)	236	443	(207)	(46.7)
Net income for the period	12	337	(325)	(96.4)
Balance sheet (in millions of euro)				
Loans to customers	122,513	132,055	(9,542)	(7.2)
Securities [2]	20,931	25,906	(4,975)	(19.2)
including Investment portfolio	*1,288*	*4,522*	*(3,234)*	*(71.5)*
Equity investments	12,102	11,824	278	2.4
Total assets	214,064	238,716	(24,652)	(10.3)
Direct customer deposits [3]	133,955	134,440	(485)	(0.4)
including Subordinated and perpetual liabilities [4]	*10,901*	*10,934*	*(33)*	*(0.3)*
Indirect customer deposits	216,260	234,857	(18,597)	(7.9)
including Managed funds	*74,195*	*78,442*	*(4,247)*	*(5.4)*
Customer deposits under administration	350,215	369,297	(19,082)	(5.2)
Due to banks, net [5]	4,270	19,608	(15,338)	(78.2)
Shareholders' equity [6]	13,820	13,977	(157)	(1.1)
Operating structure				
Staff (number) [7]	33,814	35,239	(1,425)	(4.0)
Branches (number) [8]	2,361	2,383	(22)	
including Italy	*2,349*	*2,370*	*(21)*	
Abroad	*12*	*13*	*(1)*	

[1] Figures restated on a consistent basis.

[2] Including own shares of 980 million euro as at 31st December 2002.

[3] Direct customer deposits excluding issued bonds underwritten by subsidiary banks.

[4] Subordinated liabilities is different from caption 110 of the balance sheet "Subordinated and perpetual liabilities", since a significant portion of this type of funding has been raised through subsidiaries.

[5] Due to banks, net does not include bonds and subordinated liabilities underwritten by subsidiary banks.

[6] Including net income for the period.

[7] The figure for 2001 includes the employees of Comit Factoring, merged with effects as of 1st July 2002.

[8] The figure includes both traditional branches with operating and accounting autonomy, and units in charge of managing customer relations, for which the banking relationship is at the reference branch.

Banca Intesa – Financial ratios

	2002	2001 pro forma [1]
Balance sheet ratios (%)		
Loans to customers/Total assets	57.2	55.3
Securities/Total assets	9.8	10.9
Direct customer deposits/Total assets	62.6	56.3
Managed funds/Indirect customer deposits	34.3	33.4
Statement of income ratios (%)		
Interest margin/Net interest and other banking income	66.3	65.5
Net commissions/Net interest and other banking income	29.5	31.0
Operating costs/Net interest and other banking income	63.2	65.3
Net income for the period/Average total assets (ROA) [2]	–	0.1
Net income for the period/Average shareholders' equity (ROE) [3]	0.1	1.4
Risk ratios (%)		
Net doubtful loans/Total loans	1.2	1.0
Accrued adjustments on doubtful loans/Gross doubtful loans to customers	58.1	46.0
Capital ratios (%)		
Tier 1 capital/Risk-weighted assets	8.7	7.4
Total capital/Risk-weighted assets	15.2	12.7
Risk-weighted assets (in millions of euro)	151,122	190,722
EPS - Earnings per share - euro	–	0.05

[1] Figures restated on a consistent basis.

[2] Based upon the arithmetical average of total assets at the end of the current and previous periods.

[3] Net income for the period, excluding the change in the reserve for general banking risks, divided by the weighted average of share capital, share premium reserve, revaluation reserves, reserves from retained earnings, and the reserve for general banking risks.

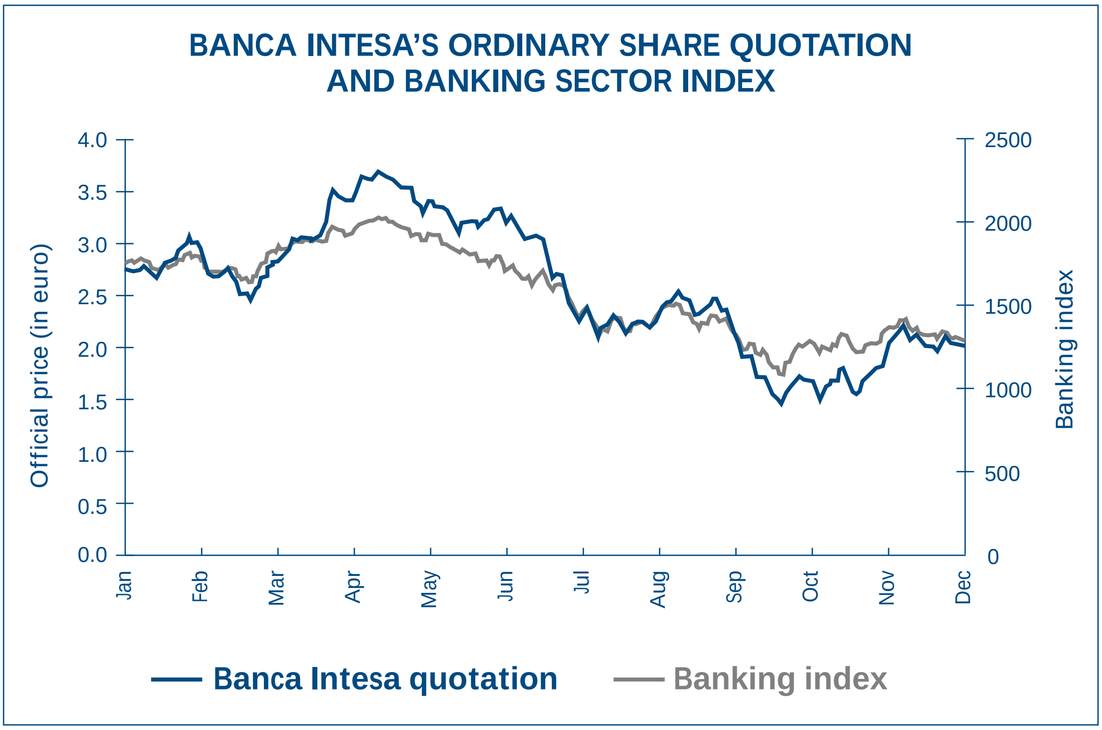
The Banca Intesa share

Stock price performance

The negative trend recorded by world stock markets, which commenced in the second half of 2000, continued throughout 2002. During 2002 the Italian stock market showed at first a slight recovery, which reached its maximum in April, driven by the expectations of economic recovery. Stock indices subsequently dropped and closed, despite the limited recovery recorded in October, on far lower levels than at the beginning of the year. In 2002 the Comit global index recorded a 23.8% drop, reaching 1,092, and in any case outperformed the other European indices.

The positive trend of the banking sector (+15.6% in absolute terms and +11% with respect to the general index) had sustained the market in the first part of the year. Subsequently the worsening of the macroeconomic scenario, the deterioration of banks' asset quality and the expectations of interest rate cuts led the sector index to completely lose its relative overperformance and close the year with a 26.6% decline.

In this context, the Intesa share, after having followed the sector index in the first two months of the year, in March outperformed both the general and the sector indices, and reached in April a performance from the beginning of the year of 33%. Subsequently, the economic slowdown, which substituted the expectations of recovery, made the Banca Intesa share lose its ground. After the expiry in mid-November of the exercise period of the *Warrants Put IntesaBci* issued at the time of the Tender Offer for Banca Commerciale Italiana shares, the stock price recorded a slight recovery but in any case closed 2002 with a 28.5% decline compared to the price at the beginning of the year.



Price/book value

The index – expressed as a multiple of total net shareholders' equity – identifies the value attributed by the market to the entire share capital of a listed company and, therefore, indirectly to the entire value of its activities and equity investments. Notwithstanding the exogenous factors which influence stock prices (such as the international economic, social and political situation) the index is, to some extent, the result of the greater or lower confidence which financial analysts and the financial community have in the profitability prospects and the capital soundness of the company.

The evolution of this indicator for Gruppo Intesa (based on average annual figures), maintained its positions, despite the progressive deterioration of the macroeconomic context and of the financial markets, especially in the last two years.

(in millions of euro)

	2002	2001	2000	1999	1998
Market capitalisation	16,239	22,776	22,895	16,689	10,251
Shareholders' equity	14,061	13,209	11,245	7,541	3,114
Price/book value	1.15	1.72	2.04	2.21	3.29

Pay-out ratio

The ratio between net income and the portion paid out as dividends is an indicator of the attention given to Shareholder expectations.

This attention is testified by the pay-out ratio in the last four years which, despite the unfavourable economic context that particularly affected the last two years, remained on average in excess of one third of consolidated net income. Distribution policy for 2002 set out a dividend payment even though the Parent Company closed practically at breakeven, as well as the assignment of treasury shares for a countervalue exceeding 300 million euro.

(in millions of euro)

	2002	2001	2000	1999	1998
Net income for the period	200	928	1,461	851	584
Dividends (*)	434	331	551	455	130
Pay-out ratio	217%	36%	38%	53%	22%

(*) Dividends for 2002 have been calculated based on the unit carrying value of the own shares assigned to shareholders (2.049 euro).

Dividend yield

This indicator is particularly aimed at the Company's potential shareholders, since it indicates the percentage return on the share, calculated as the ratio between the dividend for the year and the market price in the reference year.

This return, calculated for the last five years and determined using the average annual stock price, may be deemed satisfactory considering the unfavourable context deriving from exogenous events and the significant charges deriving from the integration of Group banks.

(in euro)

	2002	2001	2000	1999	1998
Ordinary share					
Dividend per share (*)	0.066	0.045	0.093	0.083	0.041
Stock price	2.578	3.809	4.338	4.544	4.800
Dividend yield	2.56%	1.18%	2.14%	1.83%	0.85%
Saving share					
Dividend per share (*)	0.079	0.080	0.103	0.093	0.052
Stock price	1.878	2.437	2.421	2.155	2.465
Dividend yield	4.21%	3.28%	4.25%	4.32%	2.11%

(*) Dividends for 2002 have been calculated based on the unit carrying value of the own shares assigned to shareholders (2.049 euro).

Trading in Banca Intesa shares

During the year Group companies carried out the following transactions:

Ordinary shares: Initial number 2,349,735 (countervalue 6,361,955 euro); 47,921,810 purchased (countervalue 132,735,288 euro); 49,878,228 sold (countervalue 136,305,392 euro); end-of-year number of shares 393,317 (countervalue 805,710 euro); loss 1,986,141 euro;

Unconvertible saving shares: Initial number –; 7,534,173 purchased (countervalue 16,134,776 euro); 7,534,172 sold (countervalue 16,187,019 euro); end-of-year number of shares 1 (c.v. euro 1); profit 52,244 euro;

Bonds convertible in ordinary shares: Initial number 24,500 (countervalue 18 euro); 299,386,500 purchased (countervalue 274,083 euro); 299,411,000 sold (countervalue 273,244 euro); end-of-year number of bonds –; loss 857 euro;

Bonds convertible in saving shares: Initial number 2,200 (countervalue 2 euro); 3,837,900,000 purchased (countervalue 4,057,756 euro); 3,837,902,200 sold (countervalue 4,339,313 euro); end-of-year number of bonds –; profit 281,555 euro;

Warrants on ordinary shares: Initial number 123 (countervalue 44 euro); 6,972,682 purchased (countervalue 3,831,712 euro); 6,972,805 sold (countervalue 3,884,284 euro); end-of-year number of warrants –; profit 52,528 euro;

Warrants on saving shares: Initial number –; 7,224,252 purchased (countervalue 3,026,968 euro); 7,224,252 sold (countervalue 3,026,085 euro); end-of-year number of warrants –; loss 883 euro.

Rating

Rating agency	Short-term debt	Medium- and long-term debt
Standard & Poor's	A-2	A–
Moody's	P-1	A1
Fitch	F1	A+

In 2002 *Standard & Poor's* deemed that the deterioration in the general economic scenario could hinder the achievement of the objectives indicated in the 2003-2005 Business Plan and thus reduced by one notch the rating assigned to Intesa's debt. Instead, there were no variations in the ratings assigned by *Moody's*, included the Financial Strength Rating (B-) and by *Fitch*, included the Individual Rating (C).

Gruppo Intesa in the year 2002
Executive summary

The context in which we had to operate in 2002 was very difficult: according to the initial forecasts it should have been the year of the return to economic growth, after the tragic events of September 2001, which had further worsened an economic and financial situation which had started its slowdown approximately two years before. On the contrary, 2002 closed with a very modest growth rate, that required the continuous revision downwards of all the economic, financial and "confidence" indicators, and with a progressive increase in geopolitical tensions. The uncertain context – especially as concerns the general strategies to be adopted to invert the negative trends – is still the greatest concern and hinders growth especially in the Western area.
This situation obviously also affected Banca Intesa: 2002 was not a brilliant year. However, the year closed in line with projections illustrated in the presentation of the 2003-2005 Business Plan, which identified both the main problem areas and the necessary corrective actions to be taken and the value-creation potential of the Bank and of the competitive context in which Gruppo Intesa operates. The Plan contains precise indications on the timing and the means of the relaunch and has the support of Shareholders, the Voting syndicate, the Board of Directors and the management of the Bank. It sets out over 100 projects, many of which started implementation in the last few months. All projects pursue a primary objective, namely greatly improving, from this year, all the main economic and operating results and creating value through measures aimed at increasing efficiency, increasing control over exposures and – especially – enhancing customer service.

The Business Plan

The actions for the turnaround – which commenced in the second half of 2002 – progressively accelerated already starting with the fourth quarter.

In particular:

- the new organisational structure was defined. On the one hand it confirms the divisional approach but, on the other hand, the structure is streamlined and significantly strengthened. The new structure ensures i) clear direction and strategies through the CEO, ii) simplification and clarification of areas of responsibility, tasks and objectives, and iii) integration between all corporate areas;
- a strong management team was created in a short time, with a significant improvement in know-how and cohesion;
- an agreement was signed with Trade Unions regarding the structural reduction of labour cost. All the consequent measures – including the forecasted decrease in the number of staff – have commenced implementation, with the intent of in any case minimising their social and personal impact, thanks to the simultaneous activation of solidarity mechanisms provided for by current regulations. Consistency in the decided pursuit of operating cost containment produced its first effects already in the accounts for the second part of 2002 and – thanks to the agreement signed – will have an even greater impact starting with 2003. Furthermore – since the targets contained in the 2002 budget were not achieved – the performance premium (VAP) for 2002 will not be due, again with the assent of Trade Unions;
- the following four strategic objectives were clearly defined and are to be pursued according to a precise timing and action plan:
  - *reduction in the Group's risk profile and improvement in asset quality*. On this front the commitment is to decrease the risk profile to the desired level via both i) the decision to focus assets in retail activities and in Italy, and ii) the consolidation of the systems and policies which regulate credit granting and monitoring and the strengthening of the Risk Management Unit;

– *exit from Latin America,* which has been expensed in the 2002 accounts;
– *strengthen capital ratios*, via a mix of initiatives also aimed at managing the purchase of own shares, following the exercise – in November 2002 – of the *Warrants Put IntesaBci*;
– *increase profitability and maximise value creation*, to take Gruppo Intesa among the best European players also with regard to this aspect. This objective will be pursued according to an action plan – which is already under implementation – which leverages on i) Gruppo Intesa's leadership in Italy in numerous sectors, ii) the revenue-generating potential of each single organisational structure, iii) the marked and rapid improvement of operating efficiency, and iv) the dynamic management of the asset portfolio. This strategy is based on two great competitive advantages of Gruppo Intesa: strong presence on the local markets and availability of high-quality professional capabilities and resources in every area of activity.

The results of the last part of 2002 indicate that these strategic objectives are being pursued with determination and consistency and have produced the first positive impact on the financial statements.

Actions taken

Therefore, the main problem areas have been immediately addressed.

- *Risk-weighted assets to Large Corporates decreased* from 53.4 billion euro (as at 31st December 2001) to 38.5 billion euro (as at 31st December 2002), with a 28% reduction; this also led to a contraction of almost one third of the allocated capital (from 3.2 billion euro to 2.3 billion euro). Due to these interventions, over 80% of the credit portfolio as at 31st December 2002 was made up of exposures to customers resident in Italy. Exposures to financial counterparties decreased by approximately three percentage points (over 6 billion euro in absolute value) and guaranteed exposures represented over 50% of total exposures.
The rebalancing of the Bank's activities also commenced: the risk-weighted assets of the *Retail* area (which also includes the contribution of the Group's Italian banks and Product companies) increased from 42% to 49%, while the risk-weighted assets of the *Corporate* area decreased from 35% to 33%, with a more marked decrease in *Foreign Large* and *Mid Corporates* (down from 15% to 13%).
In particular, in the last months of 2002 and at the beginning of 2003, the Bank sold corporate loans amounting to 875 million euro, that included exposures to Worldcom and Marconi, at values practically in line with book values.
As concerns risk control and management, the Credit Risk Unit of the Parent Company was restructured and strengthened and the monitoring systems were refined through exposure measurement and control methodologies that calculate risk indicators, and through the identification of internal ratings for corporate customers and a scoring system for retail customers.

- *Credit Derivatives exposure decreased* from 80 to 74 billion euro (–7%), especially as concerns outstanding positions, which in the last six months were more than halved (from almost 12 billion euro to 5.6 billion euro) and concentrated in the Super Senior category.

- *Exit from South America.* The Business Plan sets out a gradual but decided disengagement from South America – where Banca Intesa has been present for over a century through the Sudameris group, controlled through Banque Sudameris, Paris – for the purpose of concentrating Banca Intesa's activities and financial resources in Europe. The various solutions for the exit will be valued exclusively from an economic viewpoint, without in any way diverting from the objective.
A first step has been taken in Argentina with the sale of Banco Sudameris Argentina to Banco Patagonia. Banca Intesa will maintain a stake just under 20% in the bank which will be formed from the subsequent merger of the two entities. This led to charges of approximately 168 million euro, entirely expensed in the 2002 financial statements.
As concerns Brazil, in November it was decided to interrupt the negotiations with Banco Itaù, since the latter would not have recognised the right value for the equity investment. The sale of the subsidiary remains conditional upon the possibility of obtaining a price in line with its intrinsic value. The decision to proceed with the sale – despite the good prospects of the

Brazilian bank – represents a further confirmation of the decision to exit from South America, in line with the commitment made by Banca Intesa with the market. The situation of the Peruvian subsidiary, Banco Wiese Sudameris, is different due to its importance in that Country's banking system, which makes a potential merger or disposal more complex. In 2002 the capital of the subsidiary was increased by 458 million euro, entirely expensed in the financial statements. After an attentive assessment of the financial situation and the potential of the Peruvian bank, at the beginning of 2003 a further credit line, amounting to 150 million dollars, was granted to the subsidiary in order to enable it to have the liquidity necessary to manage its turnaround most effectively. Lastly, it must be noted that an allowance for future risks and charges of 100 million euro has been set up to cover any further charges which may emerge from the restructuring and disposal of the South-American subsidiaries.
As already mentioned, all the charges incurred in South America and expensed in the 2002 financial statements, have been offset by extraordinary income generated by the sale of non-strategic assets.

- *Strengthen capital adequacy*, both through the reduction of the loan portfolio, and through the sale of non-strategic assets and, in general, of assets which absorb significant portions of capital, such as for example real estate properties. This has led to improve capital ratios, not only compared to 2001, but also compared to the targets indicated in the presentation of the Business Plan: the Core Tier 1 ratio improved compared to 2001 (from 5.3% to 5.9%); the Tier 1 ratio increased from 6% to 6.8%; the total capital ratio rose from 9.3% to 11.1%. These improvements are particularly significant considering that the exercise of the *Warrants Put IntesaBci* – assigned to the holders of BCI shares tendered but not exchanged in the Tender Offer made in 1999 – occurred in November 2002. This exercise led to the purchase by Banca Intesa of 478 million ordinary shares, corresponding to little over 8% of voting share capital, at a total price of approximately 2,574 million euro. Carrying value of such shares was netted of the specific provisions made in the 2001 financial statements on the commitment made. In the 2002 financial statements, carrying value of such shares was marked to market, with the registration of a charge amounting to 437 million euro. Therefore, as at 31st December 2002, own shares have a book value of 980 million euro in the Parent Company's financial statements. The sale of non-strategic assets referred to the sale of stakes in Banca Carime, Banco di Chiavari, Borsa Italiana and Monte Titoli, the realisation, via a structured finance deal, of the capital gain on the shares of Italenergia Bis, the sale of the first *tranche* of real estate properties. The positive impact of such extraordinary operations on the statement of income summed up to approximately 900 million euro, inclusive of the securitisation of performing residential mortgages.

Value creation projects

The initiatives for the relaunch of Banca Intesa and for increasing value creation commenced at the same time as the turnaround projects. As specified in the Business Plan, a significant improvement of services to customers – to all customers – can be the basis for higher revenues (which must increase, with respect to 2001, by approximately 1.5 billion euro within 2005), improved profitability and maximisation of value creation.
The first step was the implementation of the new organisational structure, based on four Business Divisions (Retail, Corporate, Italian Banks and Foreign Banks), on Product Companies (Intesa Mediocredito, Intesa Leasing, Mediofactoring, Banca Cis, IntesaVita, Setefi, Intesa Riscossione Tributi, Caboto IntesaBci Sim, Nextra Sgr, and so on, some of which in operating terms report to a specific Division) and Central Structures (Head Office Departments and Services Companies). Each structure has therefore been assigned precise responsibilities as concerns capital absorption and the achievement of specific objectives, both economic (with a strong focus on EVA as a performance measure), and of service improvement.
Over one hundred reorganisation and relaunch projects have been undertaken, including:

- *unification of the company's IT system*: the migration of former-Cariplo branches on the "Target system" was concluded in 2002, the migration of former-BCI branches commenced in 2003. This is aimed at equipping Banca Intesa with just one IT system, which is the essential precondition for a great improvement in customer service. An improvement which will also derive from a mix of other initiatives which have already started implementation: the review and strengthening of monitoring and active management of service quality; the realisation of the new branch model; the revision of branch and back-office procedures; the integration and strengthening of complementary channels (Internet and telephone), to ensure a real multimedia access;

- *realisation of the network's new organisational model*, with a reduction in decision-making levels, the elimination of certain intermediate structures and greater responsibilities and autonomy in the Areas;
- *optimisation of the territorial coverage of the branch network*, for the purpose of ensuring the best access to customers, at the same time eliminating overlapping branches and low-performance and non-strategic locations;
- *rationalisation and improvement of the product portfolio*, for the purpose of unifying, simplifying and matching product offering to customer needs. A process which will receive a strong impulse from the completion of the Company's IT system, but which already commenced with the placement, in January 2003, of two structured bond issues for a total of 750 million euro, for the first time solely under the "Banca Intesa" brand. Such issues were aimed at satisfying the needs of a significant part of the customer base, looking for attractive returns, combined with guaranteed minimum return and reimbursement of the entire capital;
- *improving sales capacity*, both through the increase of resources dedicated to customer relations compared to administrative tasks, and through extremely high investments in training;
- *setting-up of the Government and Infrastructures Unit*, a new structure dedicated to serving the increasing advisory requirement of the State and all its various units, through the development of project finance, corporate finance, asset securitisation and bond origination for local authorities to be added to traditional banking services;
- *refocus of foreign activities*. In addition to the aforementioned exit from Latin America, the main guidelines refer to the decision to i) operate in retail banking only in Eastern Europe, where Gruppo Intesa is present in Hungary (with the Central-European International Bank – CIB group), in Slovakia (Vseobecna Uverova Banka – VUB), in Croatia (Privredna Banka Zagreb – PBZ), and ii) operate in the corporate sector only to support foreign companies' activities in Italy (and therefore to abandon "purely foreign" transactions), create a large network to support the development of Italian companies abroad and focus attention on the areas in the world which present the highest growth potential for Italian companies and where there appears to be the greatest need of assistance (e.g. Russia, China, India).

Human resources and alliances

All turnarounds and relaunch initiatives require the strong involvement of personnel. As already mentioned above, the agreement for a reduction in personnel costs amounting to approximately 500 million euro was signed with Trade Unions in December 2002. Simultaneously, the phase aimed at developing and training human resources commenced. In particular, this is based on a multiannual training plan which includes over 800,000 days of training and must promote a new corporate culture in addition to further strengthening professional know-how. The Business Plan and its values are the reference model for this new culture, which is based on: result-orientation, customer focus, operating excellence, profitability, responsibility, teamwork, authoritativeness, rigour, integrity.

Alliances play a crucial role in achieving the critical mass necessary to benefit from the best economies of scale and scope. The foundations for the development of various important initiatives were set in 2002: with the Crédit Agricole group (consumer lending, private banking, and so on), with the Assicurazioni Generali group in bancassurance, with the Lazard group in advisory (M&A and equity origination).

2002 results

As mentioned at the beginning, 2002 has been a year of transition for Banca Intesa in which reorganisation and relaunch activities occurred, while ordinary operations presented various difficulties, also as a result of exogenous factors.
Operating activities in the short term were

positively affected by the first actions aimed at improving loan portfolio quality and the reduction in its risk profile.

The significant decrease in assets, mostly referred to non-resident corporate customers, led to a 4.5% contraction in net interest income and in income from services. Conversely, the reorganisation of the network as set out in the new organisational model will produce the first positive effects with regard to profitability starting with 2003. Income from services, 9.3% down compared to 2001, was affected by the stagnation of financial markets which determined a significant contraction (–17.6%) of income from asset management and securities trading.

The first interventions as concerns the recovery of efficiency and cost containment led to a reduction in operating costs exceeding 7%. The main areas of interventions were: personnel costs, that decreased due to both the layoffs and the lower variable compensation on the modest results achieved in the last two years, and depreciation, due to the sale of certain non-strategic assets.
These initiatives contributed to contain the decrease in operating margin to 3% compared to the figure for 2001, the latter considered net of the 521 million euro non-recurring dividend on the sale of the last portion of the equity investment in Seat Pagine Gialle.

Profitability was instead heavily affected by adjustments and provisions (in excess of 3 billion euro). These were deemed necessary to adjust carrying value of certain assets to their intrinsic value.
Important adjustments were recorded on the loan portfolio (2,384 million euro), mostly referred to non-resident corporate customers and to the South-American area, and also to certain equity investments.

Extraordinary operations led to an income of 286 million euro, which stemmed from i) the capital gains on the sale of the stake in Banco di Chiavari, of other non-strategic equity investments, and of the residual stake in Banca Carime, ii) the decision to sell the stake in Crédit Lyonnais (by accepting the Tender Offer made by Crédit Agricole), and iii) the sale of certain real estate assets.

Extraordinary charges mostly reflected provisions for future charges related to the creation of a "solidarity allowance" and the write-down of own shares, purchased following the exercise of the *Warrants Put IntesaBci*.

2002 closed with a net income of 200 million euro, which certainly does not reflect the potential present within the Group. The first important evidences of this potential should be contained in profitability for 2003.

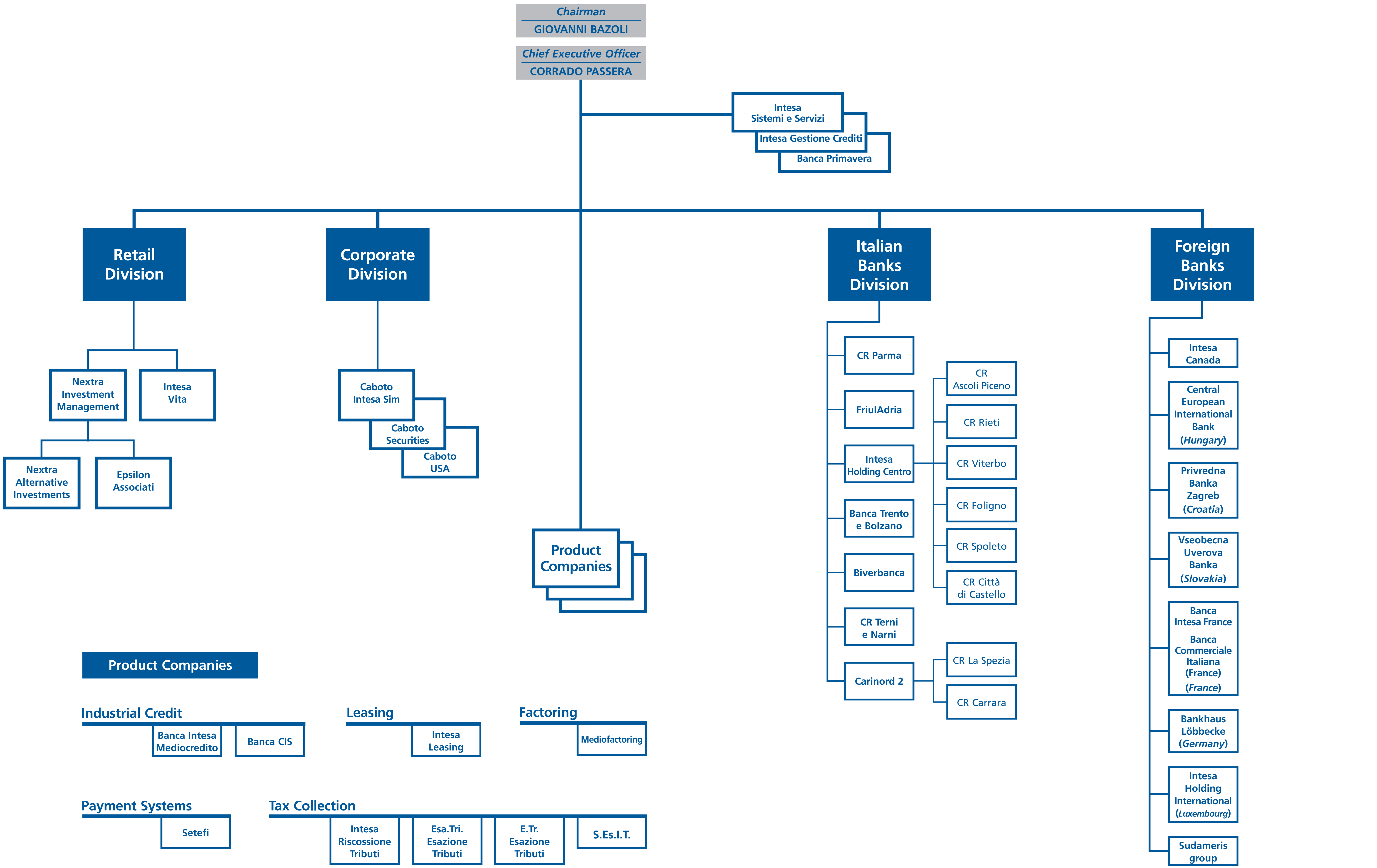
The limited size of Banca Intesa's net income in 2002 enables to distribute a dividend lower than in 2001, which in any case mostly derives from the use of the extraordinary reserve. However, in order to offer Shareholders an adequate return on investment, the Board of Directors will propose to the Shareholders' Meeting the assignment to all Shareholders of one Banca Intesa ordinary share for every 40 ordinary shares and/or saving shares held. This will lead to the distribution of over 159 million ordinary shares, equal to almost a third of the treasury shares held. At current market prices, shares assigned are worth over 300 million euro.

All the objectives contained in the Business Plan – which are meant to ensure a significant recovery in profitability starting with 2003 – are confirmed, notwithstanding all the caution necessary in consideration of the uncertainty of the international situation and the macroeconomic scenario.

With reference to the main revenue areas, actions implemented have the objective of maintaining net interest income, despite the scenario of decreasing interest rates, and the recovery of the contribution from net commission income, in particular in the segment of asset management and other financial services to customers. As concerns costs, further savings are expected from personnel costs and general expenses.

The rise in profitability will also reflect the improvement in credit management, which is expected to lead to a reduction in adjustments, due to the decided interventions on loan portfolio quality and the significant decrease in exposure to certain large international groups.

Main Group companies



Gruppo Intesa
Report on operations and consolidated financial statements

Report on operations

The macroeconomic scenario

World economy

The trend of world economy in 2002 failed to meet the expectations formulated at the beginning of the year. The economic recovery proved modest and inconsistent in the various world areas and, with the passing of months, appeared increasingly threatened by the risk of war in the Persian Gulf. Consequently, household and company confidence was affected, leading to a modest expansion of consumption and investments. Even if world GDP rose at a rate slightly higher than in 2001, fears of recession emerged in the second half. International tensions contributed to worsen the stock market crisis, which had already been penalised by corporate scandals and by a more pronounced risk aversion felt by investors; capitals continued to shift from shares to fixed-income products, favouring a reduction in bond market yields.

United States

The American economy benefited from a drastic loosening of fiscal and monetary policies and, through imports, the US continued to sustain economic activities in the rest of the world. Tax cuts and higher public spending determined a deficit in the federal balance, but contributed to support domestic consumption. Monetary policy was further loosened by reducing the interest rate on federal funds to 1.25%.
Nevertheless, the reluctance shown by companies in relaunching investments and higher household propensity for saving make recovery still fragile.

Euro Area

The Euro Area did not benefit from a significant loosening of its fiscal policy, which was blocked by the constraints imposed by the Stability and Growth pact. Monetary policy interventions have been less aggressive than those made in the United States, partly as a result of an inflation rate deemed to be excessive. Therefore, domestic demand proved disappointing on all fronts: investments shrank even more than in 2001 and consumption was stagnant. Only thanks to the contribution from foreign trade, GDP rose to the estimated level of 0.8%.
At the local level, differences in growth rates widened and Holland, Germany and Italy registered the lowest growth rates among the twelve Countries.

Latin America

After the collapse of the Argentinean economy, Latin America continued to experience strong tensions during 2002.
As the Brazilian elections approached the situation was very troubled, with various speculative tensions leading exchange rate and bond prices to drop to potential default levels. The behaviour of the new Brazilian President subsequently reassured investors, favouring market stability in the sub-continent.

Financial markets

Stock markets fluctuated, with pessimism gradually prevailing in mid-year.
The preoccupations related to the quality of financial statements and corporate scandals affected investors' confidence in the market. Stock market indices, which had recorded a stable trend until April, entered later in a decidedly downward phase which lasted months; only at the end of the year a timid recovery emerged.

Bond yields had maintained an upward trend until May, sustained by expectations of economic recovery and of forthcoming interest rate increases.
During the second half, however, the crisis affecting stock markets and the shift of savings determined a sharp drop to below 2001 year-end levels. Also the corporate bond market was affected by tensions and the spreads on Government bonds increased.

In the foreign currency markets the myth of a “strong” dollar collapsed. The American currency lost ground against the euro: from the minimum 0.86 US dollars as at the end of January an upward phase began leading up to 1.08 US dollars as at the beginning of 2003.

The Italian economy

The slowdown in the Italian economy involved all components of domestic demand, in spite of incentives supporting consumption, investments and exports.

Stagnation in consumption was determined by a contraction in household financial wealth and by a rise in inflation (real and, above all, perceived). The latter appears to be linked to the introduction of the euro as currency, as well as to other temporary factors. Average inflation over the twelve months rose to 2.6% from 2.4% in 2001. The economic slowdown and the crisis in world stock markets also affected the Italian stock indices. At the beginning of 2003, the Mib30 recorded a loss of approximately 31% compared to the end of 2001 and average volumes recorded a 4.3% reduction from the previous year.

Lending and deposit collecting activities in 2002

Bank interest rates and interest rate spread

The fact that the economy did not recover and the worsening, in the second half of the year, of international tensions represented the main reasons for the gradual contraction in market yields and, consequently, in bank interest rates. The latter, after a phase of virtual stability in the first months of the year, started a gradual and continuous decline down to year-end levels, considerably lower than in 2001.
The reduction in yields on lending corresponded to a less pronounced contraction in costs of funding, also due to the very low starting levels.
The fact that interest rates on lending declined more rapidly than interest rates on funding led to a 25 basis point average reduction in the overall spread over the twelve months [1], which almost equally concerned both the short-term and the medium- and long-term component.

Loans

The persisting weakness of the economic cycle and the disappointing performance of stock markets favoured an expansion of liquidity, restraining at the same time the development of lending activities of Italian banks.
Notwithstanding that, bank loans in Italy rose at a higher rate than the average of European Union Countries.

Stagnant economic activities heavily affected the development of short-term loans, which recorded a growth rate gradually declining over the months with projected negative changes in the last quarter. The subdued expansion of loans, undoubtedly due to weak corporate demand, also stemmed from greater attention paid by banks to loan portfolio quality, which obviously led to tighter lending conditions.

On the contrary, longer-term loans registered very high and steady growth rates over the whole of the year, also thanks to the incentives linked to the Tremonti-bis Law and to the tax discounts for restructuring real estate, which, combined with a low borrowing cost and greater preference for real assets, contributed to support mortgage demand.

Direct customer deposits

Direct customer deposits, reversing recent trends, rose in 2002 at a higher rate than loans, mainly benefiting from high risk aversion of households and institutional investors, due to the persisting uncertainty affecting financial markets. This fact determined, on the one hand, a further sustained expansion of liquid funds and, on the other hand, an equally substantial demand for safer instruments such as bonds.

As in the case of customer loans, also resident customer deposits of Italian banks [2] developed at higher rates than the average of the Euro Area. More specifically, the low opportunity-cost of liquid funds led to a significant expansion in current accounts and bonds, also as a result of specific marketing policies, aimed not only at financing longer-term loans but also, through subordinated issues, at strengthening the capital base of financial institutions.

[1] Difference between average interest rates on loans (short-term and medium- and long-term in euro) and average interest rates on deposits (deposits and bonds in euro).

[2] Eurosystem's harmonised definition: deposits (current accounts, saving deposits, certificates of deposit), repurchase agreements and issued bonds (including subordinated liabilities).

Indirect customer deposits

Despite the considerable demand for liquid instruments, so-called "indirect deposits", represented by third party securities at nominal value managed, administered and held in custody by banks [3], recorded a fairly positive growth rate during 2002.

The positive performance of the overall aggregate, which contrasted with the very negative asset management component, was sustained by the increase in direct investments in low-risk securities, which also attracted part of the capital flows returned to Italy thanks to Legislative Decree 350 of 2001, generally known as "scudo fiscale" ("tax shield").

[3] Nominal value of third party securities and other assets under custody not issued by the reporting bank/group, excluding certificates of deposit and securities issued.

Operating results

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

General aspects

Positive budget projections for 2002, based on widespread expectations of a satisfactory, though not rapid, recovery in world economy, were not achieved. During the whole of 2002 financial markets continued to be weak and volatile and the economies of the most industrialised Countries proved incapable of leading growth as had been assumed in forecasts.

Gruppo Intesa had to face this changed scenario in an extremely delicate phase of its development, since it was implementing a profound structural and operating reorganisation, which represents the indispensable precondition for solving the problem areas that had emerged after the important aggregations which had occurred in previous years.

The Group's strategic guidelines to improve asset quality and enhance value creation lead to, as already mentioned above, specific interventions for reducing costs and increasing profitability. While on the first front results are beginning to emerge, the goal of a more satisfactory profitability must necessarily proceed *pari passu* with network reorganisation, innovation in product offering, exit from areas which are no longer strategic, that will progressively determine positive economic effects during 2003.

As already mentioned, profitability in 2002 was also affected, following the guidelines set in the new Business Plan, by i) provisions for the charges connected to the progressive exit from South America, ii) considerable adjustments to the high exposures to large international groups and to the own shares purchased following the exercise of the *Warrants Put IntesaBci*, and iii) the costs of personnel reductions.

These circumstances, together with all the other most significant elements which affected the 2002 statement of income – which closed with a net income of 200 million euro, with a significant decline compared to the 2001 figure – are described in detail in this chapter of the Report on operations.

As regards the reclassification of statement of income figures in the table hereafter, we remind that it is exclusively aimed at representing consolidated results more exhaustively and permitting a better comparison with the reference periods and that it is carried out according to criteria widespread within the banking system. More specifically the following items were reclassified:

- negative differentials on hedge derivatives economically connected to trading positions on equities have been accounted for in the same caption which shows relevant dividends;
- dividends collected from equities in structured portfolios, are booked in the caption Profits (Losses) on financial transactions to be consistent with the reporting of valuations of such portfolios;
- certain amounts included in Profits (Losses) on financial transactions for non-recurring transactions in securities of significant size are booked in the caption Extraordinary income;
- profits from acquisition and sale of securities settled in a bought credit derivative, recorded in 2001 in the caption Profits (Losses) on financial transactions, is booked as a write-back to adjust the credit risk of the loan to its presumed realisable value;
- adjustments to securities sold to the Parent Company as collateral to doubtful loans, are deducted from the write-backs recorded on the relevant loans;
- adjustments on Peruvian securities deriving from securitisations, are accounted for in Extraordinary charges in relation to the fact that such securities are no longer marketable;

– provisions to or use of the internal supplementary pension funds have been directly deducted from the returns generated by the investments.
  The difference between captions 65 and 85 of the compulsory statement of income – representing operating expenses – has been accounted for in administrative costs;
– amounts received as payment for guarantees received by credit derivatives have been transferred from other operating income and deducted from adjustments to the relevant operations;
– the amortisation of goodwill arising on consolidation and on application of the equity method is shown in a caption of its own, instead of including it within operating costs.

Lastly, dividends collected in 2001 (521 million euro) on the sale of the residual stake in Seat Pagine Gialle have been reclassified in extraordinary income since the non-recurring dividend would not have allowed the correct comparison of the intermediate margins for 2002.

GRUPPO INTESA

Reclassified consolidated statement of income

(in millions of euro)

Captions	2002	2001 pro forma [1]	Changes amount	Changes %
Net interest income	**5,753**	6,024	(271)	(4.5)
Dividends and other revenues	**133**	136	(3)	(2.2)
Income from investments carried at equity	**60**	76	(16)	(21.1)
Interest margin	**5,946**	6,236	(290)	(4.7)
Net commissions	**3,335**	3,677	(342)	(9.3)
Profits (Losses) on financial transactions	**189**	194	(5)	(2.6)
Other operating income, net	**454**	485	(31)	(6.4)
Net interest and other banking income	**9,924**	10,592	(668)	(6.3)
Administrative costs	**(6,081)**	(6,643)	(562)	(8.5)
including Payroll	***(3,692)***	*(4,056)*	*(364)*	*(9.0)*
Other	***(2,389)***	*(2,587)*	*(198)*	*(7.7)*
Adjustments to fixed assets and intangibles	**(735)**	(745)	(10)	(1.3)
Operating costs	**(6,816)**	(7,388)	(572)	(7.7)
Operating margin	**3,108**	3,204	(96)	(3.0)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(141)**	(125)	16	12.8
Provisions for risks and charges	**(354)**	(640)	(286)	(44.7)
Net adjustments to loans and provisions for possible loan losses	**(2,384)**	(2,425)	(41)	(1.7)
Net adjustments to financial fixed assets	**(288)**	(93)	195	
Income (Loss) from operating activities	**(59)**	(79)	(20)	(25.3)
Extraordinary income (loss)	**286**	1,196	(910)	(76.1)
Income taxes for the period	**49**	(195)	244	
Use of allowance for risks and charges arising on consolidation	**2**	11	(9)	(81.8)
Change in the reserve for general banking risks	**(22)**	16	(38)	
Minority interests	**(56)**	(21)	35	
Net income for the period	**200**	928	(728)	(78.4)

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

Captions	2002 [1]				2001 [1]			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,438	1,418	1,396	1,501	1,618	1,389	1,501	1,516
Dividends and income from investments carried at equity	31	16	115	31	37	28	129	18
Interest margin	**1,469**	**1,434**	**1,511**	**1,532**	**1,655**	**1,417**	**1,630**	**1,534**
Net commissions	824	801	850	860	923	888	928	938
Profits (Losses) on financial transactions	(5)	(31)	129	96	32	(83)	175	70
Other operating income, net	173	77	87	117	114	101	117	153
Net interest and other banking income	**2,461**	**2,281**	**2,577**	**2,605**	**2,724**	**2,323**	**2,850**	**2,695**
Administrative costs	(1,555)	(1,399)	(1,515)	(1,612)	(1,914)	(1,507)	(1,634)	(1,588)
including Payroll	*(905)*	*(844)*	*(952)*	*(991)*	*(1,114)*	*(944)*	*(1,028)*	*(970)*
Other	*(650)*	*(555)*	*(563)*	*(621)*	*(800)*	*(563)*	*(606)*	*(618)*
Adjustments to fixed assets and intangibles	(231)	(196)	(141)	(167)	(243)	(166)	(168)	(168)
Operating costs	(1,786)	(1,595)	(1,656)	(1,779)	(2,157)	(1,673)	(1,802)	(1,756)
Operating margin	**675**	**686**	**921**	**826**	**567**	**650**	**1,048**	**939**
Adjustments to goodwill arising on consolidation and on application of the equity method	(33)	(60)	(25)	(23)	(65)	(20)	(20)	(20)
Provisions for risks and charges	(58)	(18)	(216)	(62)	(330)	(128)	(108)	(74)
Net adjustments to loans and provisions for possible loan losses	(1,046)	(307)	(837)	(194)	(1,218)	(487)	(507)	(213)
Net adjustments to financial fixed assets	(202)	(14)	(60)	(12)	(77)	(8)	(9)	1
Income (Loss) from operating activities	**(664)**	**287**	**(217)**	**535**	**(1,123)**	**7**	**404**	**633**
Extraordinary income (loss)	621	(351)	(216)	232	753	(425)	602	266
Income taxes for the period	204	2	161	(318)	153	89	(127)	(310)
Use of allowance for risks and charges arising on consolidation	–	1	–	1	7	2	1	1
Change in the reserve for general banking risks	(24)	1	–	1	14	–	2	–
Minority interests	7	2	(39)	(26)	61	4	(49)	(37)
Net income (loss) for the period	**144**	**(58)**	**(311)**	**425**	**(135)**	**(323)**	**833**	**553**

[1] Figures for 2001 and the first three quarters of 2002 restated on a consistent basis.

Interest margin

Interest margin equalled 5,946 million euro with a 4.7% drop with respect to the previous year. However, a consistent comparison must consider the significant devaluation in 2002 of the South-American currencies (the Brazilian currency especially) where the Sudameris group has its operations. Net of this effect, interest margin would show a far more contained reduction (–1.4%).

As concerns the components of the margin, *net interest income* recorded a 4.5% decrease, which was mostly due, in addition to the decline recorded by the Parent Company, to the contraction of the Sudameris group attributable to the aforementioned foreign exchange effect, which were only partly offset by the positive contribution of other foreign banks, especially the Eastern-European subsidiaries.

More specifically, the Parent Company's contribution shows a 4% decrease mostly attributable to i) the decrease in loans to customers, especially those granted to large international groups and customers not resident in Italy, and ii) the generalised contraction in the spread which occurred in Italy. This phenomenon led to an 8.4% decrease for Banca Popolare FriulAdria, while it affected Saving banks located in Central Italy to a lesser extent. The latter presented a slight decline also as a result of the sale of branches which occurred in 2001. Cassa di Risparmio di Parma e Piacenza instead recorded a 1% rise thanks to increased volumes.
The banking subsidiaries in Eastern Europe VUB, CIB and Privredna registered significant increases, on average in excess of 20%, while the approximately 20% decline of the South-American subsidiaries is ascribable to the aforementioned foreign exchange effect.
As concerns product companies, the contribution from factoring decreased while leasing showed a slight increase. Lastly, the contribution from financial activities carried out by Caboto IntesaBci Sim rose.

With reference to quarterly development, net interest income presented a slight increase, after the sharp drop of the second quarter, mostly due to the foreign exchange effect on the accounts of the Brazilian subsidiary, which in the last part of the year in any case showed a certain stability.

The analysis of the single captions which make up the margin shows that operations with customers generated net interest

(in millions of euro)

Captions	2002	2001 pro forma	Changes amount	Changes %
Net interest income with customers				
• interest income	**9,861**	11,826	(1,965)	(16.6)
• interest expense	**(2,384)**	(3,075)	(691)	(22.5)
• interest expense on securities issued	**(2,320)**	(2,933)	(613)	(20.9)
• interest expense on subordinated liabilities	**(638)**	(611)	27	4.4
	4,519	5,207	(688)	(13.2)
Interest income on securities	**1,988**	3,146	(1,158)	(36.8)
Net interest income with banks				
• interest income	**1,456**	2,414	(958)	(39.7)
• interest expense	**(1,913)**	(4,485)	(2,572)	(57.3)
	(457)	(2,071)	(1,614)	(77.9)
Differentials on hedge contracts	**(333)**	(289)	44	15.2
Other interest (net)	**36**	31	5	16.1
Total net interest income	**5,753**	6,024	(271)	(4.5)
Dividends and other revenues	**133**	136	(3)	(2.2)
Income from investments carried at equity	**60**	76	(16)	(21.1)
Interest margin	**5,946**	6,236	(290)	(4.7)

income of 4,519 million euro, 13.2% down. This reduction is the combined effect of the Parent Company's lower exposures to large corporates and borrowers not resident in Italy and the generalised erosion of interest rate spreads. The domestic operations of Banca Intesa and of the Group's main Italian banks showed the practical stability of loans to customers, due to the satisfactory growth rate recorded by medium-long term loans, especially after the first quarter, which almost offset the correlated drop in short-term lending. In terms of average volumes, deposits progressed both in the short-term component – which showed the far higher growth rate – and in the medium-long term component. Average interest rates on loans decreased, both short and medium-long term, while in the case of deposits, average medium-long term rates decreased more than short-term ones. Consequently, the spreads were lower than in the previous year especially as a result of the wider reduction which occurred in the first quarter and, to a lesser extent, in the second quarter, which was then followed by a phase of practical stability.

Among other components, the substantial decrease in the negative balance of interest due to banks more than offset the reduction in interest income on the securities portfolio.

As concerns differentials on hedge derivatives, which contributed to the margin's decrease, it is worth noting that such negative components mostly represented costs connected to issued bonds and only partly to structured operations, the results of which are not fully included in the interest margin.

Dividends were practically stable and income from investments carried at equity slightly declined. As already specified above, in order to permit a consistent comparison of the results recorded in the two years, dividends collected in 2001 in relation to the Seat Pagine Gialle operation – 521 million euro – have been recorded in extraordinary income.

Net interest and other banking income

Net interest and other banking income also decreased compared to 2001 and totalled 9,924 million euro (– 6.3%). The same considerations made for interest margin apply to this margin. Excluding the foreign currency effect, the reduction in net interest and other banking income would decrease to under 4 percentage points. The evolution of the margin during the year highlighted a marked decline in the third quarter and a subsequent recovery in the fourth quarter.

Net commissions

(in millions of euro)

Captions	2002	2001 pro forma	Changes	
			amount	%
Commercial banking activities				
• guarantees given	**170**	195	(25)	(12.8)
• collection and payment services	**272**	260	12	4.6
• current accounts	**744**	764	(20)	(2.6)
• fees on credit card distribution and POS services	**205**	181	24	13.3
	1,391	1,400	(9)	(0.6)
Management, dealing and consultancy				
• dealing and placement of securities	**142**	227	(85)	(37.4)
• dealing in currencies	**57**	71	(14)	(19.7)
• portfolio management	**1,124**	1,333	(209)	(15.7)
• distribution of insurance products	**103**	99	4	4.0
• other	**(40)**	(48)	(8)	(16.7)
	1,386	1,682	(296)	(17.6)
Other net commissions	**558**	595	(37)	(6.2)
Total net commissions	**3,335**	3,677	(342)	(9.3)

Net commissions recorded a decrease exceeding 9%, mostly as a result of the lower contribution of financial transactions, due to persisting financial market crisis and the extreme volatility of stock prices.
Commissions on management, dealing and consultancy, which in 2001 still represented approximately 50% of net commissions, registered a decrease in excess of 17% to be ascribed mostly to lower commissions on portfolio management (–16%) and dealing and placement of securities (–37%).
Commissions on commercial banking activities – though affected by the adverse economic context – were in line with the previous year, also as a result of the positive trend recorded by commissions on credit and debit cards.

The analysis of the contribution of Group companies to this result confirms the situation described above: the overall reduction in net commissions mostly stems from the asset management companies (–14%), the Parent Company (–17% for the portion related to securities), Caboto IntesaBci Sim (–19%) and Banca Primavera (–18%), the bank which operates through personal financial consultants and is very active in financial activities.
The decreases recorded by the Italian subsidiaries were more limited, while foreign banks present differentiated trends: increases exceeding 30% for the contribution of Eastern-European subsidiaries and contractions, also due to the foreign exchange effect, in the South-American area.
Lastly, Setefi, active in credit card payment systems, showed good progress.

Profits (Losses) on financial transactions

Financial transactions led to an overall profit of 189 million euro, practically in line with the figure recorded the previous year.
The table below shows breakdown of this result in terms of risk of the underlying asset.

(in millions of euro)

Captions	2002	2001 pro forma	Changes	
			amount	%
Interest rates	**(77)**	23	(100)	
Equity	**62**	(54)	116	
Foreign exchange	**242**	233	9	3.9
Credit derivatives (trading book)	**(38)**	(8)	30	
Profits (Losses) on financial transactions	**189**	194	(5)	(2.6)

Transactions on interest rates, which include operations on the bond market, on interest rate derivatives and on securities, presented a net negative balance of 77 million euro. This negative result is almost entirely attributable to transactions on interest rates carried out by the Parent Company (–74 million euro); a correct analysis of the results of the sector under examination must consider the correlated positive effects on net interest income estimated in approximately 57 million euro.

Transactions on equities recorded a 62 million euro profit mostly attributable to the operations carried out by the Parent Company and Caboto IntesaBci Sim. Again in this case a correct analysis must consider the correspondent effects on interest margin, which may be estimated in a negative balance of 48 million euro.

Most significant is the contribution of forex transactions which recorded a 242 million euro profit, with an almost 4% growth rate with respect to 2001. The result is mostly attributable to entities operating outside the Euro area.

The volatility in the spreads generated a loss in the credit derivatives in the trading book (–38 million euro which is balanced by a positive effect on net interest income of 7 million euro).

Other net profits amounted to 454 million euro and recorded a 6.4% decrease mostly attributable to the devaluation of the South-American currencies. Excluding this effect the result would have been in line with that achieved in 2001.

Operating margin

Operating margin equalled 3,108 million euro, with a 3% decrease, which would become under 2% net of the devaluation of the South-American currencies. This margin benefited from the actions which Banca Intesa and all other Group companies started to implement for the purpose of containing operating costs, which equalled 6,816 million euro, with a 7.7% decrease.
Even net of the foreign exchange effects the drop exceeded 4%.

Operating costs

Operating costs include administrative costs amounting to 6,081 million euro (–8.5%) and adjustments to fixed assets and intangibles of 735 million euro (–1.3%). As concerns in particular administrative costs, the significant decrease refers essentially to the Parent Company (–6.6%), which already started benefitting from the first effects of the incisive actions set out in the new Business Plan with regard to i) personnel expenses which decreased following a considerable reduction in the number of employees and the containment of variable remuneration, and ii) other expenses, following the first streamlining interventions taken on the structures and the network.

Cost containment actions also led to generalised decreases for the Italian banking subsidiaries (between 4% and 7%), Caboto IntesaBci Sim (–4%) and asset management companies (–2%). Again with regard to Italian subsidiaries, the companies operating in Internet banking and telephone banking recorded a 40 million euro increase in operating costs (+60% with respect to 2001) due to the fact that they are in their start-up phase. As concerns foreign subsidiaries, operating costs recorded an approximately 10% rise for Eastern-European banks, due to the extension of their operations, while a decrease exceeding 25% was registered by the South-American subsidiaries, also as a result of the foreign exchange effect.

The evolution of operating costs during the year showed a decreasing trend in the first three quarters and an increase in the fourth quarter mostly attributable to the Parent Company, IntesaBci Sistemi e Servizi and IntesaBci Gestione Crediti. This phenomenon is typical, since many suppliers, especially of professional services, tend to concentrate invoicing at the end of the year.

The following table shows breakdown of operating costs.

(in millions of euro)

Captions	2002	2001 pro forma	Changes	
			amount	%
Payroll	**(3,692)**	(4,056)	(364)	(9.0)
Administrative costs				
General structure costs	**(820)**	(896)	(76)	(8.5)
Indirect taxes and duties	**(386)**	(415)	(29)	(7.0)
Legal and professional expenses	**(320)**	(335)	(15)	(4.5)
IT expenses	**(254)**	(274)	(20)	(7.3)
Management of real estate properties	**(224)**	(221)	3	1.4
Advertising and promotional expenses	**(93)**	(132)	(39)	(29.5)
Indirect personnel costs	**(64)**	(79)	(15)	(19.0)
Other costs	**(228)**	(235)	(7)	(3.0)
	(2,389)	(2,587)	(198)	(7.7)
Adjustments to				
• intangibles	**(349)**	(352)	(3)	(0.9)
• fixed assets	**(386)**	(393)	(7)	(1.8)
Operating costs	**(6,816)**	(7,388)	(572)	(7.7)

As already mentioned, the decrease in administrative costs is mostly due to the drop in personnel expenses (–9%).
Even net of the foreign exchange effect, personnel expenses recorded a considerable decrease (–6.2%).
Other administrative costs also dropped in both nominal (–7.7%) and real terms (–3.5%) and showed decreases in all components. Noteworthy declines were recorded by general structure costs (–76 million euro) – mostly attributable to rentals, postage, telephone and maintenance costs – advertising and promotional expenses (–39 million euro) and IT expenses (–20 million euro).

Adjustments to fixed assets and intangibles were practically in line with 2001: the increases in investments in software and electronic machinery were offset by the reduction in the depreciation of real estate assets due to the sales operated by the Parent Company.

Results from operating activities

The result from operating activities, minus 59 million euro with respect to plus 79 million euro of 2001, reflects the deduction of net adjustments to loans of 2,384 million euro, provisions for risks and charges of 354 million euro, net adjustments to financial fixed assets of 288 million euro and, lastly, the amortisation of goodwill arising on consolidation or on application of the equity method of 141 million euro.

Adjustments, write-backs and provisions

(in millions of euro)

Captions	2002	2001 pro forma	Changes amount	Changes %
Net adjustments to loans				
• doubtful loans	**(1,192)**	(1,539)	(347)	(22.5)
• substandard loans	**(853)**	(619)	234	37.8
• restructured loans and loans under restructuring	**(10)**	(17)	(7)	(41.2)
• loans subject to Country risk	**12**	(8)	20	
• other	**(203)**	(117)	86	73.5
Net provisions for guarantees and commitments	**(132)**	(90)	42	46.7
	(2,378)	(2,390)	(12)	(0.5)
Provisions for possible loan losses	**(6)**	(35)	(29)	(82.9)
	(2,384)	(2,425)	(41)	(1.7)
Provisions for risks and charges	**(354)**	(640)	(286)	(44.7)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(141)**	(125)	16	12.8
Adjustments to financial fixed assets	**(294)**	(104)	190	
Write-back of financial fixed assets	**6**	11	(5)	(45.5)
	(288)	(93)	195	
Total, net	**(3,167)**	(3,283)	(116)	(3.5)

Net adjustments to loans and provisions for possible loan losses, slightly lower than the previous year (–1.7%), reflected the same phenomena which had already emerged in 2001: the difficulties of certain important international groups especially operating in the telecom and energy sectors.

Consolidated net adjustments of almost 1,400 million euro referred to the Parent Company and reflected the difficult situation of certain borrowers in the telecom and energy sectors, for which value adjustments exceeded 300 million euro, but also the persisting weak economic situation which is affecting business performance and progressively deteriorating credit quality.
The Sudameris group recorded net adjustments of 567 million euro, mostly due to the Peruvian subsidiary (377 million euro). Bankhaus Löbbecke also booked substantial adjustments (almost 90 million euro), while IntesaBci Gestione Crediti, the Group's doubtful loan management and recovery company, recorded 46 million euro of adjustments, with a considerable decrease with respect to 254 million euro registered in 2001. Lastly, the adjustments of the other Italian banking subsidiaries, though slightly increasing, remained at physiological levels, like those recorded by the Eastern-European banks.

The figure indicated in the table for other net adjustments to loans refers to provisions for intrinsic risk of performing loans.
The increase in provisions carried out at the end of the year, after substantial uses made during the year, stems from the need to adequately cover exposure to specific industrial sectors that during 2002 were most severely affected by the economic crisis and the contraction in consumption.

Provisions for risks and charges remained significant though far lower (approximately –45%) with respect to those of the previous year. The most significant items referred to the charges connected to the restructuring and subsequent disposal plans of the Latin-American subsidiaries and included certain residual charges connected to the disposal of the controlling stake in Banco Sudameris Argentina. Such provisions for risks and charges amounted to 278 million euro.

Net adjustments to financial fixed assets increased with respect to 2001.
The most significant components were the write-downs of the equity investments

in Commerzbank (109 million euro) and Bayerische Hypo-Vereinsbank (56 million euro). A further 45 million euro of adjustments was attributable to equity investments purchased as part of merchant banking activities.

Adjustments to goodwill arising on consolidation and on application of the equity method referred to: amortisation pertaining to the year of goodwill still recorded in the consolidated accounts of 104 million euro (including 42 million euro relative to former-Cariplo and 36 million euro to the Eastern-European subsidiaries) and the write-off of residual goodwill in Bankhaus Löbbecke and Banco Wiese Sudameris of 37 million euro.

Income from extraordinary activities and net income

Net extraordinary income totalled 286 million euro, as a result of extraordinary income of 1,757 million euro and extraordinary charges of 1,471 million euro.
The results of extraordinary operations in 2002 were characterised by significant non-recurring operations which occurred in both years.

In 2001 capital gains referred to sales of branches (566 million euro), disposals of Banca di Legnano (509 million euro) and of the majority interest in Banca Carime (683 million euro). The 2001 figure also included dividends on the equity investment in Seat Pagine Gialle, purchased as part of the Parent Company's merchant banking activities, but which led to record a considerable income (521 million euro) which was certainly non-recurring. Conversely, 2001 had been negatively influenced by provisions for the marking to market of the *Warrants Put IntesaBci* issued at the time of the acquisition of BCI (1,158 million euro).

In 2002, the most significant extraordinary income referred to sales of equity investments – Banco di Chiavari (246 million euro), the residual interest in Banca Carime (220 million euro), Monte Titoli and Borsa Italiana (93 million euro), IntesaBci Suisse (34 million euro) – and sales of real estate assets (253 million euro, of which approximately 210 million euro relative to the sales already set out in the Business Plan). Also significant was the capital gain connected to the marking to market of the Parent Company's stake in Crédit Lyonnais (281 million euro), following the transfer of the shares of the French bank from equity investments to the trading portfolio, after the irrevocable commitment to accept the Tender Offer made by Crédit Agricole.
Extraordinary charges mostly recorded the write-down of own shares purchased following the exercise of the *Warrants Put IntesaBci* (437 million euro) and provisions for 437 million euro to cover future charges related to the activation of the "Solidarity allowance" provided for by Ministerial Decree 158 of 2000 for planned layoffs. The provision was determined by Group Companies based on first information available.

Among the aforementioned extraordinary transactions, the following require specific information:
– at the beginning of December Banca Intesa sold to the Bipielle group the entire stake (69.62%) held in *Banco di Chiavari e della Riviera Ligure*, at a price of 405 million

(in millions of euro)

Captions	2002	2001 pro forma	Changes	
			amount	%
Income (Loss) from operating activities	**(59)**	(79)	(20)	(25.3)
Extraordinary income	**1,757**	2,913	(1,156)	(39.7)
Extraordinary charges	**(1,471)**	(1,717)	(246)	(14.3)
Extraordinary income (loss), net	**286**	1,196	(910)	(76.1)
Income taxes for the period	**49**	(195)	244	
Use of allowance for risks and charges arising on consolidation	**2**	11	(9)	(81.8)
Change in the reserve for general banking risks	**(22)**	16	(38)	
Minority interests	**(56)**	(21)	35	
Net income for the period	**200**	928	(728)	(78.4)

euro. The valuation of the commitment at the closing of the operation (which occurred in January 2003) led to an extraordinary income of 246 million euro (263 million euro in the Parent Company's financial statements);

– last September Banca Intesa, Deutsche Bank and Banca Popolare Commercio e Industria signed an agreement for the sale to Deutsche Bank of the bare ownership of 24.92% of *Banca Carime* still held by Banca Intesa and the stipulation, between Deutsche Bank and Banca Popolare Commercio e Industria, of a call option (exercisable within 2006) and a put option (exercisable in 2006) on such equity investment, at the same conditions as those already in force between Banca Intesa and Banca Popolare Commercio e Industria. The sale, at a price of approximately 400 million euro, led to the registration of a gross capital gain of approximately 220 million euro (97 million euro in the Parent Company's financial statements).

After the results of extraordinary operations, the positive contribution from taxes (49 million euro), essentially for deferred tax assets arisen in the year recorded by Banca Intesa, and minority interests (56 million euro), the statement of income closed with a net income of 200 million euro.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in millions of euro)

Assets	31/12/2002	31/12/2001 pro forma (1)	Changes amount	Changes %
1. Cash and deposits with central banks and post offices	**1,672**	2,016	(344)	(17.1)
2. Loans				
– loans to customers	**168,532**	182,772	(14,240)	(7.8)
– due from banks	**30,435**	40,812	(10,377)	(25.4)
3. Trading portfolio	**28,158**	38,335	(10,177)	(26.5)
including Own shares	***981***	*6*	*975*	
4. Fixed assets				
a) investment portfolio	**8,108**	12,585	(4,477)	(35.6)
b) equity investments	**3,620**	4,754	(1,134)	(23.9)
c) tangible and intangible	**4,969**	5,175	(206)	(4.0)
5. Goodwill arising on consolidation	**733**	481	252	52.4
6. Goodwill arising on application of the equity method	**54**	27	27	
7. Other assets	**34,452**	30,291	4,161	13.7
Total Assets	**280,733**	317,248	(36,515)	(11.5)

(in millions of euro)

Liabilities and Shareholders' Equity	31/12/2002	31/12/2001 pro forma (1)	Changes amount	Changes %
1. Debts				
– due to customers	**113,731**	114,561	(830)	(0.7)
– securities issued	**56,671**	60,581	(3,910)	(6.5)
– due to banks	**44,590**	77,445	(32,855)	(42.4)
2. Allowances with specific purpose	**5,418**	5,488	(70)	(1.3)
3. Other liabilities	**33,915**	31,910	2,005	6.3
4. Allowances for possible loan losses	**50**	145	(95)	(65.5)
5. Subordinated and perpetual liabilities	**11,631**	11,708	(77)	(0.7)
6. Minority interests	**776**	1,269	(493)	(38.8)
7. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,721**	13,197	524	4.0
– negative goodwill arising on consolidation	**29**	15	14	93.3
– negative goodwill arising on application of the equity method	**1**	1	–	–
– net income for the period	**200**	928	(728)	(78.4)
Total Liabilities and Shareholders' Equity	**280,733**	317,248	(36,515)	(11.5)

Guarantees, commitments and credit derivatives	**117,714**	141,092	(23,378)	(16.6)
Indirect customer deposits	**301,749**	328,150	(26,401)	(8.0)

(1) Figures restated on a consistent basis.

Quarterly development of the consolidated balance sheet

(in millions of euro)

Assets	2002 [1]				2001 [1]			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
1. Cash and deposits with central banks and post offices	**1,672**	1,521	1,445	1,700	2,016	1,486	1,588	1,339
2. Loans								
a) loans to customers	**168,532**	169,365	176,528	179,497	182,772	180,256	187,574	182,396
b) due from banks	**30,435**	36,916	38,039	43,212	40,812	46,142	45,869	44,941
3. Trading portfolio	**28,158**	32,498	38,195	41,742	38,335	39,626	52,934	52,190
4. Fixed assets								
a) investment portfolio	**8,108**	9,271	9,620	11,120	12,585	13,498	14,008	14,240
b) equity investments	**3,620**	4,465	4,183	4,595	4,754	4,217	3,664	4,238
c) tangible and intangible	**4,969**	4,986	5,001	5,188	5,175	5,577	5,136	6,065
5. Goodwill arising on consolidation	**733**	754	771	637	481	600	653	655
6. Goodwill arising on application of the equity method	**54**	10	16	39	27	50	32	47
7. Other assets	**34,452**	31,806	30,705	30,135	30,291	26,669	30,065	30,051
Total Assets	**280,733**	291,592	304,503	317,865	317,248	318,121	341,523	336,162

(in millions of euro)

Liabilities and Shareholders' Equity	2002 [1]				2001 [1]			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
1. Debts								
a) due to customers	**113,731**	114,100	112,785	115,287	114,561	111,751	113,647	110,450
b) securities issued	**56,671**	56,165	59,300	60,197	60,581	57,426	63,008	61,771
c) due to banks	**44,590**	55,296	65,233	77,518	77,445	86,639	97,976	98,294
2. Allowances with specific purpose	**5,418**	5,096	5,193	5,704	5,488	4,878	5,018	6,852
3. Other liabilities	**33,915**	34,458	35,454	32,467	31,910	30,240	34,886	33,728
4. Allowances for possible loan losses	**50**	151	146	157	145	154	153	236
5. Subordinated and perpetual liabilities	**11,631**	11,746	11,672	11,353	11,708	11,347	10,673	9,697
6. Minority interests	**776**	817	816	933	1,269	1,368	1,384	2,901
7. Shareholders' equity								
– share capital, reserves and reserve for general banking risks	**13,721**	13,677	13,760	13,808	13,197	13,234	13,358	11,647
– negative goodwill arising on consolidation	**29**	29	29	15	15	20	32	32
– negative goodwill arising on application of the equity method	**1**	1	1	1	1	1	2	1
– net income for the period	**200**	56	114	425	928	1,063	1,386	553
Total Liabilities and Shareholders' Equity	**280,733**	291,592	304,503	317,865	317,248	318,121	341,523	336,162

Indirect customer deposits	**301,749**	304,830	316,061	323,755	328,150	293,301	312,258	304,573

[1] Figures for 2001 and for the first three quarters of 2002 restated on a consistent basis.

LENDING AND DEPOSIT COLLECTING ACTIVITIES

Loans to customers

Loans to customers equalled 168,532 million euro, 7.8% down compared to the 2001 figure. However, a fair view of the phenomenon must consider that the aggregate decreased as a result of certain strategic decisions implemented in application of the Business Plan, such as the considerable reduction of lending granted by the Parent Company's foreign branches also in the *Large corporate* segment and the significant volume of securitised mortgages. The devaluation of both the US dollar and the South-American currencies were exogenous factors which contributed to the contraction in loans to customers. Excluding the total effect of such elements, loans to customers at the end of 2002 would have been practically in line with the previous year.

Breakdown of loans by contract type shows that these factors particularly affected current accounts (approximately –25%) and advances and other loans (approximately –9%) while mortgages – which increased by over 5% and continued to be one of the drivers of the Group's lending activities – would have recorded a far higher rise in the absence of the aforementioned securitisation of performing mortgages amounting to 2 billion euro.

In addition to the aforementioned reasons which determined the decrease in the Parent Company's loans to customers, the consolidated figure reflected, on the one hand, the increases recorded by the Eastern-European subsidiaries and by most of the Italian banks and, on the other hand, the considerable reduction registered by the Sudameris group – partly due to the aforementioned currency effects.

(in millions of euro)

Subcaptions	31/12/2002	31/12/2001 pro forma	Changes	
			amount	%
Current accounts	**24,678**	32,942	(8,264)	(25.1)
Mortgages	**57,119**	54,303	2,816	5.2
Advances and other loans	**77,930**	85,697	(7,767)	(9.1)
Repurchase agreements	**3,457**	4,317	(860)	(19.9)
Doubtful loans	**5,348**	5,513	(165)	(3.0)
Total loans	**168,532**	182,772	(14,240)	(7.8)
including with residents in Italy	***138,060***	*139,220*	*(1,160)*	*(0.8)*
with residents in other EU Countries	***10,678***	*15,726*	*(5,048)*	*(32.1)*
with residents in non-EU Countries	***19,794***	*27,826*	*(8,032)*	*(28.9)*

The table below – which details geographic breakdown of loans to customers – confirms the predominance of domestic loans which represented over 80% of the total and had its strong point in North-West Italy (54% of domestic customers). As concerns loans to customers not resident in Italy, these are mostly granted to non-EU residents and in particular to South-American and Eastern-European borrowers.

Geographic areas	31/12/2002
North West	44.6%
North East	14.6%
Centre	13.8%
South and Isles	9.0%
Total Italy	**82.0%**
France	1.1%
Portugal	0.9%
Germany	0.6%
Spain	0.5%
Holland	0.4%
Belgium	0.2%
Ireland	0.2%
Luxembourg	0.2%
United Kingdom	0.2%
Other EU Countries	2.0%
Total EU Countries	**6.3%**
United States of America	2.8%
Croatia	1.5%
Brazil	1.3%
Hungary	1.3%
Peru	0.9%
Slovakia	0.7%
Other non-EU Countries	3.2%
Total other non-EU Countries	**11.7%**
Total loans to customers	**100.0%**

As concerns breakdown of loans by borrowing counterparty, the table below shows the net prevalence of loans granted to non-financial companies and family-run businesses (64% of the total).
Wholesale and retail trade and businesses offering other services for sale represented 24% of the total.
Loans to consumer families and other categories are also significant and together represented approximately 23% of total disbursements.

(in millions of euro)

Counterparties	31/12/2002
Governments	2,805
Other public agencies	4,203
Financial institutions	14,234
Non-financial companies and family-run businesses	108,419
• *wholesale and retail trade, recovery and repairs*	*16,646*
• *construction and public works*	*9,834*
• *food products, beverages and tobacco-based products*	*4,888*
• *textiles, leather and footwear, clothing*	*4,644*
• *agricultural and industrial machinery*	*4,431*
• *metal products, excluding cars and means of transport*	*4,340*
• *energy products*	*4,155*
• *chemical products*	*3,202*
• *electric materials and supplies*	*3,048*
• *other industrial products*	*3,036*
• *agricultural and forestry products and fishing*	*2,957*
• *transport*	*2,245*
• *paper, paper products, printed products and publishing*	*2,184*
• *minerals and non-metallic mineral-based products*	*2,156*
• *rubber and plastic products*	*2,025*
• *other services for sale*	*24,525*
• *other non-financial companies*	*14,103*
Other	38,871
Total	**168,532**

Non-performing loans and Country risk

Breakdown of loans based on credit quality is shown in the table below.
Net doubtful loans decreased to 5,348 million euro (approximately –3%) but, due to the simultaneous decrease in total loans, percentage incidence of doubtful loans on total loans showed a slight rise (3.2%).
The decrease in doubtful loans is mostly attributable to the higher adjustments necessary on the loan portfolios of the Parent Company and of certain other Group companies.
IntesaBci Gestione Crediti and the Sudameris group recorded the highest adjustments.
Total value adjustments had a 62.5% coverage of gross doubtful loans, three percentage points higher than the 2001 pro forma figure.

Conversely, *substandard loans* increased (+19%) and equalled – net of adjustments – 4,264 million euro. The rise is mostly attributable to the Parent Company as a result of the persisting weakness of certain economic sectors, which were particularly affected by the crisis of the main world economies, and of the more advanced credit risk monitoring and management system, aimed at allowing a more timely identification of the adverse trends in customer relations.
Also for substandard loans, the coverage of total adjustments to gross exposures increased by over three percentage points to approximately 25%.

(in millions of euro)

	31/12/2002			31/12/2001 pro forma		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
Non-performing loans	21,155	(10,563)	10,592	19,937	(9,323)	10,614
• *doubtful loans*	*14,265*	*(8,917)*	*5,348*	*13,612*	*(8,099)*	*5,513*
• *substandard loans*	*5,669*	*(1,405)*	*4,264*	*4,576*	*(993)*	*3,583*
• *restructured loans and loans under restructuring*	*432*	*(151)*	*281*	*555*	*(114)*	*441*
• *loans subject to Country risk*	*789*	*(90)*	*699*	*1,194*	*(117)*	*1,077*
Performing loans	159,029	(1,089)	157,940	173,336	(1,178)	172,158
Total	**180,184**	**(11,652)**	**168,532**	193,273	(10,501)	182,772

As shown in greater detail in the following table, the sectors in which are the highest doubtful and substandard loans (in terms of net book value) reflect the same concentration of loans to customers, namely predominance of non-financial companies and family-run businesses.

Restructured loans and loans under restructuring, though on far lower absolute values, equalled 281 million euro, with a considerable decrease (–36%), also as a result of the collection of certain important exposures.

(in millions of euro)

Counterparties	31/12/2002
Financial institutions	368
Non-financial companies and family-run businesses	7,537
• *construction and public works*	*1,501*
• *wholesale and retail trade, recovery and repairs*	*1,104*
• *textiles, leather and footwear, clothing*	*292*
• *food products, beverages and tobacco-based products*	*289*
• *agricultural and forestry products and fishing*	*275*
• *hotels and catering*	*231*
• *metal products, excluding cars and means of transport*	*223*
• *other industrial products*	*207*
• *agricultural and industrial machinery*	*185*
• *electric materials and supplies*	*167*
• *transport*	*163*
• *communication services*	*138*
• *sea and air carriers*	*125*
• *energy products*	*118*
• *minerals and non-metal mineral-based products*	*114*
• *other services for sale*	*1,893*
• *other non-financial companies*	*512*
Other	1,707
Total	**9,612**

As shown in the following table, *loans subject to Country risk* recorded an analogous trend and net on-balance sheet and off-balance sheet exposures summed up to 1,239 million euro (–38%).
Nominal non-guaranteed exposure showed – compared to previous year's figures, restated on a consistent basis – a 36% drop to 1,510 million euro.
On-balance sheet exposures represented approximately 79% of the total. The most significant absolute changes referred to nominal exposures to customers, which decreased by over one and a half times the reduction recorded in due from banks and securities portfolio.
Off-balance sheet positions showed an overall decrease of approximately 35%, which is the combined effect of a 20% increase in loans to customers offset by a 46% drop in due from banks.

Total adjustments (271 million euro) covering gross exposure ensured an approximately 18% coverage for on-balance sheet and off-balance sheet positions.

Value at risk [1] totalled 702 million euro with an approximately 38% drop.

The variations in these exposures are, normally, the combined effect of various factors such as the changes in the risk classes of the different Countries in the area under observation, reimbursements and new disbursements, any renegotiations and foreign exchange differences.
More specifically, the Countries which recorded the most significant variations compared to as at 31st December 2001, are those in the South-American area, first and foremost Brazil, which represented approximately 50% of the overall variation due to both the contraction in the exposure and to the currency effect.
Value at risk reflects the exclusion of loans to certain Countries (Bermuda, Cayman Islands, Virgin Islands) for which the judgement of creditworthiness is confirmed by their positive market quotations based on expectations of full debt repayment.
The same approach was adopted with regard to a primary counterparty resident in Russia, whose exposure is supported by sound reimbursement sources outside the Country. Also securities held in the trading portfolio were excluded from the risk calculation as they had been already marked to market.

[1] Determined as total non-guaranteed loans, including debt securities in the investment portfolio plus 15% of commercial non-guaranteed loans and 100% of other loans.

For supervisory purposes, all these loans at risk – on-balance sheet exposures summed up to 509 million euro and off-balance sheet exposures to 17 million euro – were considered under the direct coverage of shareholders' equity, with an overall capital absorption of 88 million euro; in the case of securities in the trading portfolio this was assessed considering any write-downs already accounted for in the financial statements.

The absorption of a further 214 million euro referred to the domestic component of loans granted by subsidiaries resident in the Countries at risk (809 million euro) to central governments and public sector entities, denominated in (or indexed to) foreign currencies. These comprise Brazil (476 million euro), Peru (264 million euro), Uruguay (33 million euro), Paraguay (30 million euro), Colombia (4 million euro) and Panama (2 million euro).

(in millions of euro)

Countries	31/12/2002				31/12/2001 pro forma			
	Non-guaranteed exposure	Value at risk	Adjustments	Net amount	Non-guaranteed exposure	Value at risk	Adjustments	Net amount
Brazil	**851**	**267**	**91**	**760**	1,136	370	106	1,030
Peru	**55**	**46**	**9**	**46**	211	46	9	202
Colombia	**82**	**31**	**7**	**75**	143	45	9	134
Argentina	**255**	**218**	**130**	**125**	375	375	150	225
Dutch Antilles	**49**	**26**	**5**	**44**	73	46	9	64
Lebanon	**42**	**7**	**2**	**40**	59	11	2	57
Venezuela	**3**	**3**	**1**	**2**	51	48	10	41
Russia	**25**	**24**	**4**	**21**	23	21	5	18
Jordan	**14**	**5**	**1**	**13**	43	27	4	39
Egypt	**26**	**15**	**3**	**23**	46	25	4	42
Uruguay	**11**	**5**	**1**	**10**	18	3	1	17
Indonesia	**3**	**3**	**1**	**2**	48	48	15	33
Republic of South Africa	**–**	**–**	**–**	**–**	14	7	1	13
Other Countries	**94**	**52**	**16**	**78**	115	61	16	99
Total	**1,510**	**702**	**271**	**1,239**	2,355	1,133	341	2,014
including								
On-balance sheet loans								
– customers	***789***	***290***	***90***	***699***	*1,194*	*408*	*117*	*1,077*
– banks	***266***	***131***	***52***	***214***	*497*	*296*	*94*	*403*
– securities portfolio	***132***	***132***	***72***	***60***	*170*	*170*	*59*	*111*
Off-balance sheet loans								
– customers	***105***	***59***	***20***	***85***	*87*	*37*	*11*	*76*
– banks	***218***	***90***	***37***	***181***	*407*	*222*	*60*	*347*

To cover *performing loans* there is a generic allowance of 1,089 million euro, which has the purpose of covering the intrinsic risk of exposures *in bonis.*
The degree of coverage equalled approximately 0.7% of total performing loans net of repurchase agreements, and is deemed to be sufficient to adequately cover the exposures to the industrial sectors which have been more severely hit by the economic crisis and the slowdown in consumption.

Customer funds

Direct customer deposits summed up to 182,033 million euro, with a limited 2.6% contraction which is attributable to the phenomena mentioned in the comments to loans to customers, that is the lower contribution of foreign branches and the effects of the strengthening of the euro with respect to the US dollar and the South-American currencies.

The practical stability of direct customer deposits reflected differentiated trends recorded by the various contract types. The increase in bonds (+ 11%) and the confirmation of deposits, current accounts and repurchase agreements on the levels of December 2001 are offset by the decrease in certificates of deposit (– 40%), from the planned reduction of the operations of the foreign branches.
Subordinated and perpetual liabilities remained virtually unchanged.

As concerns the contribution to the consolidated figure from the various Group companies, the rise in deposits recorded by the domestic network of the Parent Company and of most of the Italian banks, as well as by the Eastern-European subsidiaries, was insufficient to contrast the decline deriving from the restriction in the operations of foreign branches and the contraction – due to the foreign exchange effect – which occurred in the South-American network.

With regard to geographic breakdown, deposits from customers resident outside Italy – 20% of the total – showed a net prevalence of non-EU Countries, especially due to the contributions of Eastern Europe and Latin America.

Considering also indirect customer deposits, customer deposits under administration almost equalled 484 billion euro, with a contained decrease slightly exceeding 6% with respect to the previous year.

(in millions of euro)

Subcaptions	**31/12/2002**	**31/12/2001 pro forma**	**Changes**	
			amount	**%**
Deposits	**12,251**	12,875	(624)	(4.8)
Current accounts and other	**87,203**	87,351	(148)	(0.2)
Bonds	**44,920**	40,477	4,443	11.0
Certificates of deposit	**10,330**	17,336	(7,006)	(40.4)
Other	**5,263**	6,530	(1,267)	(19.4)
Repurchase agreements	**10,435**	10,573	(138)	(1.3)
Subordinated and perpetual liabilities	**11,631**	11,708	(77)	(0.7)
Total direct deposits (*)	**182,033**	186,850	(4,817)	(2.6)
Indirect customer deposits	**301,749**	328,150	(26,401)	(8.0)
Customer deposits under administration	**483,782**	515,000	(31,218)	(6.1)
(*) *including with residents in Italy*	***145,490***	*134,052*	*11,438*	*8.5*
with residents in EU Countries	***12,355***	*17,482*	*(5,127)*	*(29.3)*
with residents in non-EU Countries	***24,188***	*35,316*	*(11,128)*	*(31.5)*

Indirect customer deposits

Indirect customer deposits totalled 301,749 million euro, with an 8% decline compared to the end of 2001. A decrease was registered in both assets under administration (–7.2%) and in managed funds (–9.2%). This negative trend is the result of the long depression of world stock markets, which is responsible for more than half of the contraction recorded in the year and the consequent investor preference for more liquid investments or for alternatives to financial products.

Within asset management, the approximately 26% increase in bancassurance products must be underlined especially considering the approximately 13% decrease in the other types of individual and collective wealth management services. Consequently, insurance products increased their percentage on total asset management from 9.5% to 13.2%.

(in millions of euro)

Subcaptions	31/12/2002	31/12/2001 pro forma	Changes	
			amount	%
Individual portfolio management schemes	**52,649**	60,275	(7,626)	(12.7)
Assets managed by mutual funds	**88,288**	99,816	(11,528)	(11.5)
Insurance products	**16,579**	13,179	3,400	25.8
minus Funds from individual portfolios placed in mutual funds	**(31,964)**	(34,934)	(2,970)	(8.5)
Total managed funds	**125,552**	138,336	(12,784)	(9.2)
Assets under administration and in custody	**176,197**	189,814	(13,617)	(7.2)
Indirect customer deposits	**301,749**	328,150	(26,401)	(8.0)

FINANCIAL ACTIVITIES

Securities portfolio

The securities portfolio as at 31st December 2002 equalled 35,285 million euro, with an approximately 31% decrease compared to the previous year.
Own shares totalled 981 million euro.

The reduction referred to both the investment portfolio, which equalled 8,108 million euro (approximately –36%), and the trading portfolio, which decreased to 27,177 million euro (approximately –29%). The contraction in the investment portfolio is attributable to both the sale of substantial amounts of securities following the strategic decision to reduce this part of the portfolio and the expiry of the securities held as collateral to the *Warrants Put IntesaBci* exercised last November. The decrease in securities held for trading is mostly due to the effects of a policy aimed at reducing less-profitable positions.
The comparison with market values highlights implicit net capital gains of 323 million euro, mostly on the investment portfolio, corresponding to analogous capital losses on the relative hedging derivatives.

(in millions of euro)

Subcaptions	31/12/2002		Implicit gains/losses	31/12/2001 pro forma		Implicit gains/losses
	Book value	Market value		Book value	Market value	
Investment portfolio	**8,108**	**8,384**	**276**	12,585	12,602	17
Trading portfolio						
– Government securities	**7,327**	**7,327**	**–**	13,134	13,136	2
– Bonds and other debt securities	**17,405**	**17,427**	**22**	23,454	23,526	72
• *listed*	***5,518***	***5,518***	**–**	*6,629*	*6,629*	–
• *unlisted*	***11,887***	***11,909***	***22***	*16,825*	*16,897*	*72*
– Shares, quotas and other forms of capital	**2,445**	**2,470**	**25**	1,741	1,754	13
• *listed*	***1,913***	***1,913***	**–**	*1,244*	*1,244*	–
• *unlisted*	***532***	***557***	***25***	*497*	*510*	*13*
Total trading portfolio	**27,177**	**27,224**	**47**	38,329	38,416	87
Total	**35,285**	**35,608**	**323**	50,914	51,018	104

Net interbank position

One of the primary objectives of the Business Plan is the achievement of more efficient liquidity management, with the disposal of non-strategic assets, a significant reduction in investments in bonds and a decrease in the net interbank position. Continuing the initiatives commenced towards the end of 2001, the interbank position – traditionally negative – decreased at the end of 2002 by approximately 61% with respect to the previous year, to reach approximately 14 billion euro, far better than the target contained in the Business Plan. The drop in the net balance occurred in both the "on demand" and the "with notice period" component, with a more significant decrease for short-term debt, even though the highest absolute reduction was recorded on long-term funding.

(in millions of euro)

Subcaptions	31/12/2002	31/12/2001 pro forma	Changes	
			amount	%
Net interbank position repayable on demand				
• current accounts	**(175)**	(465)	(290)	(62.4)
• deposits	**(2,557)**	(7,600)	(5,043)	(66.4)
• other	**63**	61	2	3.3
	(2,669)	(8,004)	(5,335)	(66.7)
Net interbank position with notice period				
• compulsory reserve requirement	**2,011**	1,312	699	53.3
• time deposits	**(18,854)**	(30,919)	(12,065)	(39.0)
• repurchase agreements	**4,577**	(1,490)	6,067	
• other	**780**	2,468	(1,688)	(68.4)
	(11,486)	(28,629)	(17,143)	(59.9)
Net interbank position	**(14,155)**	(36,633)	(22,478)	(61.4)

Statement of cash flows

The statement of cash flows below shows that the improvement in the Group's net closing balance derives from the cash generated from operations, capital gains on portfolio securities and the contraction in exposure to foreign counterparties which led to a considerable reduction in interbank funding.

(in millions of euro)

		31/12/2002
Cash generated from operations		
Net income	200	
Change in the reserve for general banking risks	22	
Change in allowance for risks and charges arising on consolidation	(3)	
Adjustments to fixed assets and intangibles	876	
Adjustments to (write-back of) financial fixed assets, net	288	
Adjustments to (write-back of) loans, net	2,394	
Adjustments to (write-back of) securities, net	(103)	
Increase/(decrease) in allowances for possible loan losses	(95)	
Increase/(decrease) in allowance for employee termination indemnities	(32)	
Increase/(decrease) in allowance for pensions and similar commitments	(55)	
Increase/(decrease) in allowances for risks and charges - other	318	
Increase/(decrease) in allowances for risks and charges - taxation	(298)	
(Increase)/decrease in accrued income and prepaid expenses	420	
Increase/(decrease) in accrued expenses and deferred income	(97)	
Cash generated from operations		3,835
Cash generated by investing activities		
(Increase)/decrease in securities	15,732	
(Increase)/decrease in fixed assets	(189)	
(Increase)/decrease in intangibles	(340)	
(Increase)/decrease in goodwill arising on consolidation	(420)	
(Increase)/decrease in equity investments	846	
(Increase)/decrease in due from banks (excluding amounts due on demand)	9,335	
(Increase)/decrease in loans to customers	11,846	
(Increase)/decrease in other assets	(5,556)	
Cash generated by investing activities		31,254
Cash utilised by funding activities		
Increase/(decrease) in due to banks (excluding amounts due on demand)	(26,478)	
Increase/(decrease) in due to customers	(830)	
Increase/(decrease) in securities issued	(3,910)	
Increase/(decrease) in other liabilities	2,102	
Increase/(decrease) in subordinated liabilities	(77)	
Increase/(decrease) in minority interests	(493)	
Increase/(decrease) in shareholders' equity	(77)	
Dividends paid	(335)	
Cash utilised by funding activities		(30,098)
Increase/(decrease) in cash, liquid funds and due from banks on demand, net		*4,991*
Cash, liquid funds and due from banks on demand, net – opening balance		*(5,988)*
Cash, liquid funds and due from banks on demand, net – closing balance		*(997)*

Changes in various balance sheet items were calculated using 2001 figures restated on a consistent basis.

SHAREHOLDERS' EQUITY AND SOLVENCY RATIOS

The Group's shareholders' equity, net of the 2002 result, amounted to 13,751 million euro with an approximately 3% decrease, mostly deriving from the distribution of dividends on 2001 net income and the negative contribution of foreign exchange differences due to the conversion of financial statements expressed in other currencies.
The table below details the variations which occurred in consolidated shareholders' equity between 31st December 2001 and the end of 2002.

(in millions of euro)

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserves for foreign exchange differences	Reserve for general banking risks	Revaluation reserves	Negative goodwill	Net income for the period	Total shareholders' equity
Balance as at 31st December 2001(*)	**3,489**	**4,075**	**773**	**4,526**	**(114)**	**93**	**386**	**16**	**928**	**14,172**
Allocation of consolidated net income										
– Reserves				593					(593)	–
– Dividends									(331)	(331)
– Allowances for charitable contributions									(4)	(4)
Other variations										
– Increase in capital	72	93								165
– Transfers within reserves		1,596		(1,596)						–
– Changes in the consolidation area				27			(27)	14		14
– Changes in the reserve for general banking risks						22				22
– Changes in the reserve for foreign exchange differences					(289)					(289)
– Other changes and rounding off				3			(1)			2
Net income for the period									200	200
Balance as at 31st December 2002	**3,561**	**5,764**	**773**	**3,553**	**(403)**	**115**	**358**	**30**	**200**	**13,951**

(*) Official figures not restated.

(in millions of euro)

Total capital and capital ratios	2002				31/12/2001
	31/12	30/9	30/6	31/3	
Total capital					
Tier 1 capital	13,494	14,539	14,459	14,982	14,798
Tier 2 capital	8,192	8,545	8,476	8,076	7,686
Items to be deducted	(630)	(813)	(964)	(1,034)	(1,154)
Total capital	21,056	22,271	21,971	22,024	21,330
Capital requirements					
Credit risks	14,611	14,993	15,836	16,712	17,173
Market risks	1,173	2,200	1,936	2,274	2,279
Tier 3 subordinated loans	1,148	1,148	1,145	1,146	1,640
Other capital requirements	193	263	267	206	238
Total capital requirements	15,977	17,456	18,039	19,192	19,690
Risk-weighted assets	199,714	218,201	225,489	239,905	246,124
Capital ratios					
Tier 1/Total risk-weighted assets	6.76%	6.66%	6.41%	6.24%	6.01%
Total capital/Total risk-weighted assets	11.12%	10.73%	10.25%	9.66%	9.33%
Excess capital	5,079	4,815	3,932	2,832	1,640

Breakdown of shareholders' equity for supervisory purposes is detailed in the table above.

Shareholders' equity for supervisory purposes amounted to 21,056 million euro against risk-weighted assets of 199,714 million euro. The total solvency ratio equalled 11.1%, and the Tier 1 ratio 6.8% with a significant improvement compared to 2001, 9.3% and 6% respectively.
The table below details the entries which allow to reconciliate the Parent Company's shareholders' equity and net result with consolidated shareholders' equity and net income.

(in millions of euro)

Items	Shareholders' equity	including net income for the period as at 31/12/2002
Parent Company's balances as at 31st December 2002	13,820	12
Effect of full and proportional consolidation	12	(370)
Effect of consolidation of subsidiaries carried at equity	211	58
Adjustments to capital gains from the sale of equity investments	–	112
Reversal of write-downs on equity investments	1,030	1,030
Reversal of provisions recorded for fiscal purposes	120	(23)
Amortisation of goodwill arising on consolidation and on application of the equity method	(812)	(110)
Use of allowance for risks and charges arising on consolidation	25	2
Revaluation of real estate	297	(17)
Restatement of goodwill	(31)	8
Dividends collected during the period	–	(26)
Dividends accrued, net of fiscal effects	(420)	(420)
Other changes	(301)	(56)
Consolidated balances as at 31st December 2002	**13,951**	**200**

BREAKDOWN OF RESULTS BY BUSINESS AREA

(in millions of euro)

	2002						
	Retail Division	Corporate Division	Italian Banks Division	Foreign Banks Division	Product Companies	Central Structures	Total
Net interest and other banking income	4,533	1,396	1,386	1,570	720	319	9,924
Operating costs	(3,455)	(599)	(864)	(1,050)	(337)	(511)	(6,816)
Operating margin	1,078	797	522	520	383	(192)	3,108
Provisions and net adjustments to loans and financial fixed assets	(662)	(781)	(75)	(1,006)	(170)	(473)	(3,167)
Income (Loss) from operating activities	416	16	447	(486)	213	(665)	(59)
Extraordinary income (loss)	40	–	4	(27)	58	211	286
Use of allowance for risks and charges arising on consolidation/Change in the reserve for general banking risks	–	–	3	–	(25)	2	(20)
Income (Loss) before taxes and minority interests	456	16	454	(513)	246	(452)	207
Rwa (billions of euro)	52.9	67.3	20.3	20.7	24.9	13.6	199.7
Allocated capital (billions of euro)	3.5	4.0	1.2	1.2	1.5	0.9	12.4
Income from operating activities on allocated capital	11.8%	0.4%	36.7%	(39.2%)	14.2%	(71.9%)	(0.5%)

Retail Division

The Retail Division – which was deeply reorganised recently with the aim of improving territorial presence and service quality – represents the Group component in which the greatest efforts are concentrated to fully develop all its notable unexploited potential both in terms of growth and in terms of recovery of efficiency.

Numerous initiatives are under way aimed at achieving such objectives by i) enhancing service quality, ii) introducing a new operating model for branches making them more easily accessible and capable of satisfying customer needs, iii) completing the migration of the IT systems, iv) developing multichannel access, and v) rationalising product range which must proceed simultaneously with the strengthening of sales capabilities and with the improvement of lending and funding processes.

The mentioned projects are in an initial phase and have not yet produced the concrete effects, which may be visible in a significant way only starting from 2003.

Income from operating activities of the Retail Division (416 million euro) was practically stable on the levels of the previous year. It was attributable for 303 million euro to the Parent Company's retail network. This result testifies the capacity of the Group's basic structure to withstand the difficulties which inevitably emerge in every aggregation, especially of the size of that involving Banca Intesa.

Asset management activities, which contributed to the Division's income from operating activities for 97 million euro, constitute one of the key sectors through which the Division intends to achieve a higher market share in the retail market, offering specific products targeted to the relevant customer segment.
In this perspective the *asset management* sector was drastically restructured during 2002. Nextra Investment Management Sgr started operations at the beginning of 2002;

it operates in mutual funds/sicavs (offering approximately 130 funds of the various types, of which 75 globally distributed mutual funds), in individual portfolio management schemes (Gpf, Gpm and Gpi), in real estate funds and in pension funds.
At the end of December, net assets under management almost totalled 103 billion euro. With reference only to collective asset management activities, net assets of mutual funds/sicavs exceeded 86 billion euro, despite the negative net collection recorded in 2002, enabling the company to maintain its leadership with an 18.5% market share.
The year closed with a net income of approximately 54 million euro.
After the sale, on 1st October 2002, of the company arm in charge of *Private Banking* to Banca Intesa, which absorbed all activities in that sector, Intesa Asset Management ceased to operate in the asset management segment. Consequently the company changed its corporate purpose and also its corporate name to **Intesa Holding Asset Management Spa**. Net income for the period, net of dividends approved by the subsidiary Nextra Investment Management, amounted to 36.3 million euro.
The comparison between the aggregated income of the two aforementioned companies, net of dividends accrued and of capital gains generated by the sale of company arms made by Intesa Asset Management, and the overall income recorded in 2001 by the pre-existing entities, although showing a reduction, must be considered satisfactory in view of the persisting difficulties affecting the asset management market.
Nextra Investment Management controls two companies, **Nextra Alternative Investment Sgr** operating in the management of hedge funds and **Epsilon Associati Sgr** operating in collective asset management with a quantitative approach. Both companies closed 2002 with a low net income.
As of 1st August 2002, all activities related to supplementary pension funds for Gruppo Intesa have been concentrated in **Sim Co.Ge.F.**, the first Italian company specialised in supplementary pension funds, which is participated by Banca Intesa and Assicurazioni Generali.

In 2002 the life insurance market – in which the Group is present with bancassurance activities of **IntesaVita** – recorded issued premiums of almost 56 billion euro, with a 17% increase from 2001. Analysing more in detail the results achieved in the system's bancassurance channel (including post offices), 2002 closed with 34 billion euro of issued premiums and 32 billion euro of new policies (+ 20% on 2001). In a scenario which continues to be characterised by high volatility, bancassurance activities achieved a very positive result in the placement of guaranteed/protected capital products. This type of business recorded a very significant growth rate (even exceeding 80%) from the previous year.
By contrast, weaker demand for more "dynamic" investment products determined a decline in other more strictly financial products, i.e. *index linked* and, above all, traditional *unit linked* policies.
With respect to the bancassurance channel, the mix of IntesaVita's new production highlights an even more marked incidence (86%) of indexed products with guaranteed-minimum and guaranteed-capital *unit linked* policies.
Overall, IntesaVita's new production amounted to 1,135 million euro, with a 25% increase from 2001. Premiums issued in 2002 totalled 1,282 million euro (1,037 million euro at the end of the previous year), while technical reserves amounted to 7,082 million euro compared to 6,142 million euro as at 31st December 2001. The company closed the year with a net income of 18.5 million euro, down with respect to the net income of 22.2 million euro in 2001, mainly as a result of the negative prospects for financial markets and of the allocation to a specific reserve, set forth by Supervisory Authorities, more than doubled compared to 2001.

The development of integrated multichannels, designed to facilitate customer access to operations, is concentrated in only one holding company, **IntesaBci e.lab**. The latter is responsible for many projects currently under way and for the development of strategic equity investments and partnerships in the *e-banking/e-commerce* sector, with particular focus on *home banking* and *on-line trading* services, in coordination with similar activities within the Group.
Among these, the *on-line trading* platform **IntesaTrade** had over 80,000 registered customers at the end of 2002, which made approximately 745,000 transactions (50% higher than a year earlier) for a total counter-value of almost 4.3 million euro (more than doubled in value).

FundsWorld, the company specialised in the sale of mutual funds and sicavs, had almost 10,000 customers, with intermediated assets exceeding 38 million euro. In the electronic commerce sector – in which the platform Shoplà enables over 2,100 small and medium enterprises, Group customers, to place their products via the *Internet* – during 2002 almost 150,000 transactions (tripled from 2001) were processed, for an overall counter-value of 22.5 million euro.
Charta operates in the electronic ticketing sector, with the offer to enterprises of IT management systems and services and with the possibility for individuals to purchase tickets for plays and events on-line.
The operations of the aforementioned companies, reporting to IntesaBci e.lab, which is still penalised by the start-up phase of the various initiatives and by the difficulties faced by financial markets, continued to show a negative performance.

Corporate Division

The Corporate Division, in the new strategic vision, is in charge of all large Italian and international groups, of the larger *mid corporate* relations, of the relations with the State and with public administrations and also with financial institutions. The Division's strategy is aimed at refocusing its activities towards Italian customers, with a strong reduction in foreign lending and deposit collecting activities, at increasing its already significant presence in the Country's large infrastructural programmes and in the higher-return products, exploiting the skills available in the Group.

The strategic decision to limit foreign activities on more contained levels, combined with the aforementioned need to adjust certain credit exposures to important international groups, heavily affected the result of the Division which, however, can now programme its relaunch on the basis of its new mission. The modest result generated by the Division in 2002 (income from operating activities of 16 million euro) must be considered in this context. The positive contribution of operating results generated by both the Parent Company and Caboto IntesaBci was almost entirely offset by the considerable adjustments to exposures to large corporates.
The relaunch of the Division will leverage on the overall reorganisation of the divisional structure, aimed at capitalising on the areas in which the Group already holds commercial and professional leadership positions and in further enhancing its presence in private equity, project finance, corporate finance and in general in all structured finance activities.

Banca Intesa has built up an organisational structure capable of developing and managing highly-specialised structured finance operations with an international organisation which incorporates various *desks* specialised by industrial sector (*Energy, Infrastructure & Industries, Real Estate, Transportation, Oil & Gas*) and by financial product (*Asset Securitisation, Credit Derivatives, Structured Export Finance, Leveraged & Acquisition, Syndicated Lending*) and operates according to the *origination – structuring – distribution* organisational model.

Also in 2002 *structured finance* activities were significant with the closing of important transactions, even if certain sectors (mainly *Transportation* and *Oil & Gas*) were affected by unfavourable international markets and by the specific situation of the relevant industrial sectors. Activities in the *leveraged & acquisition* sector were penalised both by the negative market conditions in the *LBO financing* and *M&A financing* segments and by the Group's lower propensity towards this type of exposures.
Financing to the real estate sector in Italy was, instead, very intense and Banca Intesa was present as *arranger* in certain important initiatives implemented on the market.

Advisory activities were also noteworthy. These referred to the financing of projects in the infrastructures sector (Milano-Brescia motorway, exterior Eastern circular road in Milano, new Milanese exhibition pole, mandate to organise the financing of the Pusan port in Korea) and in the energy and telecom sectors, organising also the acquisition of Eurogen by Edipower and a financing for the realisation and management of a network of third-generation mobile services for a total of 3.2 billion euro in favour of H3G Spa, the most important operation completed in Europe in the TMT sector in 2002.

With regard to *structured export finance* activities, in the period three *advisory* mandates were acquired from Italian companies and important operations were formalised with primary Iranian and Russian banking counterparties to support exports to such Countries by Italian enterprises.

Banca Intesa consolidated its position in **syndication** activities where it is leader in Italy and among the main players in Europe. Activities in **credit derivatives** were performed in a market characterised by high volatility of spreads and by a general deterioration in credit quality. In line with the Business Plan, activities in credit derivatives in the Bank's investment portfolio dropped significantly starting already from 2002. On the contrary, credit derivatives were broadly utilised for hedging risk of possible losses on existing exposures towards international counterparties, in order to reduce concentration risk and to manage credit exposure in a dynamic way.

With regard to the origination of **securitisations**, in 2002 a synthetic operation named Verdi totalling 4 billion euro and a traditional operation on a portfolio of performing mortgages for approximately 2 billion euro were structured. Both operations are extensively illustrated in a specific section of the Notes.

Uncertainties persisting in stock markets affected activities in the primary market. Therefore, **equity origination** decreased globally. Notwithstanding difficulties, in 2002 Banca Intesa took part, often with primary roles, in 7 public offers for sale or subscription, 5 private placements reserved for institutional investors, 8 rights issues, 10 tender offers, and acted as *sponsor* for one IPO and received a mandate as *specialist* charged to sustain liquidity.

Also ***M&A*** activities were penalised by the general slowdown of the financial sector. In 2002 Banca Intesa concluded certain operations with primary customers, and further mandates, acquired during the year, are still under way or under completion. Interesting developments are expected, also in the light of the recent agreements with Lazard Italia.
The persisting unfavourable economic context, the lower growth expectations and the contraction in corporate operating margins, concurred to accentuate in 2002 the slowdown in ***private equity*** transactions, even if certain signs of a reversal of the trend begin to emerge. During the year, operations were therefore mainly aimed at refocusing and reorganising the existing portfolio and the organisational structure. Private Equity International (PEI) started operations; it is a company wholly-owned by Banca Intesa, established in December 2001, with the objective of coordinating and managing investments in international companies and in private equity funds.
At the end of 2002 the total portfolio – including both private equity investments and private equity funds, as well as equity investments acquired in the frame of "strategic" operations set up by important industrial groups – amounted to approximately 1,400 million euro, of which 950 million euro held by the Parent Company.
As to direct private equity investments, during 2002 investments amounted to approximately 39 million euro and disposals to 36 million euro. Furthermore, activities related to investments in private equity funds continued with 10 *draw-downs* exceeding 25 million euro. The capital employed in highly-strategic equity investments increased by over 80 million euro.

Relations with the **Fiat** group had great importance over the whole of 2002 and also in 2003, in a particularly difficult period for various manufacturing sectors and in particular for car manufacturers. Among large manufacturers, the Fiat group was the most penalised, since it had already been weakened by negative results in previous years, when it registered a reduction in market share both in Italy and in Europe.

As already described in previous reports, in May 2002 those banks most exposed towards the Fiat group signed an agreement with the company, with the objective of sustaining the turnaround process.
The banks resolved to transform a portion of their ordinary loans in a 3 billion euro "convertendo loan" with three-year maturity, against Fiat's commitment to reduce its bank exposure below determined parameters.
This "convertendo" was granted by Banca Intesa, Capitalia, San Paolo IMI and Unicredito, joined by Monte dei Paschi, BNL, ABN Amro and Paribas.
Moreover, to facilitate the turnaround, the banks made a commitment to acquire 51% of the "consumer credit" activities of Fidis.
In the second half of 2002, Fiat approved a relaunch plan which foresees the return to a positive operating margin by 2004.

Regarding the relations with the Fiat group, it must be pointed out that in the second half of 2002 Banca Intesa reduced its exposure by over one billion euro, exposure which, anyhow, with the exception of the participation to the "convertendo", mainly reflected the financing of trade receivables of Fiat group companies.
Banca Intesa, like the other Italian banks, is strongly committed to the positive evolution of the Fiat group's crisis, not only to protect its loans, but also for the importance Fiat has in the Italian economic system and for the negative impact of its persisting crisis on the Country's social structure.

As mentioned above, in the third quarter of 2002 the banks disbursed the 3 billion euro "convertendo", with three-year maturity and therefore expiring in September 2005.
Banca Intesa's portion amounts to 650 million euro and substituted existing loans. It did not therefore increase exposure to the Fiat group. The contract provides for the possibility for Fiat to reimburse its debt in advance, totally or partly, and for the banks to convert their debt into equity, prior to the three-year maturity. Furthermore, in compliance with the contract, if i) Fiat and the financing banks which perform the function of *advisor* of the operation (Banca Intesa, Capitalia, San Paolo-IMI and Unicredito) jointly assess that the achievement of the financial objectives is unlikely, or ii) the *investment grade* rating is not maintained by at least one *Rating* agency, the Fiat group will sell assets, none excluded, necessary to achieve the said objectives, giving mandate to the aforementioned banks for the disposals, in order to protect their loans.
The industrial plan prepared by Fiat, which also sets out structural organisational interventions, seems to be evolving so to achieve the target net and gross financial positions set forth in the agreement of 27th May 2002 (reduction of net financial exposure below 3 billion euro and decrease in gross exposure to 23.6 billion euro and then to 18.6 billion euro, at the specified quarterly maturities).

These agreements set forth that, Banca Intesa, Unicredito, Capitalia and San Paolo-IMI purchase 51% of the company Fidis from the Fiat group. This operation regards a limited area of the company's overall business, i.e. consumer credit for car purchases.
This operation will enable Fiat to reduce its gross financial position by approximately 6 billion euro.

As regards Banca Intesa's equity investment in Italenergia, the latter was contributed – with the stakes of other shareholders – to a new holding company of equity investments, named ItalenergiaBis (IEB), in the framework of a broader and articulated plan for industrial restructuring. The stake held by Banca Intesa in IEB was subsequently sold to its Luxembourg subsidiary Private Equity International, which issued a structured bond that embeds the *put* option towards EDF. Such security was then sold by Banca Intesa to an American bank generating a capital gain of approximately 70 million euro.
This transaction does not imply changes to the commitments taken by Banca Intesa with the other IEB shareholders.

Caboto IntesaBci Sim is Gruppo Intesa's *securities house* and its role and mission have been redefined and strengthened within the Group's new structure. The reorganisation process, which started in 2001, characterised the whole of 2002 and will be completed in the first quarter of 2003 as well as the difficult economic phase of financial markets did not prevent the company from achieving very positive results, confirming its leadership in the Italian capital market. In 2002 a significant increase was registered in the number of medium-sized enterprises becoming customers of the Interest Rate Derivatives segment and a strong effort was made in the Credits Secondary market, to guarantee liquidity to customers in a context often deprived of opportunities.
The company is the leader on the MOT (Italian Bond Issues Market) in the Corporate Securities segment. The Equity area, severely penalised by stock market underperformance, achieved budget objectives, offsetting the drop in brokerage activities with a diversification of revenues, which were mostly attributable to the *Equity Financing* desk.
Also *Retail Trading* activities recorded a satisfactory performance highlighting a further rise in volumes and in counterparties adhering to Caboto's Sistema di Scambi Organizzati (SSO), called *Retlots Exchange*.
Caboto IntesaBci Sim closed 2002 with a net income of 24 million euro against 5 million euro a year earlier. Net interest and other banking income rose by 18.2% (164 million euro against 138 million euro as at 31st December 2001) due to an increase in revenues which effectively supported the company's development process, which occurred together with attentive cost control.

In fact, operating costs declined by 4 million euro (123 million euro against 127 million euro a year earlier).
In 2002, Banca Intesa subscribed the company's capital increase amounting to 250 million euro.

The uncertainties of the international markets negatively influenced the activities of institutional and private investors, generating a reduction in revenues in *private banking,* corporate activities and mutual funds, the three main sectors in which *Société Européenne de Banque – SEB* operates. Notwithstanding the unfavourable context, the subsidiary – which absorbed the activities of Banca Intesa International in January 2002 – achieved a net income of 16 million euro (12.2 million euro pro forma net income in 2001).

Due to negative market performance and the deterioration in certain loan exposures, *IntesaBci Bank (Ireland)* recorded exceptional provisions which led to a loss for the period of 4 million euro, against a virtually breakeven result a year earlier.

The activities of the Parent Company's Foreign branches, as already mentioned, are undergoing a profound reorganisation to adapt them to their new role within the Group as units supporting the foreign activities of Italian customers. This new mission requires a repositioning of their lending activities and a network restructuring, with particular focus on London, New York, Hong Kong and Shanghai branches. Already in 2002, this significantly affected the branches' statement of income which recorded a contraction in interest margin not yet adequately balanced by income from services and by the considerable reduction in operating costs. Consequently, operating margin, though positive (172 million euro), declined by 38% from the same period in 2001. Substantial net adjustments and provisions, mainly for exposures to large international groups, led the foreign network to record a net loss.

Italian Banks Division

The Italian banks which are part of the Group report to this Division, which improved upon the already-satisfactory results of 2001, thus confirming the soundness and rooting in their respective markets of the local banking entities, certain of which boast a long-lasting leadership in their area.
The portion of consolidated income from operating activities attributable to this Division (447 million euro) presented a growth rate exceeding 10%.

The network of subsidiary banks will continue to operate in the territory with a very interactive attitude with the branches of the Retail Division to pursue the objectives set by the Business Plan. In fact the sector of the "federated" banks, i.e. the local banks controlled by the Group in Italy, presents opportunities for generating value and growth without requiring total integration, but only significantly increasing commercial and efficiency synergies with all Group entities and first and foremost with the Parent Company Banca Intesa.

In this context, in 2002 the main local banks recorded a performance which, taking account of the objective difficulties of the credit market, must be considered very positive. The exceptions were few and always depending upon incidental situations, as illustrated hereunder.

Cassa di Risparmio di Parma e Piacenza closed 2002 with a net income of 138 million euro which cannot be directly compared with 160 million euro in 2001, since that result had benefited from a substantial extraordinary income generated by the sale of branches. Income from operating activities reached 265 million euro, up by 16.3% from the previous year (228 million euro). This brilliant result was achieved by i) maintaining interest margin virtually stable (+1%), due to the increase in intermediated volumes, ii) offsetting lower profits on financial transactions (–9%) with the development of new services (+6%), and iii) more efficient operating processes which led to a further 4.4% reduction in costs. Lower net adjustments to loans and lower provisions for risks and charges also positively influenced the statement of income.
As regards main balance sheet aggregates, with respect to the figures as at December 2001, loans to customers rose to 8,829 million euro (+3%) and direct customer deposits were practically confirmed at 10,465 million euro. Indirect deposits rose by 4% to 22,283 million euro at the end of 2002.

Banca Popolare FriulAdria closed 2002 with a net income of 34.2 million euro compared to 34.7 million euro a year earlier,

which however benefited from the sale of two branches. Despite a lower contribution from interest margin (–8.2%) and from net interest and other banking income (–6.3%), income from operating activities recorded a 5.2% increase due to the operating costs containment policy (–6.4%) and to the significant reduction in net adjustments to loans (6.6 million euro as at the end of 2002, with respect to 13.8 million euro as at the end of 2001). Specifically, interest margin was penalised by a reduction in interest rate spreads, though in presence of higher volumes, while net interest and other banking income was affected by the lower contribution from net commissions, which was not adequately balanced by profits on financial transactions.
As to the balance sheet, loans to customers slightly declined (2,564 million euro; –1.8%) and customer deposits moderately increased (2,701 million euro; +2.2%), while indirect deposits recorded a modest, 3% drop to 4,865 million euro.

In 2002 *Banca di Trento e Bolzano* achieved far better results than in 2001. This improvement is shown in all intermediate margins, more contained for interest margin (+0.5%) and more appreciable for net interest and other banking income (+3.3%), which could benefit from an unchanged contribution from commissions – particularly significant in the current difficult context – and from a strong rise in profits on financial transactions and in other net operating income (+37% overall). A substantial cut in operating costs (–3.4%) and lower net adjustments, which instead constituted a heavy burden in 2001, led to a net income of approximately 11 million euro, with an approximately 15% rise from the previous year. As to balance sheet aggregates, both loans to customers (1,475 million euro; +11%) and direct deposits (1,524 million euro; +3%) rose while indirect deposits recorded a moderate reduction (1,604 million euro; –1.4%).

Cassa di Risparmio di Biella e Vercelli registered a net income of 25 million euro, lower than the corresponding figure in 2001, exclusively due to a reduction in extraordinary income compared to the previous year.
In fact, income from operating activities recorded a modest increase (+1.2%) on 2001. This result reflected an appreciable increase in interest margin (approximately +3%), which was eroded by the more than halved profits on financial transactions, while net commissions and other operating income were virtually stable.
A significant contribution to net income for the year was given by the improvement in loan portfolio quality, which required lower provisions and lower net adjustments.
Among the main balance sheet aggregates, the comparison with the figures at the end of 2001 shows good increases both in loans to customers (1,725 million euro; +6%) and in direct deposits (2,077 million euro; +6.7%). Indirect deposits, notwithstanding the difficult market situation, was practically stable at 2,692 million euro.

In the first months of 2002, Banca Intesa acquired control of Cassa di Risparmio di Terni e Narni which closed the year with a net income of 7.6 million euro, down from the previous year (–11.1%) which had benefited from important capital gains derived from the sale of one equity investment. Interest margin was stable, net interest and other banking income recorded a modest improvement (+2.5%). Balance sheet figures highlighted a satisfactory increase in loans (+6.8%) and a significant rise in both direct and indirect deposits (+15.6% and +12%, respectively).

The Saving Banks in Central Italy, controlled by Holding IntesaBci Centro, closed 2002 positively, highlighting in almost all cases a modest growth in interest margin and in net interest and other banking income, a reduction in operating costs and net adjustments in line with the previous year.
Net income for the year amounted to 10 million euro for Cassa di Risparmio di Ascoli, 5.5 million euro for Cassa di Risparmio di Rieti, 5.2 million euro for Cassa di Risparmio di Foligno, 5 million euro for Cassa di Risparmio di Viterbo, 4.3 million euro for Cassa di Risparmio di Spoleto and 1.2 million euro for Cassa di Risparmio di Città di Castello.
Cassa di Risparmio di Viterbo and Cassa di Risparmio di Rieti, recorded net incomes for the year far lower than the previous year, which had benefited from important income deriving from the sale of branches, while net incomes of the other Saving Banks registered a rise.
As to balance sheet aggregates, loans to customers recorded an 8.7% increase to 2,917 million euro, while direct customer deposits reached 4,504 million euro with a 7.4% rise. Indirect deposits stood at 3,543 million euro, in line with a year earlier.

Cassa di Risparmio della Spezia and Cassa di Risparmio di Carrara, reporting to Carinord 2, closed 2002 with net incomes of 5 million euro and 4.1 million euro respectively.

Foreign Banks Division

The Business Plan sets out a series of interventions for this Division which – even without new acquisitions – will lead it to generate positive results starting from 2003.
The Plan sets out the gradual exit from Latin America and from the foreign banks operating in Countries or sectors which are not strategic for the Group, while utmost attention will be paid to improving the profitability of the banks in Eastern Europe, through the strengthening of the respective commercial activities, mostly targeted to the retail market, and interventions aimed at improving efficiency.

In 2002, the Group's foreign subsidiaries showed very different trends, depending on their reference economic contexts but were, in any case, heavily affected by the adverse conditions which from 2001 greatly influenced especially the South-American area. Income from operating activities generated by the Division remained decidedly negative, with losses practically in line with those recorded in the previous year, despite the considerable rise in net incomes generated by the banks operating in Eastern Europe.

Eastern Europe

During 2002 the Hungarian economy was also affected by the negative international economic cycle which especially involved the Countries in the European area, where Hungary concentrates most of its commercial trade.
In this context, the *Central-European International Bank (CIB)* group continued its strategy aimed at expanding its operations in the sectors of small and medium-sized enterprises and of *retail banking* activities, achieving good results especially in the *leasing* segment where it became the market leader. In this way CIB achieved a net income of 44 million euro, 28% up from the previous year, confirming its standing among the main banks in the Country with a market share exceeding 8% in a highly-competitive context.

The Slovakian economy registered a favourable performance, benefiting from higher consumption and higher public spending and at the same time controlling inflation.
The *Vseobecna Uverova Banka (VUB)* group, acquired at the end of 2001, concentrated its activities in the implementation of a detailed plan to bring its policies in line with Group standards, with restructuring and organisational interventions which concerned all company sectors.
Its results for 2002 confirm the success of the measures taken: net income amounted to approximately 48 million euro, over 40% higher than in 2001. Such positive performance was achieved with the contribution of all company sectors but especially of the *retail banking* area.
Due to its broad customer portfolio and to its capillary sales network, VUB is the second bank in Slovakia, in a sector almost entirely made up of banks owned by foreign companies.

In Croatia the GDP growth rate recorded a further progression with respect to the previous year, without provoking any tension on prices which showed a negligible rise.
The *Privredna Banka Zagreb (PBZ)* group developed its strategy aimed at expanding sales channels and improving services offered, strengthening the operating structures and upgrading the IT system.
Despite substantial investments, the year closed with a net income of 86 million euro, with an 8.5% increase from 2001.
At the end of 2002 PBZ evidenced an approximately 10% rise in intermediated funds mostly due to an expansion of loans mainly granted to private customers.
The subsidiary had a market share exceeding 18% and was ranked in second place among the banks in the Country.

For the purpose of favouring the internationalisation of Italian companies and facilitating activities of foreign companies in Italy, Banca Intesa decided to establish a wholly-controlled bank in Russia. Intesa is the first Italian bank operating in that Country. This operation constitutes a further step in the penetration of Eastern Europe, where the Group is already present in a significant way.

Latin America

In 2002 the *Sudameris* group continued to operate in local contexts characterised by very difficult situations, although with differentiated characteristics among the various Countries in the area. After the withdrawal from Argentina which was already agreed at the end of 2002 and will conclude its natural process in the first half of 2003, the Group will perform most of its operations in Brazil, Peru and Colombia.

In Brazil, 2002 was characterised by an initial economic recovery, a subsequent slowdown during the electoral campaign and returned to greater-stability prospects at the end of the year. In such context, the *Banco Sudameris Brasil* group recorded a positive performance – following the restructuring implemented in previous years – contributing to the accounts of the French holding company with a net income which, after the consolidation adjustments and the exclusion of minority interests, amounted to 31 million euro.

In Peru, the economy continued to be stagnant for the whole of 2002 and therefore put the banking system in an unfavourable situation, especially with regard to the loan portfolio. The latter very heavily burdened the activities of *Banco Wiese Sudameris* which led the consolidated accounts of Banque Sudameris to record a net loss which – taking account of provisions allocated on consolidation and excluding minority interests – still exceeded 470 million euro.

In Colombia, the uncertain economic situation seems to have no positive exit path. This context penalised the operations of *Banco Sudameris Colombia* which, however, succeeded in containing the loss to slightly over 4 million euro.

The consolidated financial statements of *Banque Sudameris* were obviously affected by the unfavourable situation in the South-American area and, consequently, by the overall negative results of its subsidiaries, and, as mentioned, by the substantial net adjustments and provisions recorded on consolidation, to cover both specific critical aspects and foreseen charges for the gradual disengagement from the area.
This led to a net loss of 708 million euro: operating activities registered a positive result but not sufficient to offset the exceptional interventions required for restructuring and capitalisation. For a correct analysis of the economic results it is necessary to consider the effects linked to the devaluation of the currencies of the South-American area which depressed in a substantial way both revenues and charges compared to the previous year.

In fact, operating results – net of interest margin – evidenced an approximately 23% decrease in year-end terms, while, net of the inflationary effect, it showed an over 12% increase which is then penalised, though not significantly, by the contraction in net commissions (approximately –7% in real terms) as well as by losses on financial transactions which heavily decreased from profits recorded the previous year. Other net operating income, though positive, showed – on a normalised basis – an approximately 40% reduction. The nominal contraction in operating costs highlights, if compared in real terms, a virtual stability at the levels of the previous year, leading to a positive operating margin of 58 million euro.

As already mentioned, in addition to physiological adjustments, also substantial provisions linked to the deteriorated Peruvian situation were deducted from operating margin. Moreover a specific provision of 30 million euro was created to activate the "*Plan Social*" in favour of employees in relation to the programmed layoffs.
The sum of these items, exceeding 750 million euro, led to the aforementioned consolidated loss.

With regard to the most significant balance sheet figures, compared on a normalised basis, loans to customers recorded an approximately 28% contraction and direct deposits remained at levels slightly above those in 2001. Indirect deposits managed, despite market difficulties, was stable at the previous year's levels.

The other geographic areas

Banca Commerciale Italiana (France) registered a contraction in its *corporate banking* activities because of the unfavourable international situation and of a more prudent lending policy. Nevertheless, the subsidiary was capable, also due to attentive cost control, to close the year with a net income of 25 million euro, with a 40% reduction from 2001.

The other French subsidiary, *Banca Intesa (France)*, though operating in the same market, succeeded in reversing the negative result of 2001, closing the year with a net income of 1.3 million euro.

Market contingencies also determined a considerable contraction in the volumes intermediated by *IntesaBci Bank (Suisse)* – mainly operating in *private banking* – with the consequent reduction in commission income and a negative result in securities trading activities. Due to the containment of operating costs, the year closed virtually at breakeven against a net income of approximately 9 million euro registered in 2001. In January 2003, the subsidiary was sold to Crédit Agricole Indosuez following the agreement reached in December 2002. The agreement was executed through the sale of a call option to Crédit Agricole Indosuez and the forecast of a put option exercisable by IntesaBci Holding International. The selling price will be the sum of shareholders' equity of IntesaBci Bank (Suisse), the premium for the call option (50 million euro Swiss francs) and the goodwill, to be determined by the parties within the first six months of 2003.
The call option was exercised in the first days of January, triggering for Gruppo Intesa the obligation to transfer the stake in the first months of 2003 according to the terms and conditions of the agreement. The only effect produced by this operation on 2002 financial statements consisted in the valuation of the call option at the agreed premium.

2002 financials of Bankhaus Löbbecke must be evaluated considering the Business Plan, which does not consider presence in Germany strategic and foresees a gradual disengagement from the Country.
The start of the asset disposal project therefore explains the 27% reduction in assets compared to December 2001, mainly for the sale of a portion of the investment portfolio (securities and CDS) in order to reduce allocated capital and at the same time reduce credit risk exposure.
The negative effects produced on the statement of income by certain disposals and the application of the usual valuation criteria in a perspective of reduction in the bank's activities led Banca Intesa to cover losses amounting to 120 million euro. Following this extraordinary contribution, net income for the year equalled 603 thousand euro.

Even if the Canadian market was still characterised by a fairly favourable context, which enabled *IntesaBci Canada* to register an appreciable increase in loans to customers, trading activities did not record an equally satisfactory performance.
Operating costs recorded an upward trend and a further burden came from provisions for certain critical positions in the loan portfolio. The statement of income closed with a loss of 1.6 million euro, compared to the positive result recorded in 2001.

Product companies

Product companies play a very important role in favouring and supporting the growth of the Group's Divisions and in exploiting new market opportunities, even though certain Group entities are already leading players in their field. The most important areas of activity are leasing, factoring, medium- and long-term lending and payment systems.

In these sectors Group companies considered together generated positive results (income from operating activities of 213 million euro) though with differentiated trends in the various operating areas.

The performance of these sectors was affected by the general economic slowdown, with operations stable, but with a general contraction in margins, thus leading to slightly lower economic results. Setefi, which has a key role in payment systems, was a positive exception.

For Banca IntesaBci Mediocredito, 2002 was the first year of full operations since it started activities, after the Parent Company's contribution of medium- and long-term lending business in the second half of 2001. Net income for the year, which therefore is not comparable with the previous semester of 2001, amounted to 46.1 million euro, higher than the budget forecast. Interest margin equalled 183.2 million euro, while operating costs (47.1 million euro) were slightly above expectations. Net adjustments to loans stood at 71 million euro.
As to balance sheet figures as at 31st December 2002, the company confirmed its positioning as the largest bank at national level specialised in financing the development of small and medium-sized enterprises: the loan portfolio was made up of over 16,000 customer companies, for an overall amount of 13 billion euro (4 billion euro granted in 2002), with a 6% rise from the previous year.

In 2002 Banca Cis continued its activities related to rationalisation of processes, updating procedures and IT applications. The bank closed 2002 with a net income of 18.5 million euro with a strong increase from 2001 (approximately +28%). The analysis of income components highlights a rise in interest margin (+3.8%) whereas net interest and other banking income declined (–5%) since in 2002 the bank did not benefit from the considerable flow of commissions generated in 2001 by strong activities connected to the grant of subsidised loans against national and regional tenders. The cost containment policy started to produce its effects with a 9.7% reduction in operating costs. Net adjustments to loans were more than halved from 15 million euro in 2001 to approximately 7 million euro in 2002. Balance sheet figures evidence loans to customers (1,178 million euro) practically in line with 2001. The significant contraction in direct deposits (approximately –47%) is only due to programmed reimbursements of bonds, replaced by interbank funding. Indirect deposits was stable.

In 2002, Intesa Leasing consolidated its second position in the ranking of market players reaching a market share of 8.1%. In fact new contracts were stipulated for a total value of 3,054 million euro (+26.4% on 2001), over 50% granted to the real estate sector. Total leased assets reached 8,620 million euro with a 22.2% increase compared to as at 31st December 2001. Net income for the year rose slightly (17.5 million euro; +2.3%) for the significantly higher income from rentals (+14.2%) partly absorbed by the increase in administrative costs (+5.6%).

2002 for Mediofactoring was dedicated to business consolidation after years characterised by a series of extraordinary operations. Compared to the previous year, 2002 recorded a moderate rise in turnover (+7.1%). Despite the progress registered both in interest margin (+4.6%) and in net interest and other banking income (+4.1%), net income of 22.2 million euro was 25.3% lower than the previous year, mainly as a result of the increase in net adjustments (+38.9%).

Setefi, the Group's business unit specialised in the management of electronic payment systems, recorded very positive results and closed the year with a net income of approximately 22 million euro, with an over 19% rise from the previous year, thanks to the increase in operating income. The company's activities continued to expand in 2002 and in particular the number of cards directly-issued or managed reached approximately 1,759,000 units (+14.4% from as at 31st December 2001), whilst the number of POS terminals, which handled 124 million euro transactions for a counter-value of approximately 10 billion euro, rose to approximately 84,000 units (+25.5%).

In 2002, IntesaBci Riscossione Tributi, the holding company of the Group's tax collection companies, and the collectors Esa.Tri., E.Tr. and S.Es.I.T., were engaged in the reorganisation process foreseen in the industrial plan of the tax collection sector, in a legislative context characterised by the termination as at 31st December 2001 of the pre-existing system of payments collectors. The new parameters for the quantification of the fees for tax collection activities provided for by the Law 178 of 8th August 2002 are deemed inadequate to guarantee for the 2002/2003 two-year period the already fragile economic balance of the national tax collection sector. The new compensations determined for the tax collection sector controlled by IntesaBci Riscossione Tributi led to an overall breakeven position in 2002 which will be hardly achievable in 2003. Future prospects must be evaluated also on the basis of all sector initiatives which, presumably, will lead to a review of the compensations for concessionaires so as to partly mitigate the negative result forecasted for 2003. In particular, their impact will produce very different effects for the three concessionaires: Esa.Tri. may anyhow achieve a positive result, even if much lower, S.Es.I.T. and especially E.Tr. will considerably worsen their economic situation, jeopardising the overall results of the tax collection sector. Overall, 2002 closed with a net income of approximately 8 million euro, compared to approximately 15 million euro a year earlier, determined by the lower contributions of E.Tr. and S.Es.I.T., whereas Esa.Tri. achieved a positive result in line with the previous year.

Central structures

Sustaining and favouring the change processes underway within the Group is one of the main objectives assigned to Central Units and to Service Companies. The crucial points of such activities can be identified in the operating areas illustrated hereunder.

Human resources

Activities related to the management of human resources were concentrated, particularly in the second half, in the restructuring of Central Units and Divisions, on the basis of the indications of the new Business Plan. The effort to increase the effectiveness of human resources characterised not only the Parent Company but also many subsidiaries, with the only exception of certain product companies still engaged in the start-up phase.

At the end of 2002, Group staff totalled 71,501 people, with a reduction of 2,363 people with respect to the corresponding figure in 2001. This reflected layoffs, partly spontaneous and partly subsidised, far higher than new recruitments, with beneficial effects in terms of labour cost, achieved through both the reduction in the average number of staff and the contraction of certain variable pay components.

These first results were also achieved following the programme agreed with Trade Union representatives which:

– defined the objectives for the structural decrease in labour cost and for the consequent reduction of manpower in Group companies;
– identified instruments and relevant measures to take, also jointly, in order to achieve the targeted reductions;
– prepared a common framework for access to services provided for by the Solidarity allowance of the banking industry *ex* Ministerial Decree 158/2000.

As regards more specifically Banca Intesa and the service companies (IntesaBci Sistemi e Servizi and IntesaBci Gestione Crediti), the reduction in manpower was agreed at the total level of 5,700 units to be laid off by 2005. For the other companies the most appropriate measures will be agreed with Trade Union representatives in order to achieve the objective of an adequate structural reduction in labour cost.

The relaunch of the Group also includes projects for the development of human resources' capabilities. To this aim, Banca Intesa and certain Group banks conducted analyses to identify capabilities and qualifications available and to evaluate performances with reference to the specific positions covered.

More precisely, training activities in favour of Group personnel, totalled approximately 137,000 man-days, also through distance training methodologies. More than half of the training focused on the development of subjects related to the completion of the integration of the networks merged in the Parent Company. Management training required over 9,000 man-days destined not only to middle management but also to the top management of the Group companies with mainly inter-company initiatives.
The preparation of the Training Plan to support the 2003-2005 Business Plan commenced in the last part of the year. 800,000 man-days of training will be programmed in the three-year period. Priority training requirements were identified and are aimed at achieving corporate objectives. Specific interventions have also been determined.
Four types of training were identified – institutional, by position, connected to change projects, on appointment upon request of specific sectors or structures – in order to provide the necessary qualifications for the optimal interpretation of the mission of role to all professional families.

Organisation and Information technology

During 2002, the programmed interventions were executed and referred to i) the plan for the migration of the IT systems of the merged banks, ii) the integration of the various Group entities, and iii) the activities supporting the various Group business areas.

In particular, in the first half the migration of 850 former-Cariplo branches to the "Target system" was completed and further operational improvements of the system were implemented in the subsequent months. In September, the project for the migration of over 800 former-BCI branches commenced according to a roll-out plan foreseen to start in April 2003 and to be completed by the end of the year.
The system integration process was also supported through initiatives aimed at unifying the Group's image, such as the realisation of a new web site for institutional customers and the centralisation in a single structure of the contact centres of the pre-existing networks.

The main operating support activities were i) the completion of the new unified corporate banking product (In-Biz), and ii) the realisation for Banca Primavera of an

integrated IT system, focused on customer management on a single platform. Interventions for the revision and standardisation of company processes were initiated also with reference to medium- and long-term financing activities performed by IntesaBci Mediocredito and Banca Cis and are foreseen to be completed by 2003; a new IT system for the management of loan positions was developed for IntesaBci Gestione Crediti.
With regard to security, noteworthy is the start of further disaster recovery initiatives aimed at strengthening the checks established to guarantee Group operations' continuity.
Finally, it must be noted that in the first months of 2002 the Euro Fase 2 project was regularly completed, with the end of the duality period.

IntesaBci Sistemi e Servizi, the service company responsible for the centralised functions of IT services and data processing management, was engaged for the whole of 2002 in innumerable activities supporting the integration of the various Group entities. The economic results for the year – in line with the pricing policy adopted towards its customers, all within the Group – are summarised by a net income of 0.6 million euro.

Treasury and strategic finance

Strategic operating activities such as treasury, management of the proprietary portfolio, funding of strategic resources and *asset & liability management* (ALM) are placed within the central structures.

In 2002, assets (securities and loans) dropped sharply determining lower interbank financing and a consequent improvement of treasury activities with regard to management of short-term liquidity. Lower profit opportunities connected to the financing of such assets, in a context of continuously-decreasing interest rates, were almost entirely balanced by intense arbitrage activities, exploiting the opportunities arising from the various market segments.

In October Banca Intesa was one of the 39 banks in the world which participated in the operational start-up of CLS (*Continuous Linked Settlement*), international system for the settlement of transactions in foreign currencies. The adhesion to the system, which will gradually reduce settlement risks on transactions in foreign currencies, allows to optimise activities both for the proprietary portfolio and on behalf of customers.
The higher security guaranteed by the new system and by the forthcoming "Nuovo BI-REL" and "Express II" procedures in Italy, however, lead to higher complexity in managing inter-day liquidity, which is already being faced with specific interventions to revise the internal area of the payment systems.

In accordance with the 2003-2005 Business Plan, the reorganisation of treasury activities in foreign branches was completed in the third quarter, with the cessation of operations in Singapore and the reduction of operations in Tokyo, while interbank activities of the London branch were concentrated in Milan. To guarantee around-the-clock coverage and effective access to the main money markets in the world, the operating rooms of New York and Hong Kong continue to exist, under the coordination of the treasury in Milan.

With regard to *proprietary trading* activities, the high market volatility induced the players in the fixed-income segment to pay particular attention to the necessity to diversify investments among different issuers and commodity sectors, mostly privileging short-maturity securities also in view of the interest rate cuts decided by both the FED and the ECB to contrast the unfavourable economic cycle.
Strategic management of the share portfolio was based on a *market neutral* approach, with an attentive stock selection privileging shares better suited to face the unfavourable situation of financial markets.

The weak US dollar and the international tensions coupled with perplexities regarding prospects for a recovery of the American economy, originated a highly risk-averse climate, affecting activities in foreign currencies and favouring short- and medium-term trading on the main currencies with around-the-clock price-monitoring systems.
In the *commodities* sector, operations were reduced even if with a constant attention to the market evolution.

In the *alternative investments* sector, the hedge funds portfolio more than doubled in 2002, with a diversification by geographic area, which reintroduced the Asian and

emerging markets. The portfolio is therefore greatly diversified among the main types of asset.
Due to the broad diversification by strategies and markets and to the low, sometimes negative, correlations among most of the funds, the hedge funds portfolio (excluding CDOs) highlighted a very contained risk profile, with volatility under 3% over the twelve months, against an approximately 15% volatility for stock market indices.

Included in the strategic finance area are also the activities performed by *IntesaBci Investimenti*, formed at the end of 2001, which offers primary Group customers attractive investment opportunities.
In particular, the company's activities are based on investments in foreign sicavs with simultaneous commitment to re-sell the shares at a later date at a determined price, with the protection of swap contracts aimed at assuring an adequate return on investment. Banca Intesa reproduces each transaction – again using repurchase agreements – with IntesaBci Investimenti, whose shares in turn will be covered by a similar contract with investing customers.
Net income for the first period (nine months) amounted to approximately 72 million euro, plus approximately 22 million euro of net income in the last quarter of 2002, bringing total net income over the twelve months to 94 million euro.

Within *Asset & Liability Management activities*, the management of interest rate and liquidity risks associated to the *banking book* is provided by a single finance and treasury structure.
Interest rate risk is measured in terms of market value variability of the various positions against changes in the interest rate curve at various maturities. This risk is managed by adopting derivative instruments to govern mismatching. Exposure to risk is maintained at modest levels, so that even significant movements in the interest rate curve generate virtually negligible variations compared to Tier 1 capital. The structural component of liquidity risk is managed monitoring cash flows at maturity.
The analysis of medium- and long-term mismatching leads to decisions on bond issues.

With regard to the Parent Company's funding activities, during 2002 issued bonds were placed on the international market, as defined in the *Euro Medium Term Notes* programme, for a total value of 2.4 billion euro with a net prevalence of medium-term securities with maturities ranging from 3-5 years.
In particular, floating rate bonds represented the majority of placed securities, followed by fixed rate bonds (approximately 30%). Structured bond issues remained below 10% of the transactions negotiated in the year. Subordinated bond issues on the international market totalled 500 million euro.

In the domestic market, total bond issues equalled 9.8 billion euro: i) 47% of floating rate securities, ii) 37% of fixed rate bonds, and iii) 16% of structured bonds. Breakdown by maturity evidences that securities with 2-3 year maturity had a weight of 27%, whilst 68% was represented by securities with maturity of 4-5 years and the remaining 5% by bonds with 10-year maturity. With regard to funding through bonds in the domestic market, the placement of subordinated bonds equalled 392 million euro, approximately 4% of the total amount placed, consisting entirely of *Lower Tier 2* bonds.

During 2002, in accordance with the new strategic guidelines for the Group and in support of the measures aimed at reducing interbank exposure, the Parent Company's investment portfolio was reduced by 870 million euro (approximately 70% of the investment portfolio) mainly through sales on the market.

Real estate assets

In accordance with the 2003-2005 Business Plan, which foresees the unravelling of the potential of the Bank's real estate assets through aimed actions, various operations were implemented in 2002; the most important was the sale of certain real estate properties located in Milano, for a counter-value of approximately 470 million euro, with a capital gain of approximately 210 million euro (approximately 270 million euro in the Parent Company's financial statements). Moreover, actions were taken to rationalise the structure responsible for managing real estate assets, to reduce operating costs and rationalise space occupancy, as foreseen in the Business Plan. Finally, the ground was prepared for further operations aimed at capitalising on the unexpressed potential of the Bank's real estate assets to be performed during 2003.

Banca Primavera

During 2002 the transformation of IntesaBci Italia Sim in the Group's multichannel bank, with the corporate name of *Banca Primavera*, was completed, through important investments in new technologies and new organisational models. All innovative customer contact channels were activated in the last quarter of the year, with the opening of the first 14 branches (*Spazi Clienti*) and with the activation of the contact centre (*Banca Telefonica*) and of the Internet channel (*Banca On Line*). However, full operations were achieved only at the end of the year after an intense training of the sales network. In the statement of income this led to high investment costs and the year closed with a loss of 63 million euro. The company, controlled by IntesaBci e.lab, operates with over 1,600 consultants and at the end of 2002 it registered managed and insurance assets from customers close to 5.5 billion euro.

IntesaBci Gestione Crediti

IntesaBci Gestione Crediti, responsible for acquiring and managing non-performing loans granted by Group companies with the aim of making their recovery more efficient, closed the year with the loss of 58 million euro, significantly lower than the loss of the previous year (303 million euro).
In 2002, revenues of 170 million euro (+18%), of which 93 million euro related to the recovery of adjustments to loans recorded before their purchase, were not sufficient to absorb i) operating costs (94 million euro; +23.7%), ii) net adjustments to proprietary loans (139 million euro; –58%), and iii) financial charges. Net adjustments to loans, considering the aforementioned recoveries, decreased to 46 million euro.
The nominal value of the loan portfolio of IntesaBci Gestione Crediti as at 31st December 2002 amounted to approximately 10 billion euro and had been purchased for approximately 3.1 billion euro. Loans managed on behalf of Group companies exceeded 5 billion euro.

The Parent Company

General aspects

2002 has been a transition year in which, with the new Business Plan, actions have been taken to solve the problem areas and accelerate structure streamlining, service improvement and asset quality enhancement.
In addition to the difficulties connected to the reorganisation, the Bank had to face the adverse economic context.

All this negatively affected the development of operations and profitability. Banca Intesa's 2002 statement of income closed with a limited net income of 12 million euro, far lower than that of the previous year, and was significantly affected by facts deemed to be extraordinary.
In fact, the progressive implementation of actions set out in the Business Plan determined a high concentration of extraordinary charges, especially due to the disengagement from areas which are no longer strategic and forecasted restructuring costs. Such costs have also enabled to anticipate the effects the most decided actions, thus setting the best starting conditions already from 2003.

More specifically, the highest incidence is ascribable to substantial charges envisaged for the disposal of the South-American subsidiaries which absorbed over 900 million euro of revenues.
Significant restructuring costs related to staff reductions were also expensed in 2002.
The statement of income also recorded the adjustments necessary to mark to market the value of own shares purchased following the exercise of the *Warrants Put IntesaBci.*

The aforementioned charges were partly absorbed by significant extraordinary revenues, mostly realised on the disposal of non-strategic assets set out in the Business Plan. In 2002, the Bank sold certain significant equity investments and closed important real estate sales.

Income from operations, which also benefited from a significant reduction in structure costs, due to the first reorganisation interventions, have not yet registered the positive effects of network restructuring. Profitability was negatively affected by significant adjustments to loans to offset every possible risk especially connected to exposure to large international clients.

Reclassification and comparison criteria

For the purpose of permitting a consistent comparison with the previous year, 2001 figures have been restated. Banca Intesa's 2001 financial statements included the results of Mediocredito Lombardo which had been merged in Banca Intesa at the end of 2000. However, Mediocredito Lombardo's operations, which mainly refer to medium- and long-term lending, were subsequently (1st July 2001) contributed to IntesaBci Mediocredito, and are therefore not included in the Parent Company's 2002 figures.
Pro forma figures as at 31st December 2001 have thus been restated to consider this operation.
The reclassification was carried out for the purpose of comparability and completeness of information by using presentation criteria which are deemed to better define the areas in which overall profitability is generated, and varying and reaggregating the contents of the items included in the compulsory forms, according to the principles of operations consistency and not only of formal representation of the Bank's economic situation. In particular, according to such criteria, widespread within the banking system:

– financial lease receivables have been recorded with the financial method, by recording within interest both the leasing instalments and the value adjustments on the leased assets;
– negative differentials on hedge derivatives economically connected to trading

positions on equities have been accounted for in the same caption which shows relevant dividends;
- dividends collected from equities in structured portfolios – for which valuation effects are recorded in Profits (Losses) on financial transactions – have been recorded in that caption;
- certain amounts included in Profits (Losses) on financial transactions for certain non-recurring operations on securities related to the sales of equity investments of significant size are booked in the caption Extraordinary income;
- the revenue from the purchase and sale of securities – which occurred in 2001 – connected to a hedge credit derivative, has been recorded by reducing the value adjustments recorded to bring loans to estimated realisable value;
- adjustments to securities sold to the Bank to reimburse doubtful loans, are deducted from the write-backs recorded on the relevant loans;
- provisions to the internal supplementary pension funds have been directly deducted from the returns generated by the investments. The difference between captions 65 and 85 of the compulsory form – representing operating expenses – has been accounted for in Administrative costs;
- amounts received in execution of credit derivatives have been transferred from other operating income and deducted from adjustments to the relevant loans;
- recovery of the cost of personnel seconded from Banca Intesa to Group companies has been transferred from Other operating income and deducted from Payroll; likewise the charges (Other operating charges) relative to personnel seconded from Group companies to Banca Intesa have been booked in Payroll. Payroll therefore records the effective costs sustained for staff working at the Parent Company.

Lastly, dividends collected in 2001 (521 million euro) on the sale of the residual stake in Seat Pagine Gialle have been reclassified in extraordinary income since the non-recurring dividend would not have allowed the correct comparison of the intermediate margins for 2002.

RECLASSIFIED STATEMENT OF INCOME

The table below shows the reclassified statement of income drawn up according to the aforementioned criteria, and the single captions are commented hereafter.

Interest margin equalled 4,233 million euro and recorded a 3.8% decrease compared to the previous year. Quarterly development in 2002, considered net of dividends which have a seasonal peak, was virtually stable after a more marked drop in the first quarter. The decrease on an annual basis is entirely attributable to *net interest income*, which recorded a 4% decline to 3,449 million euro. This last decline is the combined effect of the differentiated trends recorded by average intermediate volumes and the variations in interest rates.
As concerns operations with customers, which generated net interest income of 2,764 million euro, intermediated volumes decreased especially with large corporate and foreign counterparties, while average volumes of units operating in Italy showed a slight decrease in the first quarter and was practically stable in the rest of the year. On this point it must be noted that in 2001, as part of the streamlining interventions, 102 branches had been sold, thus leading to an approximately 650 million euro decrease in loans to customers and 600 million euro reduction in customer deposits.
More specifically, average loan volumes of Italian branches showed a constant decline in short-term loans and a lower, but similarly constant, increase in medium-long term lending. Customer deposits increased starting from January, both as concerns short-term – and to a far higher extent – longer-term deposits.

(in millions of euro)

Captions	2002	2001 pro forma [1]	Changes amount	Changes %
Net interest income	**3,449**	3,593	(144)	(4.0)
Dividends and other revenues	**784**	808	(24)	(3.0)
Interest margin	**4,233**	4,401	(168)	(3.8)
Net commissions	**1,887**	2,085	(198)	(9.5)
Profits (Losses) on financial transactions	**(38)**	(31)	7	22.6
Other operating income, net	**306**	266	40	15.0
Net interest and other banking income	**6,388**	6,721	(333)	(5.0)
Administrative costs	**(3,871)**	(4,145)	(274)	(6.6)
including Payroll	***(2,107)***	*(2,341)*	*(234)*	*(10.0)*
Other	***(1,764)***	*(1,804)*	*(40)*	*(2.2)*
Adjustments to fixed assets and intangibles	**(164)**	(246)	(82)	(33.3)
Operating costs	**(4,035)**	(4,391)	(356)	(8.1)
Operating margin	**2,353**	2,330	23	1.0
Provisions for risks and charges	**(124)**	(234)	(110)	(47.0)
Net adjustments to loans and provisions for possible loan losses	**(1,384)**	(1,521)	(137)	(9.0)
Net adjustments to financial fixed assets	**(1,210)**	(981)	229	23.3
Income (Loss) from operating activities	**(365)**	(406)	(41)	(10.1)
Extraordinary income (loss)	**236**	443	(207)	(46.7)
Income taxes for the period	**141**	146	(5)	(3.4)
Change in the reserve for general banking risks	–	154	(154)	
Net income for the period	**12**	337	(325)	(96.4)

(1) Figures restated on a consistent basis.

Interest rates showed, again on average, a downward trend, which was similar for short- and long-term rates on loans while interest on deposits recorded slightly higher reductions for medium-term funding.

Due to these trends, the interest rate spread decreased with respect to the previous year, with a downward trend in the first half and practical stability in the second half with regard to both short-term and medium-long term interest rates.
Among other components of net interest income, noteworthy is the virtual elimination of net interest due to banks (1,125 million euro in 2001 and 38 million euro in 2002) which more than offset the reduction in interest income on the securities portfolio. Both phenomena are attributable to specific asset allocation interventions aimed at rationalising the composition of interest-bearing assets and liabilities, with the consequent rebalancing of the relative flows.

Dividends accounted for in the year, including the tax credit, recorded a 3% drop with respect to 2001. More specifically, dividends from subsidiaries – as in the past accounted for in the period when the relevant company generates the net income – amounted to 638 million euro, the most significant dividends were distributed by Cassa di Risparmio di Parma e Piacenza (203 million euro), Intesa Holding Asset Management Sgr and Nextra Investment Management Sgr (120 million euro in total), Banca IntesaBci Mediocredito (68 million euro), Banca Popolare FriulAdria (36 million euro), Mediofactoring (31 million euro) and Setefi (30 million euro). Dividends from other equity investments, which are recorded on collection, amounted to 146 million euro, and the highest portion referred to shares in the trading portfolio (31 million euro).

Net interest and other banking income registered a 5% contraction with respect to 2001. The decrease in interest margin and net commissions was only partly offset by the contribution of other operating income. Quarterly development showed a slight recovery in the margin in the last three months of the year – even excluding the non-recurring income recorded at the end of the year – after the marked reduction recorded in the previous quarter.

As refers to the different components which make up the margin, the annual decrease in *net commissions* (– 9.5%) was mostly determined by adverse financial market conditions which heavily affected commissions on management, dealing and consultancy which registered a 16.9% decrease in flows mostly due to the negative trend recorded on dealing and placement of securities (– 17.8%) and individual portfolio management (– 23.7%).
Persisting market difficulties also affected, to a lower extent, the volumes of commercial banking and the relative net commissions which registered a 3.1% decrease.

The result of financial transactions was a 38 million euro loss, compared with a 31 million euro loss in 2001. As concerns the various components, it is worth mentioning that, following the increasing complexity of structured operations, the relative economic effects are also contained in other captions of the statement of income.

Stock market volatility and the adverse economic situation made it very difficult to operate making profits. In particular, equities recorded a 30 million euro income, compared to a 56 million euro loss in 2001. For the purpose of a consistent comparison with the previous year, it must be noted that the 2001 figure had been negatively affected by the write-down on Commerzbank shares which had been transferred to the investment portfolio (51 million euro); however, even excluding this component, the equity segment improved in 2002. As already mentioned, the analysis of results must consider the effects (positive and negative) which underlying operations determined on other statement of income captions; in particular, structured share portfolios led to negative effects on the interest margin estimated in 34 million euro.
Currencies and currency derivatives recorded a profit (44 million euro compared to 76 million euro in the previous year) which partly offset the overall loss recorded on credit derivatives in the trading portfolio and interest rate operations (including the operating and valuation effects on both bonds and interest rate derivatives). More specifically, the loss recorded in credit derivatives (38 million euro compared to an 8 million euro loss in 2001) is essentially attributable to high spread volatility, while, as concerns the negative result referred to the interest rate segment (74 million euro), the comparison with the previous year (43 million euro), must consider the 17 million euro write-down of Intesa NPL (Tranche E)

recorded in 2002. With regard to effects on other statement of income captions, interest rate activities and credit derivatives in the trading book determined positive effects on net interest income amounting to 57 million euro and 7 million euro, respectively.

Net interest and other banking income also benefited from the contribution of *other net operating income*, which amounted to 306 million euro (+15%). Income included 85 million euro of non-recurring revenues represented by the present value of the deferred consideration related to the securitisation of IntesaBci Sec. 2. Other charges included 12 million euro of realised capital losses following the unwinding of derivatives which had been stipulated to hedge the sold mortgages.

Operating margin amounted to 2,353 million euro, with a 1% increase from the previous year following effective operating cost containment actions.

Operating costs equalled 4,035 million euro and recorded a considerable contraction (–8.1%), evidencing the first effects of the actions set out in the Business Plan. A more in-depth analysis of the trend recorded by this aggregate must consider that, the centralisation in IntesaBci Sistemi e Servizi of numerous service functions after the integration of BCI influenced cost structure, on the one hand, reducing personnel costs and depreciation (estimated respectively in 15 million euro and 49 million euro) following the transfer to the service company of IT equipment and personnel and, on the other hand, increasing administrative costs by approximately 64 million euro.

The greatest savings were achieved in personnel costs which equalled 2,107 million euro, with a 10% decrease (–9% approximately considering the aforementioned transfer to IntesaBci Sistemi e Servizi). This result reflected both the considerable reduction in headcount and the almost entire cancellation of provisions for the variable compensation component. During the year, actions were taken to reduce personnel, which led to decrease headcount by over 1,400 units comparing year-end figures and almost 900 units based on the averages for 2002 and 2001, excluding from the latter personnel transferred during the year to Group companies. This contraction more than offset the rise in unit cost following the application of the National labour contracts. Extremely significant was the containment of variable costs for which valuation criteria were revised considering the indications given in the Business Plan and the unsatisfactory profitability recorded by the Bank.

Other administrative costs equalled 1,764 million euro, with a 2.2% reduction, despite the adverse effects of the aforementioned transfer to certain functions to the service company. As concerns breakdown of costs, generalised decreases occurred especially concentrated in the last quarter. Advertising and promotional expenses (–41.8%), legal and professional expenses (–11.6%) and real estate management expenses (–4.2%) decreased most.

Adjustments to tangible and intangible fixed assets decreased to 164 million euro, with a 33% contraction deriving from i) the aforementioned transfer of hardware and software to IntesaBci Sistemi e Servizi, and ii) the sales of real estate assets, the most important of which occurred in the last quarter of the year.

Operating activities presented a loss of 365 million euro attributable to significant adjustments to cover credit risk and equity investments. Total net adjustments summed up to 2,718 million euro in line with the corresponding figure for 2001.

Net adjustments to doubtful loans (1,384 million euro, compared to 1,521 million euro in the previous year) reflected the persisting weakness of the macroeconomic context and the consequent difficulties of important international groups. Adjustments mainly referred to the telecom and energy sectors, which were most affected by market crisis and accounting scandals which emerged in the last eighteen months. Adjustments to exposures to the telecom sector exceeded 220 million euro, attributable for approximately 130 million euro to the Marconi and Worldcom groups.
The significant leverage of players and the slowdown in demand for innovative services, combined with the strong competition which stemmed from sector liberalisation, compromised the profitability of both telecom companies and companies operating in similar sectors. In this scenario, the Bank decided to have a more cautious and selective approach in this operating area,

focusing on attentive monitoring of the existing portfolio. Adjustments amounting to almost 90 million euro were recorded on loans to companies operating in the energy sectors. Following the bankruptcy of certain market players, the market suffered a severe contraction and most of the main players in the sector had to restructure their activities. Rating agencies downgraded almost all the energy companies operating in North America.
As concerns lending in Italy, it must be noted that further provisions of approximately 115 million euro were recorded for the exposures to the former shareholders of the Bipop-Carire group.
The 104 million euro write-back, for the principal of a repurchase agreement with Enron, was particularly noteworthy among value recoveries. The agreement with the official receiver bodies enabled to close the operation in exchange for the simultaneous purchase of securities issued by Brazilian companies controlled by Enron.

Particularly significant is the trend recorded by the so-called "generic allowance", that is provisions for intrinsic credit risk in performing loans.
As at 31st December 2002 it amounted to 486 million euro, following uses and value recoveries of 178 million euro and provisions of approximately 122 million euro.
Uses referred mostly to certain positions which at the end of the previous year were classified as performing loans and that during 2002 deteriorated in terms of credit risk so much that they had to be registered in substandard or doubtful loans. The substantial increase in the "generic allowance" is explained by the need to adequately cover exposure to certain industrial sectors – namely the automotive – which during 2002 were more heavily affected by the economic crisis and the contraction in consumption. Total provisions to cover intrinsic risk guarantee a degree of coverage of performing loans, net of repurchase agreements and loans granted to Group companies, of 0.5%, in line with the previous year.

Also significant were net adjustments to equity investments which reached 1,210 million euro. The most substantial write-down (753 million euro) was attributable to IntesaBci Holding International, whose loss followed from the write-down of the book value of subsidiaries operating in South America, controlled through Banque Sudameris. Again as regards subsidiaries, significant adjustments were recorded on the stake in Bankhaus Löbbecke (157 million euro), which was greatly influenced by the considerable adjustments to the loan portfolio, and the subsidiaries operating in on-line financial services and Internet activities, whose book value was written down by 76 million euro due to the losses recorded by such companies in 2002.
As regards other equity investments, carrying values of Bayerische Hypo-Vereinsbank and Commerzbank were prudentially written down respectively, for 56 and 42 million euro, to adjust them to shareholders' equity.

Lastly, as regards provisions for risks and charges, 124 million euro referred to the integration of the allowances to cover the residual charges which will derive from the disposal of the subsidiary Banco Sudameris Argentina.

Net extraordinary income equalled 236 million euro (443 million euro in 2001) due to the registration of significant income and charges.

Extraordinary income included the marking to market of the Parent Company's stake in Crédit Lyonnais (281 million euro) following the transfer of the shares of the French bank from equity investments to the trading portfolio, after Banca Intesa's acceptance of the Tender Offer made by Crédit Agricole.
Substantial non-recurring income referred to sales of equity investments: the stakes in Banco di Chiavari (263 million euro), Borsa Italiana and Monte Titoli (93 million euro) and the residual interest in Banca Carime (97 million euro). Important capital gains were also realised on certain real estate assets (299 million euro).

Charges referred to the 437 million euro write-down of own shares purchased following the exercise of the *Warrants Put IntesaBci* issued at the time of the acquisition of Banca Commerciale Italiana and the 400 million euro provisions already expensed to cover the future charges which will arise from the activation of the Solidarity allowance as per Ministerial Decree 158 of 2000 in relation to the programmed layoffs.
Such provisions have been determined based on first information available.

As concerns 2001 figures, income included the significant capital gains realised on

the sale of branches (409 million euro) and the substantial revenues from the disposal of equity investments, among which the sale of the controlling interest in Banca Carime (over 500 million euro). Also the dividends from the equity investment in Seat Pagine Gialle (521 million euro) must be considered non-recurring, even though the investment was made with a merchant banking approach.
Charges included significant provisions to mark to market the *Warrants Put IntesaBci* (1,158 million euro) issued at the time of the acquisition of BCI.

The year closed, after the registration of a positive income tax balance of 141 million euro attributable to deferred tax assets of 208 million euro – mostly due to the postponement of the deductibility of 4/5 of the adjustments to equity investments and provisions to the aforementioned Solidarity allowance – with a modest net income of 12 million euro.

RECLASSIFIED BALANCE SHEET

(in millions of euro)

Assets	31/12/2002	31/12/2001 pro forma [1]	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	**864**	829	35	4.2
2. Loans				
– loans to customers	**122,513**	132,055	(9,542)	(7.2)
– due from banks	**33,891**	44,964	(11,073)	(24.6)
3. Trading portfolio	**19,643**	21,384	(1,741)	(8.1)
including Own shares	***980***	–	*980*	
4. Fixed assets				
a) investment portfolio	**1,288**	4,522	(3,234)	(71.5)
b) equity investments	**12,102**	11,824	278	2.4
c) tangible and intangible	**2,508**	3,013	(505)	(16.8)
5. Other assets	**21,255**	20,125	1,130	5.6
Total Assets	**214,064**	238,716	(24,652)	(10.3)

(in millions of euro)

Liabilities and Shareholders' Equity	31/12/2002	31/12/2001 pro forma [1]	Changes	
			amount	%
1. Debts				
– due to customers	**79,650**	77,137	2,513	3.3
– securities issued	**47,087**	46,369	718	1.5
– due to banks	**38,161**	64,572	(26,411)	(40.9)
2. Allowances with specific purpose	**3,401**	3,358	43	1.3
3. Other liabilities	**20,637**	21,873	(1,236)	(5.7)
4. Allowances for possible loan losses	–	88	(88)	
5. Subordinated and perpetual liabilities	**11,308**	11,342	(34)	(0.3)
6. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,808**	13,640	168	1.2
– net income for the period	**12**	337	(325)	(96.4)
Total Liabilities and Shareholders' Equity	**214,064**	238,716	(24,652)	(10.3)

Guarantees, commitments and credit derivatives	**88,262**	111,876	(23,614)	(21.1)
Indirect customer deposits	**216,260**	234,857	(18,597)	(7.9)

[1] Figures restated on a consistent basis.

Loans to customers totalled 122,513 million euro, with a decrease just over 7% with respect to 2001. However, it must be underlined that this contraction – almost entirely attributable to the Bank's foreign branches – is the result of precise actions, taken to implement the Business Plan, aimed at reducing "purely" foreign transactions. The weakness of the US dollar – which lost approximately 20% of its value with respect to the euro over the twelve months – further reduced loans to customers. Instead, loans to customers granted by the Italian network remained practically stable.

In terms of contract type, the contraction mostly referred to current accounts (–31%) while advances and other loans showed a slight decrease (–3.6%). Increases were instead recorded by mortgages (approximately +2%), despite the securitisation executed at the end of the year, and repurchase agreements (+14%). The economic slowdown and the difficulties of certain sectors led to an increase in doubtful loans (+16%) and in substandard loans (+25%), while restructured loans and loans under restructuring, and loans subject to Country risk continued to decrease (respectively –44% and –50%).
Gross doubtful loans (3,515 million euro) was offset by total adjustments of 2,043 million euro which ensure a 58% coverage, approximately 8 percentage points higher with respect to 2001, notwithstanding the doubtful loans acquired through the merger of Comit Factoring which occurred on 1st July 2002. Adjustments to substandard loans equalled 1,099 million euro, to cover a gross volume of 4,243 million euro, with an approximately 26% coverage, four percentage points higher than at the end of 2001. As already described, performing loans were covered by a generic allowance amounting to 486 million euro, deemed to adequately cover any risks which may physiologically arise on such positions.

Total direct and indirect deposits equalled 350,215 million euro, with an approximately 5% decrease with respect to the end of the previous year, which reflected practically stable direct deposits (–0.4%) and a 7.9% decline in indirect customer deposits.

Direct deposits equalled 133,955 million euro, with an approximately 11% increase in deposits of the Italian network, while deposits of the foreign branches were halved, for the same reasons described above in the comments on loans to customers. Breakdown by contract type showed practically stable current accounts and the significant increase in issued bonds (approximately +12%), which partly offset the 50% decline of certificates of deposit, mostly ascribable to the planned reduction of the operations of the foreign network. Repurchase agreements increased (+30%), while subordinated liabilities were virtually stable.

Persisting volatility of world stock markets, inevitably led to a substantial contraction in the market value of securities under management and in administration and, at the same time, induced investors to adopt more selective behaviour and oriented their preferences towards more liquid positions. These are the reasons for the persisting weakness of *indirect deposits*, which totalled 216,260 million euro, with a 7.9% decline, with administered indirect deposits 9.2% down and managed assets 5.4% down.

Securities portfolio summed up to 19,951 million euro, in addition to the own shares amounting to approximately 980 million euro. The total decrease exceeded 20% with respect to the figure at the end of 2001, with a trend which mostly referred to investment securities which recorded a 71.5% drop to 1,288 million euro and, to a lesser extent, trading securities (approximately –13% excluding own shares) which amounted to 18,663 million euro.
Most of the contraction in the investment portfolio is attributable to both the strategic decision of reducing this part of the portfolio and the disposal of the securities which had guaranteed the *Warrants Put IntesaBci* exercised last November. The decrease in securities held for trading was due to i) the effects of a policy aimed at reducing less-profitable positions and at further decreasing net interbank funding, and ii) lower carrying values following the stock market decline.

Total equity investments amounted to 12,102 million euro as at 31st December 2002, of which 9,708 million euro in Group companies and 2,394 million euro of other equity investments.

The net 1,040 million euro increase recorded by financial fixed assets in Group companies – with respect to as at 31st December 2001 – is for the most important amounts attributable to the capital increases of: Caboto IntesaBci Sim (250 million euro), IntesaBci Gestione Crediti (310 million euro), IntesaBci e.lab (60 million euro), the Luxembourg company Private Equity International (247 million euro) and IntesaBci Holding International (958 million euro; of which 930 million euro through the contribution of a special purpose vehicle and 28 million euro through the merger of the Luxembourg parent company, Banca Intesa International).
A capital contribution of 65 million euro

was made in Comit Investments (Ireland) and a further investment was made in Cassa di Risparmio di Terni e Narni (71 million euro) and thus Banca Intesa acquired the control of the bank, in which it previously held a minority stake. Adjustments mostly referred to the book value of: IntesaBci Holding International (753 million euro), Bankhaus Löbbecke (157 million euro, after a 120 million euro investment to cover losses), IntesaBci e.lab (60 million euro) and IntesaBci Gestione Crediti (58 million euro).

The net 762 million euro decrease in non-controlling equity investments is the combined result of i) disposal of the equity investment in Borsa Italiana (106 million euro) and the residual stake in Banca Carime (393 million euro), ii) the transfer to the trading portfolio of the stake in Crédit Lyonnais (396 million euro), iii) the write-down of Commerzbank (42 million euro) and Bayerische Hypo-Vereinsbank (56 million euro), and iv) the new investments in Agos Itafinco (43 million euro) and Carinord 1 (173 million euro).

The controls system

Internal controls system and auditing

Supervision over the regular development of the Group's operations, processes and risks is assigned to a specific internal auditing structure in charge of assessing the overall functionality of the internal controls system. It also guarantees the effectiveness and efficiency of Company processes, the safeguard of asset value and the protection from losses, reliability and integrity of accounting and management information, as well as transaction compliance with the policies defined by the Company's governance bodies and with internal and external regulations. In consideration of the peculiarities of the various sectors of Company operations, this structure is organised by process, for the purpose of conducting interventions addressing specific risks of the various operating areas.

Supervision was carried out directly for the Parent Company Banca Intesa and for certain subsidiaries which have an "in service" contract for risk control; second level control was conducted for other Group companies. In line with the indications of the Supervisory Authority, auditing has also been ensured on integration processes.

Direct supervision is carried out through:
– control over the operating processes of the network and over the central structures, with checks, also via direct interventions, on the effectiveness of line controls, on the compliance to internal and external regulations, on the reliability of operating structures and of delegation mechanisms, on the correctness of information available in the various activities and on its correct use;
– surveillance, with distance monitoring integrated by site visits, on credit granting and credit management verifying their adequacy in relation to the risk control system and the calculation techniques used;
– appraisal of the adequacy and effectiveness of the processes of development and management of IT systems to ensure their reliability, safety and functionality;
– surveillance, also via site visits, on financial operations processes and the adequacy of the risk control systems related to them;
– checks on the compliance to company policy and on the correctness of procedures adopted for investment services as well as to rules in force regarding the accounting/administrative and economic firewalls to assets belonging to customers;
– checks of compliance to money-laundering regulations, for which consulting, assistance and awareness actions are provided to the structures operating all over Italy; limitedly to Banca Intesa, the function is the reference point for the examination and communication of notices relative to suspect transactions.

Indirect supervision was carried out via the direction and control over the adequacy and functionality of the internal auditing structures of Group subsidiaries in Italy and abroad. Direct review and verification interventions were also carried out.

Preliminary methods of analysis of risks within various areas are used when executing the above duties, defining the plan of the subsequent verifications based on the priorities which emerge from the preliminary valuations; the criterion used for planning interventions, previously based on risks, has been integrated with the objective of in any case guaranteeing that operating units, in particular the network, are provided with adequate temporal and physical coverage.

The valuations of the internal controls system deriving from the checks have been periodically transmitted to the Company

Bodies in charge of management and control; any weak points have been systematically notified to the units involved for prompt improvement actions which are monitored by follow-up activities.

Credit granting process

The constant improvement of loan portfolio quality – which is a strategic objective of the new 2003-2005 Business Plan – is obtained by adopting specific operating checks for all the phases of loan management (analysis, granting, monitoring, managing non-performing loans).

The Parent Company's Credit Risk Unit, as well as the Retail Division and the Corporate Division, carry out – each in its specific area of competence – first-level granting and monitoring activities, as well as management of non-performing loans, according to predefined autonomy limits and decision-making faculties.
In particular, the Credit Risk Unit has been assigned a central role in managing credit risk, through the definition of loan management guidelines, the attribution of specific limits, active portfolio management for hedging purposes.
This function is carried out mostly through: a) definition of rules, instruments and processes on both credit granting and management and supervision and monitoring of the overall quality of the loan portfolio; b) examination of positions under the direct competence of Company Bodies; c) coordination and direction of activities regarding large corporates, for the purpose of preventing risk concentration; d) management of non-performing loans exceeding certain limits.
The same coordination, direction and monitoring functions are carried out, in every case, for particularly large and/or complex transactions. Particularly large credit positions of Group companies are subject to the opinion of the Parent Company.

The containment of credit risk profile is pursued starting from the analysis and granting phases via checks on the existence of the necessary conditions for creditworthiness – with particular focus on the capacity of the client to produce satisfactory income and considerable cash flows – which is accompanied by the assessment of the nature and size of proposed loans, by taking into account the actual requirements of the party requesting the loan, the course of the relationship already in progress with the Group and the presence of any relationship between the client and other borrowers.

Credit risk control

Surveillance and monitoring, aimed at optimal management of credit risk, is based on an internal controls system which uses measurement methods and performance controls which permit the construction of a synthetic risk indicator, available on a monthly basis, capable of supporting timely assessments on the emergence or persistence of possible losses. For the purpose of promptly identifying adverse trends in exposures to large foreign corporates the following indicators are used: external ratings, loan spreads, cost of protection from default risk, expected default risk and indicators such as EVA (Economic Value Added).

The watchlist loans process has the objective of integrating and harmonising criteria of interception and management of non-performing positions. Interception occurs when the aforementioned synthetic risk indicator shows high risk positions which are confirmed over time, as well as, for large customers, through the other risk indicators described above.
A dedicated, largely-automated IT procedure supports the watchlist loan process and enables to constantly monitor all the predefined phases for management of non-performing positions, with the aim of promptly activating the branch network to the commercial recovery of relations, involving complementary know-how in the set-up of the most effective actions to be taken, establishing the timing for the execution of the actions and verifying their outcome.
All fiduciary positions are subject to a specific periodic review carried out for each counterparty/economic group by the competent central or peripheral structures based on the credit line limits; furthermore, an automatic *ad hoc* audit procedure is in place for fiduciary relationships of small amounts and with low risk indices.

The exchange of basic information flows among different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system), that enables to highlight and analyse credit risks for each single client/economic group both towards the Group as a whole and towards individual companies that form the Group.

For the purpose of anticipating the effects of the unification of the IT systems of the banks merged in Banca Intesa, a new software called "Posizione Complessiva di Rischio" (global risk position) has been prepared which facilitates the complete and timely collection of information on customers of all of the Group's Italian and foreign banks and companies.

As part of the research of new and more sophisticated credit risk valuation, control and management methodologies, a project commenced aimed at creating a single rating procedure – in line with the indications of the New Basel Accord – which will determine, through the analysis of quantitative and qualitative variables, the default frequency of borrowers, for the purpose of obtaining an internal model ensuring consistency in the measurement of risk both for single counterparties and for the entire portfolio.
The characteristics of such project are provided in the chapter dedicated to risk management.

Risk management

During 2002 the extension of the integration project to the positions relative to the Caboto-Intesa subgroup was completed.
The monitoring of the portfolios of the entire Corporate Division subject to market risk, through a consistent and homogeneous Value at Risk measure thus became possible.
In line with this integration, a new limit structure was defined which makes the risk level consistent with the return objectives of the single business areas.

Market risk

During the current year the reduction of the capital absorbed by market risks continued to decrease. As at 31st December 2002 Value at Risk [1] of Intesa's portfolio (excluding Caboto positions) equalled 10 million euro, with a marked reduction with respect to the figure at the end of the previous year (15.7 million euro).

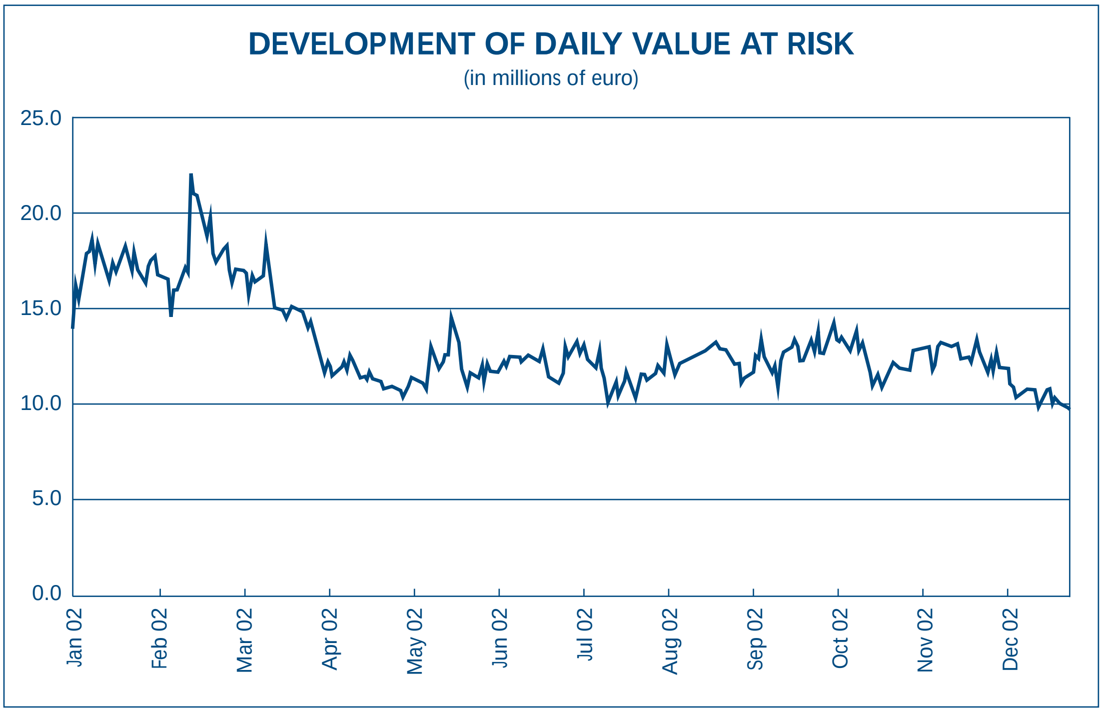
The decrease involved both equity positions (following the disposal of on-balance sheet positions) and interest rate positions where there is a lower capital absorption by the treasury's trading positions. Also foreign branches, which continued to present a marginal contribution to Banca Intesa's risk profile, recorded a decrease. This result reflected both the contraction in activities of the London and New York branches and the close of the Singapore branch, which occurred at the beginning of December.

VALUE AT RISK OF THE TRADING PORTFOLIO
(in millions of euro)

Risk factors	31st December 2002	31st December 2001
Interest rate	6.1	11.9
Equity	6.4	9.7
Foreign exchange	0.5	0.2
Diversification effect (*)	*(3.0)*	*(6.1)*
Total	**10.0**	**15.7**

(*) The diversification effect has been booked in order to consider the correlations between the various risk factors.

[1] VaR is calculated by a parametric approach that takes into account existing correlations between the risk factors considered, assuming a one working day holding period and a 99% confidence level.



The evolution of the daily Value at Risk, shown in the graph above, confirms the contraction of the risk profile which, in the second half, was constantly lower than the average for 2001 and for the first months of 2002.

It is customary to support, on a weekly basis, risk analysis of portfolios with estimates of changes in value following extreme scenarios. As well as standard scenarios (shifts in yield curves), scenarios of a collapse in equity indices (equity shocks) with simultaneous scenarios of reductions in returns (flight to quality) are simulated.

The effectiveness of the calculation model is monitored daily by backtesting analysis comparing forecasted Value at Risk (VaR) with actual Profit and Loss results (P&Ls). During the year the excesses of the P/L compared to the VaR decreased with respect to the previous year, which had experienced a concentration of overshootings due to market tensions following the attacks of 11th September.

With regard to risk control at *Caboto Holding,* Value at Risk for market risk at year-end equalled 0.98 million euro (46% for interest rate risk and 54% for equity risk).
Equity risk was mostly due to arbitrages on the stock market while interest rate risk stemmed from market making on interest rate derivatives and on the bond markets. In this area the most significant component were non-Government securities, mainly issued by Italian financial institutions. In terms of Mark to Market, in a portfolio of 960 million euro, the speculative-grade component is quantifiable in 185 million euro. Exposure to emerging Countries remained limited.

Credit risk

During the year, a project aimed at identifying an integrated approach to Gruppo Intesa's credit risk management commenced. The methodology sets out the development of an internal rating system which leads to the classification of customers based on the probability of default, in line with the new rules currently being defined as part of the New Basel Accord. Estimates of the exposure at the time of default and of the recovery rate are among the objectives of this project.
This will lead to consolidate, during 2003, the preconditions for the request of the adoption of an "Advanced" internal model, starting when the New Accord comes into effect.

For the purpose of reaching a correct definition of the overall target system, the first phase of the project entailed the analysis of the rating methodologies implemented in the various companies merged in Banca Intesa. This analysis led to an accurate directory of the characteristics of the various approaches and their operating applications, thus ensuring the possibility of leveraging on the experiences already matured in this area. The need to manage and store substantial amounts of data led to a solution which entails the construction of a dedicated data warehouse. The objective is to have a single centralised archive for the data required to manage credit risk.

In the meantime, the activity aimed at analysing and monitoring corporate clients continued, with the specific review of the companies managed by Banca Intesa, using the instruments and risk measures available on the financial markets. Currently the analysis of large foreign corporates and of the main Italian groups is based on the joint use of Moody's and Standard & Poor's ratings, of internal ratings assigned by the competent units using segment-specific models, of spreads on bonds and credit derivatives relative to the company under examination, and lastly expected default frequency estimated with models based on the daily quotations of the firm's equity. Monitoring occurs on a weekly basis and is aimed at assessing credit risk of every corporate customer, with the observation of the geographic and sector composition of the portfolio, as well as its breakdown in terms of rating, spread and default frequency. Based on the joint observation of these elements and via the creation of a weighted risk index, management receive a weekly list of borrowers, ordered in terms of decreasing risk.

This analysis is combined with the periodical valuation of international sector trends, broken down by macro areas, and aimed at identifying particularly risky sectors and borrowers in the markets in which the Bank normally operates. Total exposure to large international clients managed by the foreign network [(2)], showed the generalised contraction of the absolute value of the portfolio as announced in the three-year Business Plan. Agency ratings evidence the practical stability of the portfolio's average rating as concerns the high quality rating segments (respectively higher and lower investment grade) in the analogous period, while the deterioration which occurred after the summer months on the speculative portion (that is the ratings lower than Ba1 for Moody's), seem to have slowed down in the last few months, in particular if considered based on the expected default frequency of borrowers.

As regards the monitoring of Credit Derivatives, the Bank prepares a monthly analysis of Credit Value at Risk of the global Credit Default Swaps portfolio (banking and trading). The CreditMetrics [(3)] methodology is applied, and, as for market risks, VaR represents the main reference measure comparing the risk of various portfolios and monitoring their evolution over time. As at 31st December 2002 portfolio CreditVar amounted to 22.3 million euro, calculated as the maximum possible loss on a time frame of one year at the 99% confidence level.

Operational risk

During 2002, activities on the ORIGIN (Operational Risk Gruppo Intesa) project continued. The project had commenced implementation in 2001 with the objective of creating an integrated system for identifying, measuring, monitoring and controlling operational risk, increasing the Group's efficiency and profitability, at the same time guaranteeing compliance and constant alignment to the standards and supervisory requirements currently under definition in the New Basel Accord.

The implementation of the organisational model, which is still being consolidated, commenced with the formation of an *Operational Risk Management* entity within the Parent Company's *Risk Management Unit* and the identification of the referents within the main Business Units. The definition of the processes regulating the means of integration between the various Group structures which carry out operational risk management has been completed.

The involvement of the main juridical entities was particularly relevant in the

[(2)] Net of any positions which have been hedged.

[(3)] Essentially consists in simulating portfolio value exposed to credit risk assuming numerous creditworthiness scenarios of reference entities and reference obligations.

collection and validation of loss data and in the execution of the Self Risk Assessment questionnaires, which have been implemented from the beginning of 2002; the participation to the Loss Data Collection Exercise promoted by the Basel Committee also enabled to map the losses suffered in 2001.

The definition of the framework of the internal model is in the completion stage; the qualitative and quantitative valuation methodologies of exposure to operational risk are being fine-tuned. The objective is obtaining the approval of the internal model starting from 2006, the year in which the New Basel Accord comes into effect.

As part of the mitigation processes, the activities aimed at measuring and analysing the Group's insurance policies – for the purpose of highlighting the types of Operational Risks covered – was completed. In parallel, a project commenced aimed at defining the reference model and the guidelines for a gradual implementation of an international insurance programme.

While the internal model is being perfected, during 2002 an operational risks identification process started implementation in the Group aimed at improving the valuation of the performance of the various Business Units considering capital allocated/absorbed for operational risks.

Product and services development

During the last quarter of 2002, many projects under implementation were rewritten to make them consistent with the objectives of the new Business Plan and new projects were conceived for the purpose of improving customer service, also through the development of multichannel banking, product rationalisation and the development of offers targeted to specific customer segments.

Particular attention was reserved to individual customers, both the segment with the requirements mostly focused on ordinary cash management and low usage of banking services and the segment which needs diversification in asset management, shows high propensity for advanced financial offers and high service usage.

In order to provide the most diversified access possible and progressively move the Bank towards this customer segment, the remote banking services were further developed by offering customers the following instruments:

- In-Web, the home banking service which enables each customer – via a fast and protected Internet connection – direct and complete on-line operations on current accounts and investments, as well as the use of specialised platforms, such as FundsWorld, which offers the direct underwriting of mutual funds and sicavs from a wide range of Italian and foreign asset managers, and IntesaTrade, a sophisticated on-line trading platform;
- In-Voice, the telephone bank which enables a wide range of bank operations, now includes the "Voice Trading" application, a technologically-advanced instrument that, using vocal commands, further simplifies stock transactions over the phone;
- In-Sat, innovative instrument which offers the possibility of real-time connection with the Bank through a dedicated TV channel which may be accessed via a normal satellite decoder. It is therefore possible to manage the main bank operations interactively seven days a week;
- In-Mobile, which via a GSM mobile phone enables customers to receive short text messages (SMS), information on their current account and financial situation.

As concerns payment systems, the new revolving credit card (carta Clessidra) was launched. It operates on the Mastercard circuit and may be used for purchases and cash withdrawal in Italy and abroad, and is based on a credit line which is reinstated with the reimbursement of the monthly instalments.

A new line of mortgages called "Pronto Mutuo Web" was launched and it offers on the Bank's web site all the basic information which the customer needs when approaching the product, including a simple and immediately-functioning calculation of the reimbursement instalment.

For the purpose of increasing the protection of customer investments in a period of extremely uncertain financial markets, the Group's bancassurance companies developed new Unit-Linked policies with guaranteed capital, while Nextra further extended its wide range of mutual funds, with traditional products (GPM classic) and other more innovative products aimed at guaranteeing the protection of capital invested (GPM Protezione Attiva) or at achieving specific return objectives (GPM Total Return).

In the Private segment, the relationship offered by the Group is even more customised, with a focused and specialised network of advisors capable of satisfying any type of request. The questions posed by Law 350/2001 on the return or regularisation of funds abroad represented an important opportunity for the Group for intensifying the relationships with this type of customer.

For "Business" customers (with turnover under 2.5 million euro) a new service based on relationship management has been developed, and a new project is under way aimed at guaranteeing maximum efficiency via the reengineering of dedicated bank products and services, the activation of a new product line and the rationalisation of agreements with certain categories and product groups.

For the higher “Corporates” segment commercial strategies focused on the development and optimisation of high-value-added services, also through the use of remote channels, such as for example In-Biz, a modular and flexible product which enables companies – also via the Internet – to simplify administration and treasury management, handle withdrawals and payments and other functions that are customised on the basis of the specific requirements. The “digital signature” – with legal validity and entailing transaction safety and efficiency – is among the innovations of this service.

Nextra defined the structure of the new ethical fund called “Etico” which has been developed paying particular attention to non-profit companies and religious entities. The fund is expected to start operations in the first months of 2003 and was created to satisfy the growing demand of this customer segment for ethically-oriented investments.

Banca Intesa's governance

SHAREHOLDER BASE AND VOTING SYNDICATE

Banca Intesa's shareholder base as at 31st December 2002 – detailed in the following table – includes reference shareholders which are part of the Voting syndicate and hold 42.78% of the Bank's ordinary shares (37.98% is vested in the syndicate) and approximately 200,000 shareholders holding 49.13%; the remaining 8.09% is represented by own shares.

Name	Shares included in the Voting syndicate	Shares not included in the Voting syndicate	Total shares	% of shares included in the Voting syndicate on total	% of shares held on total
Crédit Agricole SA	814,986,054	171,532,142	986,518,196	13.78	16.68
Fondazione Cariplo	498,125,809	17,761,000	515,886,809	8.42	8.72
Generali group	317,005,757	23,825,702	340,831,459	5.36	5.76
including					
• *Assicurazioni Generali*	*47,261,726*	*3,114,075*	*50,375,801*		
• *Alleanza Assicurazioni*	*184,523,983*		*184,523,983*		
• *other companies*	*85,220,048*	*20,711,627*	*105,931,675*		
Fondazione Cariparma	236,628,289	5,711,434	242,339,723	4.00	4.10
Lombardo group	193,542,967	1,311,313	194,854,280	3.27	3.29
including					
• *Banca Lombarda e Piemontese*	*130,198,395*	*190,080*	*130,388,475*		
• *IOR* (*)	*42,917,536*	*1,121,233*	*44,038,769*		
• *Mittel*	*20,427,036*	–	*20,427,036*		
Commerzbank group	186,317,187	64,041,572	250,358,759	3.15	4.23
including					
• *Commerzbank AG*	*66,194,071*	*64,041,572*	*130,235,643*		
• *Commerzbank International SA*	*120,123,116*	–	*120,123,116*		
Total Shareholders in the syndicate	2,246,606,063	284,183,163	2,530,789,226	37.98	42.78
Total other Shareholders	–	2,906,459,764	2,906,459,764		49.13
Own shares	–	478,458,236	478,458,236		8.09
Total	2,246,606,063	3,669,101,163	5,915,707,226		100.00

(*) Shares with beneficial interest in favour of Mittel Spa.

Voting syndicate

On 11th April 2000 the main Shareholders of Banca Intesa signed a Voting syndicate which modified and/or integrated the one stipulated on 15th April 1999.
The syndicate is designed to ensure continuity and stability of management policies regarding the activities of Banca Intesa and its subsidiaries and to guarantee the Banking group's independence and managerial autonomy in the future.

None of the parties to the Agreement may individually control the Company.
The Syndicate operates through: a) the General Meeting, comprising representatives of the parties to the Syndicate and which meets to consider any matter of common interest relating to the management of Banca Intesa and its subsidiaries; b) the Management Committee, which is composed by a number of members equal to the number of parties forming the Syndicate, plus a Chairman, if elected outside Committee members.
The Management Committee establishes Group budget, policies and strategies, financial reporting and dividend policies, capital increases, mergers, changes to the Company's Articles of Association, acquisitions and divestments of controlling interests and of financially or strategically significant businesses and, generally speaking, it expresses its view – in advance – on all relevant decisions for Banca Intesa and its subsidiaries. Furthermore, it appoints the Chairman, the Managing Director and/or the General Manager of Banca Intesa and the Chairmen, the General Managers and the Managing Directors of the principal subsidiaries; c) the Chairman, elected by the Management Committee, by an absolute majority of syndicated holdings.
The transfer of the syndicated shares is subject to pre-emption, with the exception of the transfer in favour of parent, subsidiary or sister companies as well as for the transfer of shares syndicated within the Lombardo group.
The Agreement expires on 15th April 2005 and it will be tacitly renovated every three years save for cancellation six months before the expiry date.

POWERS OF BANCA INTESA'S ADMINISTRATIVE BODIES

Pursuant to Consob Regulations, powers attributed to Banca Intesa's administrative bodies are indicated below.

Board of Directors

In compliance with the Company's Articles of Association, the Board of Directors has the exclusive responsibility for the following decisions:
– determination of general operating policy;
– appointment of one or two Managing Directors and the delegation of the related powers;
– appointment of one or more General Managers, one or more Joint General Managers, one or more Deputy General Managers and the delegation of the related powers, on proposal of the CEO, as resolved upon by the Board of Directors of 14th May 2002;
– purchase and sale of equity investments which lead to changes in the structure of the banking group;
– determination of general organisational structure as well as the creation of Committees or Commissions with consultative or coordination functions;
– determination of criteria for the coordination and direction of Group companies and for the implementation of the regulations of the Bank of Italy.

The most significant transactions – in terms of financial, economic or balance sheet impact – with related parties must be examined and submitted to the approval of the Board of Directors.

Executive Committee

The Board of Directors held on 21st November 2000 attributed to the Executive Committee all the powers and responsibilities which are not exclusively reserved to the Board itself.
In particular, the Executive Committee has been attributed all the powers with regard to lending and credit risk with customers, with the faculty of delegating these powers and relevant limits to General Management.
Furthermore, the examination of the draft quarterly, half-year and annual reports is delegated to the Executive Committee to be subsequently submitted to the Board of Directors for approval.
In case of urgency, the Committee may make resolutions on any operation provided that decisions are not exclusively attributed to the Board of Directors. Committee decisions must be communicated to the Board in the first following meeting.

Chairman of the Board of Directors

The Company's Articles of Association set forth that the Chairman of the Board of Directors is responsible for the direction and coordination of Company business, the Company's bodies and of the Managing Director. The Chairman represents the Company before any third party, also in any judicial proceeding, and may sign in the name and on behalf of the Company.

In case of urgency, the Chairman of the Board of Directors may take decisions normally attributed to the Board of Directors and the Executive Committee, whenever the latter cannot meet, provided that decisions are not exclusively attributed to the Board. Should the Chairman be unavailable, the Deputy Chairmen or, in their absence, the Managing Director, have the same power. The competent Administrative Bodies must be informed of any such decisions in their first following meeting.

Furthermore, the Chairman is in charge of maintaining relationships with Shareholders, informing them, and – in agreement with the Chief Executive Officer – of external communication.

Managing Director and Chief Executive Officer

The Board of Directors, with resolution of 14th May 2002, appointed the Managing Director of Banca Intesa delegating to him all the powers as Chief Executive Officer (CEO) of the Bank and of Gruppo Intesa.

The Articles of Association set forth that the Managing Director supervises management, within the powers he has been attributed and according to the general guidelines resolved upon by the Board of Directors; he is responsible for personnel management and determines the operating directives which are executed by General Management.

Furthermore, the Board of Directors resolved to delegate to the Chief Executive Officer all the ordinary and extraordinary administration powers with the sole exception of powers which may not be delegated according to the law and those which are reserved to the Board of Directors by the Articles of Association. Therefore, in addition to wide operating powers, the CEO has been delegated powers over: the definition of human resources development and management policies; the determination of the Company's and the Group's organisational structure and strategic guidelines; the operating plans and budgets to be submitted to the approval of the Board of Directors; the acquisition and disposal of equity investments, with the prior authorisation of the Board, if such operations lead to variations in the Banking group.
The CEO also has the faculty sub-delegating to employees and to third parties one or more of his attributions.

CORPORATE GOVERNANCE CODE OF BANCA INTESA

Banca Intesa decided to comply with the "Corporate governance code of listed companies" and each year, starting from 2001, provides the market with detailed information on its Corporate Governance system, which is described below.

Composition and role of the Board of Directors

The Board of Directors plays a central role in the organisation and is responsible for strategic and organisational guidelines.
The Articles of Association reserve to the exclusive responsibility of the Board of Directors the following matters: determination of general operating policy; purchase and sale of equity investments which lead to changes in the Banking group; appointment of the Managing Directors and of the Executive Committee and the delegation of the related powers; determination of general organisational structure; formation of committees with specific consulting or coordination functions; definition of criteria for the direction and coordination of Group companies.
Again, the Articles of Association set forth that the Board of Directors determines the means and the timing according to which the most significant decisions taken by deleguees must be notified to the Board.

Normally, the most significant operations in terms of financial, economic or balance sheet impact are submitted to the approval of the Board of Directors.
Recently-approved Internal regulations

reserve to the Board the examination and the approval of the most significant transactions (identified on the basis of qualitative and/or quantitative criteria) with related parties (including intergroup transactions).

Furthermore, it must be noted that, as provided for by Art. 136 of the Testo Unico Bancario (the combined banking regulations) and by the related Instructions issued by the Bank of Italy, direct or indirect business relations between the Company and the latter's employees are submitted to the Board of Directors (which must approve them unanimously, without prejudice to compulsory abstentions) and must be positively valued by all the members of the Board of Statutory Auditors.

The Articles of Association set forth the information which must be provided, in a timely fashion and in any case at least quarterly, for Board or Committee meetings. Such information refers to Company activities and the most important transactions (in particular transactions in which potential conflicts of interest may arise) and ensures that the Directors and the Statutory Auditors have the same information.

The Articles of Association set forth that the Board of Directors must meet at least once every two months. Normally the Board meets 11 times per year and 11 meetings were also held in 2002. The same number of meetings has also been scheduled for the current year.

Also in consideration of the regularity of its meetings, the Board of Directors is capable of taking authoritative and effective actions and its composition ensures that the Company's interest and the maximisation of Shareholder value are the primary objectives of its decisions.

Internal regulations which set rules on the running of Board of Directors meetings have been approved for the purpose of ensuring that every Director can participate in the meetings in a meditated and prepared way and take documented decisions. In particular, these rules provide for the documentation regarding the agenda which must be at the disposal of Directors. Directors and Auditors are summoned to the Board meetings in advance and in time and the convocation is accompanied by the agenda of the meeting of all matters to be discussed.

The reports and the proposals related to the matters to be discussed are normally transmitted together with the agenda of the meeting or in the immediately subsequent days, with the exception of urgent cases or when there is the need to ensure particular confidentiality in the proposals. In this latter case, extensive discussion of every matter and particular attention to documentation not transmitted in advance will be ensured during the meeting.
The Board of Directors is mostly made up of non-executive directors (who are not attributed any operating powers and/or management functions within the Company), sufficient to guarantee, both in terms of number and competence, that their judgement carries a significant weight in the decisions taken by the Board. Of the 25 Directors currently in service, only one, the Managing Director and CEO, Corrado Passera, is charged with operating powers, and is therefore an executive director.
As verified by the Board of Directors, considering also the information provided by Directors themselves, in the Board there are 8 non-executive directors who are independent, in that they do not have, nor have recently had any business relations – so to influence their autonomous judgement – with the Company, its subsidiaries, the executive director or the Shareholders which control the Company, nor do they have shareholdings which enable them to control or to influence the Company. For this purpose it must be noted that the valuation of the independence of Directors was prudentially carried out based on restrictive criteria.

All Directors, also in consideration of their considerable professional qualifications – they must, among other things, have the professional requisites provided for by current legislation and supervisory regulations – are fully aware of the responsibilities associated with their post and therefore act and decide in full autonomy and conscious of their responsibilities.

As concerns the composition of the Board, the list of the posts held by Directors in other companies is contained hereafter.

The Chairman of the Board of Directors, Giovanni Bazoli – who has not been delegated any operating powers – has been charged by the Articles of Association with an important role in spurring and

coordinating the activities of the Company, the Board of Directors, the Managing Director and the Executive Committee.
He is in charge of calling the Board meetings, defining the relative agendas and ensuring that Directors are provided with all the information necessary to evaluate the matters which will be submitted to their approval; lastly, he is in charge of relations with Shareholders.

In addition to wide operating powers, the Managing Director and Chief Executive Officer, Corrado Passera, has been delegated powers over: the definition of human resources development and management policies; the determination of the Company's and the Group's organisational structure and strategic guidelines; the operating plans and budgets to be submitted to the approval of the Board of Directors; the acquisition and disposal of equity investments, with the prior authorisation of the Board, if such operations lead to variations in the Banking group.

Appointment and remuneration of Directors

The proposals for the appointment of the Directors are formulated by Shareholders directly at the Shareholders' Meeting.
Since the "list system" is not provided for by the Articles of Association, it is not possible to request that Shareholders deposit nominations in advance at the Company's registered office, with complete information with regard to nominees. It must however be underlined that all Shareholders are normally acquainted with the personal traits and professional qualifications of the nominees, given the latter's popularity and authoritativeness and that it is standard practice that the curriculum of nominees is read out at the Shareholders' Meeting.

In consideration of the Shareholder base and the existence of a Voting syndicate among Banca Intesa's main Shareholders, which provides for, among other things, the identification of the nominees for the Board of Directors, the Company did not deem it necessary to form a nomination committee.

A specific remuneration commission has been set up within the Board of Directors and is made up of three non-executive Directors – currently, the Chairman, Giovanni Bazoli and the Directors, Gino Trombi and Luigi Lucchini – and the Chairman of the Board of Statutory Auditors, Gianluca Ponzellini. Such commission is responsible for determining and proposing the remuneration of the Chairman of the Board of Director and of the Managing Director to the Board of Directors, which is responsible for the relevant resolutions pursuant to Art. 2389 of the Italian Civil Code. The Chairman is not present when the commission makes its resolution on his remuneration. The Commission examines and expresses its opinion on stock option plans and proposes the options to be assigned to the Managing Director in such plans.

The remuneration of the Managing Director, determined by the Board, is made up of a fixed amount and variable sum which depends on results.

For the purpose of ensuring a deeper commitment in the Company's strategy through the direct participation in the Company's performance, the Extraordinary Shareholders' Meeting held on 17th December 2002 approved a three-year stock option plan in favour of the management of the Group, after the revocation of the previous plan which had been approved by the Shareholders' Meeting of 1st March 2001. For further information on the stock option plan (guidelines, duration, conditions, assignment regulations, and so on) please refer to the specific section of the Report on Operations.

Internal control system

Since it is a bank, Banca Intesa has the internal control system and the structure in charge of control which are compliant with Bank of Italy regulations, which are even more detailed and binding than those provided for by the Corporate governance code. The internal control system is capable of adequately monitoring the Company's typical business risks and the economic and financial situation of the Company and the Group. Internal control functions are entrusted to Internal Auditing which is responsible for ensuring a constant and independent surveillance action on the regular progress of Banca Intesa's operations and processes, as well as preventing or identifying anomalous or risky behaviour or situations, assessing the functionality of the overall internal control system.

Furthermore, Internal Auditing is responsible for ensuring surveillance over the internal control systems of subsidiaries, even via the direction and guidance of their respective internal auditing structures.
The Manager in charge of internal auditing does not report to any head of operating areas and refers periodically to the Board, the Managing Director and Statutory Auditors.

Considering the complex structure of the internal auditing system, which is also subject to the supervision of the Bank of Italy, until now it was decided not to set up an internal control committee. The relevant functions are currently carried out by the Board of Directors and the Executive Committee and, of course, by the Board of Statutory Auditors.
The possibility of forming such a committee for the purpose of offering a further aid to the Board of Directors in the performance of its supervisory functions is in any case being assessed.
The Board is in any case responsible for the approval of the periodical reports prepared by Internal Auditing, in compliance with the instructions for banks and financial intermediaries issued by the competent supervisory authorities.

Transactions with related parties

As already mentioned, Internal regulations on transactions with related parties have been approved during the current year. These define the guidelines for closing transactions with related parties and, in particular, i) the most significant transactions in terms of financial, economic or balance sheet impact must be submitted to the approval of the Board of Directors, as well as ii) the general criteria for information to be provided to the Board with regard to transactions with related parties, if they fall within the autonomy of the Managing Director or of other competent structures, for the purpose of ensuring the fairness in the procedures and the substance of such transactions.
Such regulations set out that if the proposed business relation is with a Director or, if in any case, a Director has an interest – even only potential or indirect – in a transaction, the Director concerned promptly informs the Board in detail and abandons the Board Meeting when the issue is discussed.
Where the nature, value or other aspects of a transaction with related parties make this necessary, the Board, in order to avoid different conditions being agreed from those that would presumably have been agreed between unrelated parties, shall ensure that the transaction is concluded with the assistance of independent experts for the provision of financial, and/or legal and/or technical advice (fairness opinion and legal opinion).

Confidential information

Pursuant to provisions contained in Art. 6 of the Corporate governance code of listed companies, the Board resolved upon the adoption of Internal regulations for the treatment of confidential information and for the disclosure of documents and information. Such regulations set forth that the Chairman and the Managing Director are responsible for the handling of confidential information regarding the Bank and its Group and define how Directors, Auditors and Employees must handle such confidential information, prescribing the adoption of every necessary caution in the treatment of confidential information so that its confidentiality is not prejudiced.
The regulations also define the procedures which must be applied in the communication of corporate documents and information, in particular as concerns price-sensitive information, i.e. information which is not available to the general public which, if disclosed, may significantly affect the price of the Bank’s and/or of the subsidiaries’ shares.
The adoption of the procedure above is aimed at preventing that information regarding the Company is communicated selectively or in an untimely or incomplete manner. Particular attention is paid to the diffusion of price-sensitive information.

The Board of Directors also resolved upon the adoption of the Internal dealing code which defines the disclosure requirements for transactions carried out by “Relevant parties” on financial instruments issued by the Bank and by Group companies.
Such Code has been issued pursuant to provisions set forth in the Regolamento dei mercati organizzati e gestiti da Borsa Italiana Spa (Regulations of the Markets organised and managed by Borsa Italiana Spa) for the purpose of ensuring transparency and uniform information to the market regarding the transactions carried out for their personal portfolios by Directors, Auditors, General Managers and other “Relevant parties” on

listed financial instruments issued by Banca Intesa and by other Group companies.
The Code sets forth that transactions on listed financial instruments issued by Banca Intesa Spa and by other Group companies carried out by "Relevant parties" must be communicated according to the timing provided for by the aforementioned Regolamento di Borsa. The Code is even more binding since it provides for quarterly disclosure for transactions which, individually or cumulated with other transactions carried out in each reference quarter, equal or exceed 25,000.00 euro for each declaring party and prompt disclosure for transactions which exceed 125,000.00 euro for each declaring party.

The exercise of stock options or other option rights are included in the disclosure requirements contained in the Code.
In the case of disposals, if shares sold derive from the simultaneous exercise of stock options, this must also be indicated.
The Code also forbids transactions by "Relevant parties" in the 30 days preceding the Board of Directors meeting summoned to approve the draft annual financial statements and the half-year report and in the 15 days preceding the Board of Directors meeting summoned to approve the quarterly reports.

Relations with Shareholders

As regards relations with Shareholders, it must be noted that external relations with shareholders and institutional investors have long been attributed to specific and distinct specialised structures, with adequate professional capabilities and supports: the External Relations Unit – Investor Relations, as concerns institutional investors, and the Legal Affairs Unit – Shareholder Relations, as regards relations with other Shareholders.
Within the Banca Intesa website there is a specific "Investor Relations" section, which enables financial analysts and institutional investors to have access to a wide spectrum of economic and financial information on Gruppo Intesa, in addition to the possibility of requesting information by e-mail, directly to the relevant offices.
As concerns relations with the press – without prejudice to the powers attributed to the Chairman of Banca Intesa – in the External Relations Unit there is a specific Media Relations Department which is the exclusive reference point in the relations with Italian and foreign media for both Banca Intesa and Group companies.
Normally, price-sensitive press releases are approved by the Board of Directors – or in urgent cases – by the Chairman or the Managing Director.

The Company has always actively favoured the widest possible participation of Shareholders in the Shareholders' Meeting, which certainly represents a moment of effective and fundamental dialogue and coordination between the Company and its investors, which are provided with relevant documentation with timeliness.

With regard to the approval of a specific regulation on the Shareholders' Meeting, it must be noted that the experience of the previous Shareholders' Meetings and the participation of each Shareholder to the discussion proves that it is possible to ensure a fair and effective meeting even without a specific regulation which could, on the contrary, turn out to be scarcely flexible.
Since the Articles of Association explicitly attribute to the Chairman the power to verify the correct constitution of the Meeting, to ascertain the Shareholders' right to speak and vote, to regulate the business in the Shareholders' Meetings and define the means of vote, it is deemed better to continue in the Company's practice.
This basically entails that, at the beginning of each Meeting, the Chairman identifies the main rules which must be complied with especially during the discussion.

Statutory Auditors

With regard to the appointment of the Statutory Auditors, it must be noted that the Articles of Association set forth "list voting" for the appointment of the Board of Statutory Auditors, and this requires prior presentation of the lists of nominees ten days before the date of the Shareholders' Meeting.

Code of ethics

Lastly, it must be noted that in 2002 the Board of Directors resolved upon the adoption of the Group's Internal code of ethics, an instrument of corporate culture, which sets forth utmost confidentiality, fairness and honesty in the behaviour both within the Company and in relations with the market.

Such Code integrates both the so-called "Codice intermediari" (code for intermediaries) required by current regulations on investment services, and other, more specific rules regarding corporate ethics. It is a "declaration of principles", in which such principles are translated into rules for all those to which the Code is applied, that is Directors, Auditors, Employees, Consultants and, in general all the third parties which come into contact with the Company.

Composition of the Board of Directors

The Board of Directors of Banca Intesa currently in service is made up of 25 members. In compliance with the recommendations contained in the Corporate governance code of listed companies, hereafter is the list of the Directors with the indication of their posts in "Gruppo Intesa" and in other listed companies or in other banks, financial and insurance companies.

Giovanni Bazoli
Chairman and member Executive Committee Banca Intesa Spa, Chairman Mittel Spa, Director Alleanza Assicurazioni Spa, Director Banco di Brescia Spa, Deputy Chairman Banca Lombarda e Piemontese Spa.

Jean Laurent
Deputy Chairman Banca Intesa Spa, Deputy Chairman Banco Espirito Santo, General Manager Crédit Agricole SA, Chairman Crédit Agricole Indosuez SA, Director Crédit Lyonnais SA.

Luigi Lucchini
Deputy Chairman Banca Intesa Spa, Sole Director Sinpar Società di Investimenti e Partecipazioni Spa, Director Mediobanca Spa.

Giampio Bracchi
Deputy Chairman and member Executive Committee Banca Intesa Spa, Chairman IntesaBci Sistemi e Servizi Spa, Director Banca del Sempione SA, Director BKN Corporate Finance, Director Finlombarda Gestioni Sgr Spa.

Corrado Passera
Managing Director and Chief Executive Officer, General Manager and member Executive Committee Banca Intesa Spa, Director Crédit Agricole SA, Director and member Strategic Committee Finmeccanica Spa, Director and member Executive Committee HdP Spa – Holding di Partecipazioni Industriali, Director Olimpia Spa.

Giovanni Ancarani
Director Banca Intesa Spa.

Francesco Arcucci
Director Banca Intesa Spa, Chairman Banca del Sempione SA, Chairman Banca Popolare Credieuronord, Director Société Européenne de Banque based in Luxembourg.

Marc Antoine Autheman
Director Banca Intesa Spa, Director Al Bank al Saudi al Fransi, Director Banque de Gestion Privée Indosuez, Director Banque Libano Française, General Manager Crédit Agricole Indosuez SA, Director Crédit Agricole Indosuez Cheuvreux.

Benito Benedini
Director Banca Intesa Spa, Director Axa Cattolica Previdenza in Azienda Spa, Director EBA European Brokers Associated Spa, Director European Brokers Associated Ltd.

Antoine Bernheim
Director Banca Intesa Spa, Chairman Assicurazioni Generali Spa, Director Banca della Svizzera Italiana, Director Ciments Français, member Supervisory Board Eurazeo, Director Generali France Holding, Director Generali Holding Vienna AG, Deputy Chairman LVMH Louis Vuitton, Director Mediobanca Spa.

René Carron
Director Banca Intesa Spa, Chairman Caisse Locale de Crédit Agricole de Yenne, Chairman Caisse Régionale de Crédit Agricole des Savoie, Chairman Crédit Agricole SA, Director Crédit Agricole Indosuez SA, Director Crédit Lyonnais SA.

Alfonso Desiata
Director Banca Intesa Spa, Deputy Chairman Alleanza Assicurazioni Spa.

Ariberto Fassati
Director and member Executive Committee Banca Intesa Spa, Director AXA Assicurazioni Spa, member of Steering Committee Crédit Agricole SA, Chairman Crédit Agricole Asset Management Sgr Spa, Joint General Manager and member Executive Committee Crédit Agricole Indosuez SA, Chairman Crédit Agricole Indosuez Cheuvreux Italia Sim, Director Crédit Foncier de Monaco,

Chairman Fiduciaria Indosuez Sim Spa, Chairman Selezione e Distribuzione Sim Spa, as well as member of Board of Directors of other companies of the Crédit Agricole group.

Giancarlo Forestieri
Director and member Executive Committee Banca Intesa Spa, Director Alleanza Assicurazioni Spa, Chairman Centrosim Spa.

Paolo Fumagalli
Director Banca Intesa Spa, Deputy Chairman Azzurra Assicurazioni Spa, Director Cofimo Sim Spa, Director Holding IntesaBci Centro Spa, Chairman IntesaVita Spa.

Jorge Manuel Jardim Gonçalves
Director Banca Intesa Spa, Chairman Banco ActivoBank SA, Chairman Banco Comercial Portugues SA, Chairman Banco Comercial de Macau SARL, Chairman Banco de Investimento Imobiliario SA, Chairman BCP Investimento – Banco Comercial Portugues de Investimento SA, Chairman Banco Expresso Atlantico SA, Director Banco de Sabadell SA, member Supervisory Committee Big Bank Gdanski SA, Chairman CrédiBanco – Banco de Crédito Pessoal SA, Chairman Banco Portugues do Atlantico (USA) Inc, Chairman Interbanco SA, Chairman Leasefactor Sgps SA, Deputy Chairman NovaBank SA, Director Seguros and Pensoes International BV.

Gilles Gramat
Director Banca Intesa Spa, Director Agos Itafinco Spa, Director Banco Espirito Santo Sgps, Central Manager Crédit Agricole SA, Chairman Crédit Agricole Deveurope BV, member of Supervisory Board Eurazeo.

Franco Modigliani
Director Banca Intesa Spa, Director emeritus New America High-yield Fund.

Giangiacomo Nardozzi
Director Banca Intesa Spa.

Eugenio Pavarani
Director Banca Intesa Spa.

Giovanni Perissinotto
Director Banca Intesa Spa, Chairman Adriatica Participations Financières, Managing Director Assicurazioni Generali Spa, Chairman Banca Generali Spa, Director Banca Nazionale del Lavoro Spa, Director Banca della Svizzera Italiana, Chairman Belgica Insurance Holding, Director Genam Sgr Spa, Director Generali Asset Management Sgr Spa, Director Generali Finance BV, Director Generali France Holding, Chairman Generali International Ltd, Chairman Generali Participations Financières SA, Chairman Flandria Participation Financières, Director Participatie Maatschappij Graafschap Holland NV, Director Transocean Holding Corporation, as well as member of Board of Directors of other companies of the Generali group.

Axel Freiherr von Rüdorffer
Director and member Executive Committee Banca Intesa Spa, Deputy Chairman AKA Ausfuhrkredit GmbH, Director Commerzbank AG, Director Commerzbank Asset Management Italia Spa, Deputy Chairman Allgemeine Kreditversicherung Coface AG, Director Avis Europe Plc, Director Crédit Lyonnais SA, member Advisory Board DFS Deutsche Flugsicherung GmbH, Director Erste Bank der Österreichischen Sparkassen AG, Chairman Erste Europaische Pfandbrief- und Kommunalkreditbank AG, Director Hannover Finanz Gesellschaft, Chairman Hypothekenbank in Essen AG, Director Mediobanca Spa, member Advisory Board Viking Schiffsfinanz AG, Viking Ship Finance Ltd as well as member of Board of Directors of other companies of the Commerzbank group.

Sandro Salvati
Director Banca Intesa Spa, Chairman and Managing Director Alleanza Assicurazioni Spa, Chairman La Venezia Assicurazioni Spa.

Eric Strutz
Director Banca Intesa Spa, Director Cominvest Asset Management GmbH, Deputy Chairman Commerzbank AG, Director Comdirect Bank AG, Director Commerzbank Auslandsbanken Holding AG, Director Commerzbank Inlandsbanken Holding AG, Director Commerzbank International SA, Director Erste Europaische Pfandbrief- und Kommunalkreditbank AG, Director Hypothekenbank in Essen AG.

Gino Trombi
Director Banca Intesa Spa, Chairman Banco di Brescia San Paolo Cab Spa, Chairman Banca Lombarda e Piemontese Spa, Director Risparmio e Previdenza Spa.

RELATIONSHIPS BETWEEN GROUP COMPANIES AND RELATED PARTIES

Within Gruppo Intesa, the relationships among its various economic entities are inspired to centralisation criteria as regards basic management and control activities, integrated with direction and assistance activities performed through consultancies in the fields of law, economic analysis, organisation and resource management. For the services supporting banking activities a marked decentralisation is pursued, in application of a policy aimed at concentrating each company's energies and resources on the realisation of its own core business. To this aim specialised support companies were established, responsible for carrying out activities for Banca Intesa and, to differing extents in relation of the needs emerged in the various operating units, for other Group companies. These activities include: management of the IT and data processing systems, management and recovery of doubtful loans originated by Group banks, personnel training. Instead, product companies have the task of managing financial products and services – ranging from mutual funds to bancassurance products to fiduciary services – and near-bank services, such as leasing, factoring and long-term credit and are assigned to the sales networks of Group companies.

With reference to the Consob Communications 97001574 of 20th February 1997 and 98015375 of 27th February 1998 the relationships with subsidiaries are seen within the normal operations of a multifunctional Group and correspondent relations for services rendered, deposits and financings (for banks) or interventions destined to finance activities performed in various sectors (for other companies).
With the purpose of utilising existing synergies, agreements were stipulated between the Parent Company Banca Intesa and certain Group companies regarding, as mentioned, the distribution of financial products and/or services or assistance, consultancy, or more generally the provision of services complementary to banking activities.

The economic effects connected with the above-mentioned relationships are normally regulated on the basis of market conditions applied to primary customers. In the case of services provided by specialised support companies – as well as by the Parent Company, when operating in the same way – economic relationships are regulated on a minimum cost basis, at least with the recovery of the relevant operating and general expenses, in consideration of the fact that they are captive companies.
More favourable conditions compared to the market's are instead applied to IntesaBci Gestione Crediti, in consideration of its specific operations.

In the area of bancassurance, the cooperation with Alleanza Assicurazioni, as well as the banking relationships with groups managed by Directors, continue. All the aforementioned relationships are regulated at standard market conditions.

No particular or exceptional operations were made neither with subsidiaries nor with other related parties in proximity to the close of the period.

HOLDINGS OF DIRECTORS, AUDITORS AND GENERAL MANAGERS

The table below indicates the equity investments in Banca Intesa and in other Group companies, directly or indirectly held by Directors, Auditors and members of the Bank’s top management, as set forth by Art. 79 of Consob Resolution 11971 of 14th May, and subsequent amendments.

Surname and Name	Equity investment	Number of shares held at the end of 2001	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2002
BAZOLI Giovanni [(a)]	Banco di Chiavari e della Riviera Ligure	10,000			10,000
BENASSI Lino	Banca Intesa sav. shares	5,000			5,000
BENEDINI Benito [(b)]	Banca Intesa ord. shares	133,700	14,734	39,512	108,922
BERNHEIM Antoine	Banca Intesa ord. shares	370,729			370,729
BRAMBILLA Roberto	Banca Intesa ord. shares	7,500			7,500
BRAMBILLA Roberto	Banca Intesa sav. shares	4,500			4,500
DESIATA Alfonso	Banca Intesa ord. shares	328,932			328,932
FORESTIERI Giancarlo [(a)]	Banca Intesa ord. shares	3,500			3,500
GUTTY Gianfranco	Banca Intesa ord. shares	10,322	42,000	3,826	48,496
TROMBI Gino	Banca Intesa ord. shares	20,973			20,973
TROMBI Gino	Banca Intesa sav. shares	315			315
BEATO Francesco Paolo	Banca Intesa ord. shares	1,000			1,000
BEATO Francesco Paolo	Banca Intesa sav. shares	5,000			5,000
COLOMBO Paolo Andrea [(c)]	Banca Intesa ord. shares	48,622			48,622
COLOMBO Paolo Andrea	Banca Intesa sav. shares	10,000			10,000

[(a)] In the name of the spouse.
[(b)] Including 32,250 jointly held with family members.
[(c)] Including 25,622 in the name of the spouse.

RESERVE FOR OWN SHARES

In the period between 1st and 15th November 2002, following the exercise of 329,974,586 *Warrants Put IntesaBci* – on a total of 330,170,484 issued at the time of the Tender Offer on 70% of BCI shares – Banca Intesa purchased, pursuant to Shareholders’ Meeting resolution of 1st March 2001, 478,458,236 own ordinary shares, at a price of 5.38 euro each. Carrying value of such shares – subsequently marked to market, with charges recorded in the statement of income, to the average stock price struck by the Banca Intesa share in December 2002 – is currently equal to 980 million euro, which is offset by the Reserve for own shares recorded in shareholders’ equity, which had been set up at the time with a withdrawal from the Share premium reserve.

TRADING ON OWN SHARES

During the year, Banca Intesa did not carry out any transactions on own shares, with the exclusion of the purchases deriving from the exercise of the *Warrants Put IntesaBci* mentioned above.

STOCK OPTION PLAN

The Extraordinary Shareholders’ Meeting held on 17th December 2002 revocated the previous resolution made by the Extraordinary Shareholders’ Meeting held on 1st March 2001 and resolved upon a new stock option plan, which sets forth the assignment, for free, of 100,000,000 options to acquire up to a maximum of 100,000,000 newly-issued Banca Intesa ordinary shares, to Banca Intesa or Group companies' managers. Each share shall start to accrue rights as of 1st January of the year in which the subscription takes place and shall have a nominal value of 0.52 euro.

Such resolution provides top management with an effective instrument for motivating a wide number of managers, by connecting a part of their compensation to programmed results, and thus favouring the development of a culture strongly oriented to shareholder-value-creation, consistent with the new principles at the base of the new 2003-2005 Business Plan.

The plan may involve in total up to a maximum of 250 beneficiaries among executives of Banca Intesa or companies belonging to the Group and employees which are not executives but have roles deemed to be strategic. The beneficiaries of the plan and the number of options assigned to each beneficiary are identified by the Board of Directors following the proposal made by the Managing Director and Chief Executive Officer of Banca Intesa; the number of options to be assigned to the Managing Director is defined by the Board of Directors following the proposal made by the remuneration commission.

The plan sets forth two assignment cycles: the first within 31st January 2003 and the second within 31st July 2003. The options refer for one third to each of the fiscal years 2003, 2004 and 2005 and are divided in two different categories:
"class A options" to be assigned to all the Beneficiaries of the plan and "class B options", distributed in addition to the previous, to be assigned to the CEO and the other managers identified by the Board of Directors, following the proposal made by Banca Intesa's CEO.

The exercise of the options – exercisable by tranches starting from 2005 – is conditional upon the achievement of the following performance objectives for each of the years to which the options refer (2003-2004-2005):
– the return on the Banca Intesa ordinary share for the reference fiscal year be at least equal to the average return (to twice the average return for class B options) on BTP (fixed income Government bonds) with a three-year maturity registered in the offering of such bonds to the market in the reference financial year;
– the financial indicator EVA in 2004 is positive and that EVA for 2005 is higher than in the previous year.

It will be in any case possibile to exercise the options for which, in the reference period, the objective have not been met, provided that the objectives are recovered in the subsequent reference years.

The options' strike price will be equal to the normal value of the share, that is the arithmetical average of the stock prices struck on the regulated market managed by Borsa Italiana (MTA) in the period from the date of assignment of the options (corresponding to the date in which the Board of Directors fixes the number of options and the beneficiaries of the plan) to the same day of the previous calendar month.

With reference to the first cycle, the assignment involved 184 employees, for a total of 45,640,000 Class A options and 28 employees for a total of 29,455,000 Class B options. Such options give the faculty to acquire up to a maximum of 75,095,000 shares starting from 2005 and in the two subsequent years.
The strike price of the assigned options was set at 2.022 euro.

As regards Directors, Auditors and General Managers, the beneficiary of the stock option plan is the Managing Director and Chief Executive Officer, Corrado Passera, who has been assigned 6 million class A options and 9 million class B options, subject to the achievement of the same objectives set forth for all the employees beneficiaries of the stock option plan, that is for each of the years to which the options refer (2003 – 2004 – 2005):
– the return on the Banca Intesa ordinary share for the reference fiscal year be at least equal to the average return (to twice the average return for class B options) on BTP (fixed income Government bonds) with a three-year maturity registered in the offering of such bonds to the market in the reference financial year;
– the financial indicator EVA in 2004 is positive and that EVA for 2005 is higher than in the previous year.

Such options will be exercisable starting from 2005 and in the next two years, with the right to acquire in total up to a maximum of 15 million shares.

Significant subsequent events

The closing of the sale of Banco di Chiavari e della Riviera Ligure to Gruppo Banca Popolare di Lodi occurred on 21st January 2003 with the transfer of the shares and the collection of the consideration, as set out in the binding agreements signed in December 2002, already described in this Report.
The authorisation of the Antitrust Authority arrived on 17th February 2003.

Towards the end of December 2002, Banca Intesa had reached – as already illustrated above – an agreement with Crédit Agricole Indosuez for the disposal of 100% of the share capital of IntesaBci Bank (Suisse).
In the first days of January Crédit Agricole Indosuez exercised the call option which obliges Gruppo Intesa to close the operation in the next few months, as soon as all the necessary authorisations from the competent authorities arrive. The operation is among the actions contained in the Business Plan for the strengthening of the Group's private banking activities in Italy, also through the strategic alliance with the Crédit Agricole group.

The securitisation commenced at the end of 2002 – with the sale to the special purpose vehicle IntesaBci Sec. 2 Srl of performing residential mortgages for a total of approximately 2 billion euro – was concluded at the end of February with the SPV's securities issue.

Lastly, as already illustrated, following the completion of the assessment of the financial situation and the market capabilities of the Peruvian subsidiary Banco Wiese Sudameris, at the beginning of 2003 a further credit line amounting to 150 million dollars was granted to the subsidiary in order to enable it to complete the turnaround under way and relaunch its activities.

The Board of Directors of 10th March 2003 approved the agreement for the establishment of a bancassurance joint venture in the life insurance sector with the Generali group and the Crédit Agricole group which will take place in IntesaVita.

Banca Intesa acquired a 1.4% stake in Generali (in addition to the 0.5% interest already held as pledge with voting rights) for an overall investment of approximately 300 million euro (which represents under 1% of Gruppo Intesa's securities and equity investment portfolio and approximately 2% of its shareholders' equity).
This purchase will strengthen the collaborations currently in force between Banca Intesa and the Generali group, which are extremely important for the success of Gruppo Intesa's Business Plan, especially at the time of the announcement of the joint venture in the bancassurance sector.

Forecast for 2003

With regard to the evolution of the credit market, loans are forecasted to grow at a very low rate, due to the extremely slow economic recovery. Demand for short-term loans, should show a gradual acceleration in the second half of the year, in phase with the restart of the cycle of production investments and consumption, determined by the hoped improvement in the economic context.
At the same time, the current economic stagnation, which could lead to further interest rate decreases, is forecasted to continue in the first part of the year and favour the system's liquidity. However, with the rise in market yields, it is reasonable to expect greater investors' interest for securities with higher risk/return profiles, with the consequent reduction in the growth rate of liquid investments. Longer-term funding should continue its significant expansion, reflecting also the forecasted rise for medium- and long-term lending.

The realising of these expectations should positively influence the banking industry's 2003 statement of income, thanks to a slow but gradual increase in revenues, accompanied by the continuation of cost containment processes currently being implemented by Italian banks.

In particular, Gruppo Intesa confirms the objectives contained in the Business Plan, which envisage a significant recovery in profitability starting from 2003.

As concerns the main revenue areas, actions taken have the objective of maintaining net interest income, despite a scenario of decreasing interest rates, and the recovery of the contribution from commissions, in particular on asset management and administration and on other financial services to customers.
On the cost front, further savings are expected both in personnel expenses, following the agreements signed with Trade Unions at the end of 2002, and in other administrative costs.
Improved loan portfolio management is expected to lead to a significant decrease in adjustments – thanks to the decided actions taken on loan quality and the substantial reduction in exposure to certain large international groups – and therefore play a central role in determining the projected increase in profitability.

The result for 2003 will be positively influenced by these effects and should confirm EPS – earnings per share – contained in the Business Plan.

Proposals to the Shareholders' Meeting

Distinguished Shareholders,

we submit to Your approval the financial statements for the fiscal year 1st January - 31st December 2002, which are made up of the Balance sheet, the Statement of income and the Notes to the financial statements, as well as the relative attachments and the Report on operations.

In particular, we submit to Your approval the derogation to accounting principles made pursuant to Art. 2, par. 5, of Legislative Decree 87 of 27th January 1992, which led to record in the 2002 financial statements a 263 million euro capital gain subsequent to the sale of the equity investment in Banco di Chiavari e della Riviera Ligure. Since the capital gain was definitively recorded following the settlement of the operation which occurred in January 2003, we propose You not to constitute the special reserve pursuant to the aforementioned Art. 2, par. 5, of Legislative Decree 87/92.

We propose to distribute the net income for the period equal to 12,386,469.32 euro as follows:

- *a dividend of 0.013 euro to all 932,490,561 non-convertible saving shares, for a total of 12,122,377.29 euro;*
- *264,092.03 euro to the extraordinary reserve.*

Furthermore, we propose to withdraw from the extraordinary reserve a total of 95,546,093.27 euro to be used to distribute a dividend of 0.015 euro to all 932,490,561 non-convertible saving shares and to all 5,437,248,990 ordinary shares in circulation, pursuant to Art. 2357 ter, par. 2 of the Italian Civil Code.

These dividends include the maximum tax credit allowed, that is 56.25%, without any legal restriction.

At the same time we propose to resolve upon the assignment, for free, of 159,243,488 of the 478,458,236 Banca Intesa's treasury ordinary shares, to the Shareholders, at a ratio of one Banca Intesa ordinary share, starting to accrue rights as of 1st January 2003, every 40 ordinary and/or non-convertible saving shares in circulation, with the contemporary reduction of the reserve for own shares from 980,360,925.56 euro to 654,071,018.65 euro based on a valuation of 2.049 euro for each share assigned, corresponding to the carrying value as at 31st December 2002.

For the residual 319,214,748 treasury shares, the Shareholders' Meeting resolution of 17th December 2002 with regard to the authorisations of disposal of own shares still applies.

Since, as resolved by the Shareholders' Meeting held on 1st March 2001, the special reserve pursuant to Art. 2357 ter of the Italian Civil Code has been set up through the reclassification of the Share premium reserve, the assignment will be made without any withdrawal tax.

Furthermore, we propose the distribution of the aforementioned dividend and the assignment of the treasury shares as of 25th April 2003.

If the financial statements and the proposal of assignment of the treasury shares obtain Your approval, the Parent Company's shareholders' equity at the date of approval of the Annual Report 2002 will be the following (in millions of euro).

Shareholders' equity	Annual Report 2002	Dividends distribution and treasury shares assignment	Share capital and reserves after the allocation of net income
Share capital • ordinary • saving	 3,076 485	 – –	 3,076 485
Total share capital	3,561	–	3,561
Share premium reserve Reserves Revaluation reserves	5,764 3,496 987	– (422) –	5,764 3,074 987
Total reserves	10,247	(422)	9,825
Reserve for general banking risks	–	–	–
Total	13,808	(422)	13,386

The Board of Directors

Milano, 10th March 2003

Independent Auditors’ Report on the consolidated financial statements

Translation from the original Italian text

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AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n.58
(Translation from the original Italian text)

To the Shareholders
of Banca Intesa S.p.A.

1. We have audited the consolidated financial statements of Banca Intesa S.p.A. as of and for the year ended 31 December 2002. These financial statements are the responsibility of Banca Intesa S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB. In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of certain consolidated subsidiaries, which respectively represent approximately 24% of consolidated total assets and approximately 30% of consolidated net interest and related income, have been examined by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to the data included in the consolidated financial statements relating to these subsidiaries, is based also on the reports of the other auditors.

   As indicated in the notes to the consolidated financial statements, the Company has restated the amounts related to the prior year consolidated financial statements to take into consideration the changes in the consolidation area. This financial information has not been examined by us. For our opinion on the consolidated financial statements of the prior year as originally presented, which are included in the consolidated financial statements, reference should be made to our report dated 10 April 2002.

3. In our opinion, the consolidated financial statements of Banca Intesa S.p.A. comply with the regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of Banca Intesa S.p.A. as of 31 December 2002, and the consolidated results of its operations for the year then ended.

Milan, 28 March 2003

Reconta Ernst & Young S.p.A.
Signed by: Massimo Colli, Partner

■ Reconta Ernst & Young S.p.A.
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Report
of the Board of Statutory Auditors
to the Shareholders’ Meeting

Translation from the original Italian text

BANCA INTESA Spa
REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING

Distinguished Shareholders,
during the fiscal year closed as at 31st December 2002 we carried out the supervising activity set forth by the law, pursuant to the recommended principles issued by the National Council of Dottori Commercialisti e Ragionieri (the Italian Accounting Profession), and in consideration of the recommendations issued by Consob (the Italian Securities Exchange Commission) via its Communications and in particular Communication 1025564 of 6th April 2001.

Thus, we declare that we:
- took part in all the Shareholders' Meetings, as well as in all the Board of Directors' Meetings and Executive Committee Meetings which occurred in the year and we received from Directors periodic information regarding their activity and the most significant transactions carried out by Banca Intesa or by its subsidiaries;
- continued supervising over operations to complete the integration of the banks which make up Gruppo Banca Intesa. For this purpose we have also supervised over the changes which started implementation with the new Business Plan, aimed at reorienting the Group's business based on the new organisational structure and the implementation of the new strategic guidelines as described in the Report on operations presented by the Board of Directors. Supervision was exercised, in addition to the participation in Board of Directors and Executive Committee Meetings, also via i) periodic meetings with the Managing Director, ii) information gathering from the Heads of the main company functions, and iii) exchange of data and information with the Independent Auditors Reconta Ernst & Young Spa;
- supervised over the functioning of the internal auditing and bookkeeping and accounting systems for the purpose of evaluating their adequacy *vis-à-vis* management requirements, as well as the reliability of the bookkeeping and accounting system for the representation of operating activities;
- verified the application of regulations regarding the preparation of the Parent Company's financial statements and the Group's consolidated financial statements and the Reports on operations, via direct verifications as well as specific information obtained from the Independent Auditors.

Furthermore, in compliance with the aforementioned Consob Communication of 6th April 2001, we provide you with the following information.
1. The most significant transactions in financial, statement of income and balance sheet terms carried out by Banca Intesa or by its subsidiaries, have occurred according to the law and the Articles of Association. Based on the information we have gathered, we have verified that such transactions are not manifestly imprudent, hazardous, or in conflict of interest or in any case such as to compromise the integrity of the company's shareholders' equity.
2. We did not find any uncharacteristic and/or unusual transactions, carried out with third parties, related parties or intergroup. In their Reports on operations and in the Notes to the financial statements, the Directors indicate and illustrate the most significant transactions with third parties, related parties or intergroup by describing their characteristics and economic effects. Furthermore, we ascertained the existence of operating procedures, in force within the Group, capable of guaranteeing that commercial operations with the aforementioned parties are concluded at standard market conditions.
3. We deem that the information on the transactions described in point 2 above, provided by the Directors in their Report on operations, is adequate.
4. The Report of the Independent Auditors Reconta Ernst & Young Spa, issued on 28.03.2003, on the Parent Company's financial statements and on the consolidated financial statements as at 31.12.2002 does not contain any exceptions or information paragraphs.
5. As concerns the account of facts ex article 2408 of the Italian Civil Code presented by the Shareholder EFIN Srl, on 17th April 2002, referring to activities carried out by the subsidiaries IntesaBci Gestione Crediti Spa and Mediocredito Lombardo Spa for the recovery of the loan to Case di Cura Riunite Srl, with registered office in Bari (granted by Caripuglia), after the relevant verifications carried out for this purpose, this Board of Statutory Auditors affirms that it did not find any censurable facts in the activities of IntesaBci Gestione Crediti, nor in the activities of Mediocredito Lombardo.

Further requests ex Art. 2408 of the Italian Civil Code have been made to the Board of Statutory Auditors by the Shareholders Fabris, D'Atri and Bava during their speeches in the Shareholders' Meeting of 17th December 2002.
The Shareholder Fabris claimed that, pursuant to Art. 2408 of the Italian Civil Code, the behaviour of the Bank's Chairman, Prof. Bazoli, was reprehensible since he did not answer his questions on the first item on the agenda of the meeting and, in particular, on which Shareholders each Director represents and which Directors may be considered independent based on the corporate governance rules accepted by the Bank with its Code of corporate governance, deeming unsatisfactory the Chairman's statement that this information would have been contained in the Bank's Annual Report. The Board of Statutory Auditors points out to the Shareholder Fabris that his claim does not imply any irregularity in the management of the Bank as provided for by Art. 2408 of the Italian Civil Code and that, therefore, his claim does not fall within the competence of the Board of Statutory Auditors.
With his suit *ex* art. 2408 of the Italian Civil Code, the Shareholder D'Atri invites the Board of Statutory Auditors to reconsider the merger of Banca Intesa with BCI (resolved upon by the Shareholders' Meeting of 1st March 2001), the expert opinions to support the exchange ratio and therefore the congruity of the price. The verifications of the Board of Statutory Auditors lead to conclude that the complex merger of BCI occurred in the respect of the procedures set forth by the law. The report on the exchange ratio was prepared by Prof. Angelo Provasoli, Lazard & Co. and Mediobanca Spa, and does not seem to be in any way censurable or in any way lacking, as confirmed by the reports of the Independent Auditors Arthur Andersen and Reconta Ernst & Young drawn up pursuant to Art. 2501 quinquies of the Italian Civil Code. Valuation criteria adopted conform to the most authoritative methodologies on this matter. The figures used to apply such methodologies did not have any elements which may affect their reliability.
Lastly, on 23.10.2002, the Shareholder Marco Bava presented, via e-mail, a suit ex Art. 2408 of the Italian Civil Code – reiterated orally during the Shareholders' Meeting of last 17th December 2002 – in which with regard to the "convertendo" financing granted by Banca Intesa, in a syndicate with other banks, to Gruppo Fiat, he claims there is a guilty lack of information on the guarantees which should assist its reimbursement.
On this matter the Board of Statutory Auditors observes that the Bank's Board of Directors is constantly informed of the progress in the relations between Banca Intesa and the Fiat group and took its decisions fully informed to support the positive evolution of the crisis of the group. Directors in the Report on operations provide all the information which may be given in respect of their management autonomy and the confidentiality which the Bank must ineludibly observe.

6. During 2002, the Board of Statutory Auditors received from two Parties two allegations concerning asserted anomalies in the relations of the Parties and Banca Intesa. The investigations on this matter carried out by the Board of Statutory Auditors, also through the Internal Auditing, did not find any omissions, reprehensible facts or irregularities.
7. During 2002, Banca Intesa Spa gave other mandates to Reconta Ernst & Young Spa, in addition to the legal auditing (pursuant to Articles 155 and 165 of Legislative Decree 58/1998) and the review of the Half-Year Report. The compensation for these engagements is set out in the table below, excluding reimbursed expenses and VAT (in euro):

Type of engagement	Total compensation
Bookkeeping verifications attributed to the Independent Auditors by Institutional Bodies	49,000
Auditing for the issue of comfort letters for debt securities	115,000
Other auditing activities	173,200
	337,200

8. Furthermore, the following mandates were given to subjects "linked by continuous relations" to the company in charge of the auditing:

Type of engagement	Total compensation
Verification on credit derivatives operations	452,000
Tax and legal analyses	182,413
Tax assistance to foreign branches	128,070
	762,483

9. During 2002, the Board of Statutory Auditors expressed its consent, as provided for by Art.136 of Legislative Decree 385/1993 (Combined Banking Regulations), on 46 transactions stipulated, directly or indirectly, by Bank officials with the Bank.
10. In 2002, the Board of Directors met 11 times, the Executive Committee met 13 times.
    The Board of Statutory Auditors met 26 times during 2002; furthermore it took part in all the Ordinary and Extraordinary Shareholders' Meetings, and to the Saving Shareholders' Meetings, Board of Directors' Meetings and Executive Committee Meetings.
11. We have no observations to make with regard to the respect of fair management principles, which seem to be constantly observed.
12. As already mentioned and described in detail in the Report on operations which accompanies the Group's consolidated financial statements as at 31.12.2002, significant progress was made in certain organisational interventions, aimed at the complex integration, according to the divisional model, of the Bank's core activities, in line with the modifications indicated in the new Business Plan, as well as the realisation of the unified IT system.
    We acknowledge that the Bank's organisational structure, also considering the changes which occurred during the year, favoured the priority objectives indicated by the Bank's Administrative Bodies.
13. Even considering inertia connected to the organisational interventions currently under way, mentioned in paragraph 12 above, we deem that the internal auditing system is adequate for the dimensions and characteristics of the Bank and the Group. In particular, the numerous checks operating for the control and limitation of the intrinsic risks of the Bank's operations identified with timeliness the arising of critical situations, which were faced by the Bank's Top Management, the Executive Committee and the Board of Directors.
    In the exercise of its functions, the Board of Statutory Auditors extended its activities to the examination of procedures for monitoring and managing risks (credit, interest rate, market and operational risks) without identifying any elements capable of affecting their adequacy and reliability.
14. The complex unification of the IT systems continued during the year. On the one hand the migration of the former-Cariplo branches was completed and, on the other hand, the migration of the former-BCI branches commenced. Considering the size of the Bank and its Group, considering also the modifications carried out and under way in the bookkeeping-accounting system, we deem that the procedures transitorily adopted by the Bank, in any case enable a true and fair representation of operations.
15. We have no observations to formulate on the adequacy of information flows from the subsidiaries to the Parent Company aimed at ensuring the timely compliance to communication requirements provided for by the law.
16. During the periodic exchange of information between the Board of Statutory Auditors and the Independent Auditors, pursuant to Art. 150, par. 2 of Legislative Decree 58/1998, no relevant aspects to be brought to the attention of the Shareholders' Meeting emerged.
17. As concerns the rules regarding the "governance" of the Bank and its Group, please refer to the Code of corporate governance contained in the Report on operations.
18. In conclusion, we point out that from our supervisory activity no significant omissions, reprehensible facts or irregularities emerged, which must be mentioned to the Supervisory Authorities or to this Shareholders' Meeting.
19. Lastly, we express our positive opinion to the approval of the 2002 financial statements as presented by the Board of Directors with the Report on operations and the proposed dividend distribution.

Milano, 28th March 2003

The Board of Statutory Auditors

Gruppo Intesa
Consolidated financial statements
as at 31st December 2002

Gruppo Intesa
Consolidated financial statements as at 31st December 2002
Consolidated balance sheet

(in millions of euro)

	Assets	31/12/2002	31/12/2001 pro forma [1]	Changes	
				amount	%
10.	Cash and deposits with central banks and post offices	1,672	2,016	(344)	(17.1)
20.	Treasury bills and similar bills eligible for refinancing with central banks	2,473	5,809	(3,336)	(57.4)
30.	Due from banks	30,435	40,812	(10,377)	(25.4)
	a) repayable on demand	*2,612*	*3,654*	*(1,042)*	*(28.5)*
	b) other	*27,823*	*37,158*	*(9,335)*	*(25.1)*
40.	Loans to customers	168,532	182,772	(14,240)	(7.8)
	including				
	– with public funds under administration	*48*	*47*	*1*	*2.1*
50.	Bonds and other debt securities	30,359	43,354	(12,995)	(30.0)
	a) public entities	*12,936*	*21,014*	*(8,078)*	*(38.4)*
	b) banks	*8,177*	*11,584*	*(3,407)*	*(29.4)*
	including				
	– own bonds	*1,728*	*1,024*	*704*	*68.8*
	c) financial institutions	*6,261*	*6,835*	*(574)*	*(8.4)*
	including				
	– own bonds	*11*	*3*	*8*	
	d) other issuers	*2,985*	*3,921*	*(936)*	*(23.9)*
60.	Shares, quotas and other forms of capital	2,453	1,751	702	40.1
70.	Equity investments	3,248	3,783	(535)	(14.1)
	a) carried at equity	*427*	*581*	*(154)*	*(26.5)*
	b) other	*2,821*	*3,202*	*(381)*	*(11.9)*
80.	Investments in Group companies	372	971	(599)	(61.7)
	a) carried at equity	*172*	*353*	*(181)*	*(51.3)*
	b) other	*200*	*618*	*(418)*	*(67.6)*
90.	Goodwill arising on consolidation	733	481	252	52.4
100.	Goodwill arising on application of the equity method	54	27	27	
110.	Intangibles	718	727	(9)	(1.2)
	including				
	– start-up costs	*26*	*46*	*(20)*	*(43.5)*
	– goodwill	*12*	*24*	*(12)*	*(50.0)*
120.	Fixed assets	4,251	4,448	(197)	(4.4)
140.	Own shares or quotas *(nominal value 249 million euro)*	981	6	975	
150.	Other assets	30,259	25,678	4,581	17.8
160.	Accrued income and prepaid expenses	4,193	4,613	(420)	(9.1)
	a) accrued income	*3,894*	*4,144*	*(250)*	*(6.0)*
	b) prepaid expenses	*299*	*469*	*(170)*	*(36.2)*
	including				
	– discounts on securities issued	*54*	*80*	*(26)*	*(32.5)*
	Total Assets	**280,733**	**317,248**	**(36,515)**	**(11.5)**

[1] Figures restated on a consistent basis.

Gruppo Intesa
Consolidated financial statements as at 31st December 2002
Consolidated balance sheet

(in millions of euro)

	Liabilities and Shareholders' Equity	31/12/2002	31/12/2001 pro forma [1]	Changes	
				amount	%
10.	Due to banks	44,590	77,445	(32,855)	(42.4)
	a) repayable on demand	*5,281*	*11,658*	*(6,377)*	*(54.7)*
	b) time deposits or with notice period	*39,309*	*65,787*	*(26,478)*	*(40.2)*
20.	Due to customers	113,643	114,474	(831)	(0.7)
	a) repayable on demand	*82,698*	*78,462*	*4,236*	*5.4*
	b) time deposits or with notice period	*30,945*	*36,012*	*(5,067)*	*(14.1)*
30.	Securities issued	56,671	60,581	(3,910)	(6.5)
	a) bonds	*44,920*	*40,477*	*4,443*	*11.0*
	b) certificates of deposit	*10,330*	*17,336*	*(7,006)*	*(40.4)*
	c) other	*1,421*	*2,768*	*(1,347)*	*(48.7)*
40.	Public funds under administration	88	87	1	1.1
50.	Other liabilities	29,118	27,016	2,102	7.8
60.	Accrued expenses and deferred income	4,797	4,894	(97)	(2.0)
	a) accrued expenses	*4,332*	*4,255*	*77*	*1.8*
	b) deferred income	*465*	*639*	*(174)*	*(27.2)*
70.	Allowance for employee termination indemnities	1,375	1,407	(32)	(2.3)
80.	Allowances for risks and charges	4,043	4,081	(38)	(0.9)
	a) pensions and similar commitments	*317*	*372*	*(55)*	*(14.8)*
	b) taxation	*1,503*	*1,801*	*(298)*	*(16.5)*
	c) risks and charges arising on consolidation	*75*	*78*	*(3)*	*(3.8)*
	d) other	*2,148*	*1,830*	*318*	*17.4*
90.	Allowances for possible loan losses	50	145	(95)	(65.5)
100.	Reserve for general banking risks	115	93	22	23.7
110.	Subordinated and perpetual liabilities	11,631	11,708	(77)	(0.7)
120.	Negative goodwill arising on consolidation	29	15	14	93.3
130.	Negative goodwill arising on application of the equity method	1	1		
140.	Minority interests	776	1,269	(493)	(38.8)
150.	Share capital	3,561	3,489	72	2.1
160.	Share premium reserve	5,764	4,075	1,689	41.4
170.	Reserves	3,923	5,185	(1,262)	(24.3)
	a) legal reserve	*773*	*773*		
	b) reserve for own shares	*981*	*6*	*975*	
	c) statutory reserves	*155*	*151*	*4*	*2.6*
	d) other reserves	*2,014*	*4,255*	*(2,241)*	*(52.7)*
180.	Revaluation reserves	358	355	3	0.8
200.	Net income for the period	200	928	(728)	(78.4)
	Total Liabilities and Shareholders' Equity	**280,733**	**317,248**	**(36,515)**	**(11.5)**

[1] Figures restated on a consistent basis.

Gruppo Intesa
Consolidated financial statements as at 31st December 2002
Consolidated balance sheet

(in millions of euro)

	Guarantees and Commitments	**31/12/2002**	**31/12/2001 pro forma [1]**	**Changes**	
				amount	**%**
10.	Guarantees given	25,615	31,801	(6,186)	(19.5)
	including				
	– acceptances	*415*	*740*	*(325)*	*(43.9)*
	– other guarantees	*25,200*	*31,061*	*(5,861)*	*(18.9)*
20.	Commitments	55,065	64,767	(9,702)	(15.0)
	including				
	– for sales with commitment to repurchase	*130*	*15*	*115*	
30.	Credit derivatives	37,034	44,524	(7,490)	(16.8)
	Total Guarantees and Commitments	**117,714**	**141,092**	**(23,378)**	**(16.6)**

[1] Figures restated on a consistent basis.

Gruppo Intesa
Consolidated financial statements as at 31st December 2002
Consolidated statement of income

(in millions of euro)

		31/12/2002	31/12/2001 pro forma [1]	Changes	
				amount	%
10.	Interest income and similar revenues	13,342	17,418	(4,076)	(23.4)
	including from				
	– loans to customers	*9,861*	*11,826*	*(1,965)*	*(16.6)*
	– debt securities	*1,988*	*3,146*	*(1,158)*	*(36.8)*
20.	Interest expense and similar charges	(7,683)	(11,499)	(3,816)	(33.2)
	including on				
	– deposits from customers	*(2,384)*	*(3,075)*	*(691)*	*(22.5)*
	– securities issued	*(2,958)*	*(3,448)*	*(490)*	*(14.2)*
30.	Dividends and other revenues	715	1,042	(327)	(31.4)
	a) from shares, quotas and other forms of capital	*623*	*447*	*176*	*39.4*
	b) from equity investments	*90*	*157*	*(67)*	*(42.7)*
	c) from investments in Group companies	*2*	*438*	*(436)*	*(99.5)*
40.	Commission income	3,970	4,305	(335)	(7.8)
50.	Commission expense	(635)	(628)	7	1.1
60.	Profits (Losses) on financial transactions	(76)	(29)	47	
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	(1)	24	(25)	
70.	Other operating income	618	651	(33)	(5.1)
80.	Administrative costs	(6,081)	(6,646)	(565)	(8.5)
	a) payroll	*(3,692)*	*(4,056)*	*(364)*	*(9.0)*
	including				
	– wages and salaries	*(2,573)*	*(2,843)*	*(270)*	*(9.5)*
	– social security charges	*(714)*	*(831)*	*(117)*	*(14.1)*
	– termination indemnities	*(178)*	*(183)*	*(5)*	*(2.7)*
	– pensions and similar commitments	*(115)*	*(81)*	*34*	*42.0*
	b) other	*(2,389)*	*(2,590)*	*(201)*	*(7.8)*
85.	Allocation (use) of net returns (losses) on investment of the allowances for pensions and similar commitments	1	(21)	22	
90.	Adjustments to fixed assets and intangibles	(876)	(870)	6	0.7
100.	Provisions for risks and charges	(354)	(640)	(286)	(44.7)
110.	Other operating expenses	(148)	(166)	(18)	(10.8)
120.	Adjustments to loans and provisions for guarantees and commitments	(3,478)	(3,542)	(64)	(1.8)
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	1,084	1,095	(11)	(1.0)
140.	Provisions for possible loan losses	(6)	(35)	(29)	(82.9)
150.	Adjustments to financial fixed assets	(294)	(104)	190	
160.	Write-back of financial fixed assets	6	11	(5)	(45.5)
170.	Income (Loss) from investments carried at equity	60	76	(16)	(21.1)
180.	**Income (Loss) from operating activities**	**164**	**442**	**(278)**	**(62.9)**
190.	Extraordinary income	1,407	2,392	(985)	(41.2)
200.	Extraordinary charges	(1,344)	(1,717)	(373)	(21.7)
210.	**Extraordinary income (loss), net**	**63**	**675**	**(612)**	**(90.7)**
220.	Use of allowance for risks and charges arising on consolidation	2	11	(9)	(81.8)
230.	Change in the reserve for general banking risks	(22)	16	(38)	
240.	Income taxes	49	(195)	244	
250.	Minority interests	(56)	(21)	35	
	Net income for the period	**200**	**928**	**(728)**	**(78.4)**

[1] Figures restated on a consistent basis.

Notes to the consolidated financial statements

Introduction

Introduction

ACCOUNTING CRITERIA

Consolidated financial statements

2002 consolidated financial statements have been prepared in compliance with the provisions contained in Legislative Decree 87 of 27th January 1992 and in the instructions of the Governor of the Bank of Italy of 30th July 2002.

Consolidated financial statements are made up of the consolidated balance sheet, the consolidated statement of income and the notes to the consolidated financial statements, and the report on operations has also been included.
The Report and the Notes to the consolidated financial statements contain all information required by current regulations, by the Bank of Italy and by Consob (Italian Securities Exchange Commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair representation of the Group's situation.

Accounting and valuation criteria did not vary compared to those used to prepare the consolidated financial statements as at 31st December 2001; the sole exception is the accounting treatment of the sale of the equity investment in Banco di Chiavari e della Riviera Ligure.

On 6th December 2002, Banca Intesa signed with the Bipielle group a contract for the disposal of the entire equity stake in Banco di Chiavari e della Riviera Ligure. The price was set at 405 million euro and shares sold start to accrue rights for the purchaser as of 1st January 2002. The Bank of Italy, pursuant to Legislative Decree 385/93, authorised the operation with letter of 27th December 2002.
The settlement of the transaction occurred on 22nd January 2003: therefore the equity investment was maintained in the Parent Company's and in the consolidated financial statements as at 31st December 2002.
However, for the purposes of a correct representation of the transaction in the financial statements, the Bank decided to use the faculty provided for by Art. 2, par. 5 of Legislative Decree 87/92, which sets forth the derogation of provisions regarding valuation criteria if these are incompatible with the true and fair representation of company operations.
In this specific case the equity investment in Banco di Chiavari changed its economic purpose and was no longer a fixed investment since, before the close of the 2002 financial statements, the disposal of the equity investment had already been decided and the Bank had a precise commitment to sell the shares. Therefore valuation at cost, as required for fixed investments, had to be abandoned in order to represent the asset consistently with its new destination.
The application of the aforementioned derogation led to record in the 2002 financial statements a 246 million euro capital gain (recorded in Extraordinary income) on the valuation of the commitment to sell the shares contained in the aforementioned contract (included in the caption "Other assets"). If Banca Intesa had not applied this derogation, consolidated net income and shareholders' equity as at 31st December 2002 would have been 199 million euro lower.
This amount has not been allocated to a non-distributable reserve since the capital gain was definitively recorded in shareholders' equity, following the settlement of the operation which occurred in January 2003.
Since the effects of the aforementioned derogation solely affect the captions indicated above, specific pro forma balance sheet and statement of income have not been prepared.

As in the past, Banca Intesa notifies that it used the faculty contained in Art. 82, par. 2, of Consob Resolution 11971 of making the

draft Parent Company's financial statements and the draft consolidated financial statements as at 31st December 2002 available for shareholders and the market within 90 days from the end of period – instead of the quarterly report as at the same date.
The quarterly development of the balance sheet and of the statement of income are also presented for the purpose of providing the market consistent information with that disclosed to the market in the previous interim reports.

Reconta Ernst & Young Spa audited the consolidated financial statements as at 31st December 2002.

The amounts indicated in this Annual Report are expressed in millions of euro, unless otherwise specified.

Pro forma figures

Figures reported in the 2002 consolidated financial statements are compared with those as at 31st December 2001, restated to consider changes in the consolidation area. In compliance with the principle of continuity in the shareholders' equity pertaining to the Group, figures for the period used for comparison have been restated using a methodology which does not alter consolidated shareholders' equity recorded at the reference date.

In particular:
– for companies which were fully consolidated for the first time in the period, the balance sheet figures of the previous periods have been aggregated and both shareholders' equity and net income for those periods have been attributed to minority shareholders;
– for companies which have been excluded from the consolidation area, instead, the relevant balance sheet and statement of income aggregates have been eliminated, valuing the relevant stakes at equity.

CONSOLIDATION CRITERIA

As already mentioned, consolidation criteria conform to provisions set forth by Legislative Decree 87 of 27th January 1992 and Bank of Italy regulations dated 30th July 2002.

Consolidation area

The area of consolidation includes the Parent Company, Banca Intesa, and the significant equity investments which have been listed in a specific table included in the Notes.
This section also includes changes occurred in the consolidation area.
The most significant changes referred to the exclusion of Banco di Chiavari e della Riviera Ligure and of Banco Sudameris Argentina, and the inclusion of the Vseobecna Uverova Banka group, of Cassa di Risparmio di Terni e Narni and of Cassa di Risparmio di Alessandria.

Means of consolidation

Subsidiaries which carry out banking, financial activities, or contribute to the Group's operations, are fully consolidated. Exceptions refer to minor equity investments. Companies which are subject to joint control are consolidated according to the proportional method. Subsidiaries whose activities are dissimilar to the above (banking, financial and auxiliary) and associated companies in which the Group has a significant equity investment (equal to or exceeding 20% of share capital) are stated with reference to the Group's interest in the shareholders' equity, including net income for the period.

Equity investments in sicavs and those related to merchant banking are carried at cost.

For the purpose of consolidation, or of valuation according to the equity method, the draft financial statements as at 31st December 2002 drawn up by the Directors of subsidiaries have been used. For certain companies which are not part of the Group, financial statements as at 31st December 2002 were not available and therefore such companies have been valued according to the equity method using the last balance sheet situation available.

For the *Banque Sudameris* group the consolidated financial statements as at 31st December 2002 have been used.

The draft financial statements as at 31st December 2002 of the consolidated companies have been prepared by the respective Boards of Directors prior to approval of the Group's consolidated financial statements by Banca Intesa's Board of Directors.

Full consolidation

This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and statements of income of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests in equity (except for the "Allowances for possible loan losses" and the "Revaluation reserves") and the results for the period, the residual value is eliminated against the book value of the subsidiaries concerned.

Any differences arising on consolidation are allocated, where possible, to the assets and liabilities of the consolidated subsidiary; positive differences are also offset against the "Allowances for possible loan losses" and the "Revaluation reserves" pertaining to the Group. Residual differences are allocated to "Goodwill/Negative goodwill arising on consolidation" or "Other reserves".
The captions used are determined, respectively, with reference to the situation at the time the subsidiary was first consolidated and to subsequent changes in equity value, normally reflecting the results of operations.
If positive consolidation differences arise on the assets side and are not deemed to be justified by the respective company's future profitability, these are fully expensed in the period.

In particular, with regard to the consolidation of Banca Cis, the difference between purchase cost and the acquired portion of shareholders' equity has been accounted for in the "Allowance for risks and charges arising on consolidation", considering the unfavourable performance forecasted for the participated bank at the time of its purchase before its integration in the Group enables it to generate profits. This allowance generates income over a number of years. The reference parameter is the difference, if negative, between Banca Cis' net income for the period and that deemed to be satisfactory.
This difference was estimated at the time of the acquisition and determined the lower price paid compared to the corresponding book value of shareholders' equity (badwill).
In derogation to the general principle expressed above, the following subsidiaries are no longer subject to "line by line" consolidation:

– *Banco di Chiavari e della Riviera Ligure*, for the reasons illustrated in the chapter on accounting criteria above;

– *Banco Sudameris Argentina*, which will be merged with Banco Patagonia in the first half of 2003 thereof leading Gruppo Intesa hold 19.95% of the new bank. In addition to this, it must be noted that i) there are objective difficulties in obtaining audited results for the Argentinean bank in time for the preparation of the consolidated financial statements, and ii) the Argentinean subsidiary has a marginal impact in the accounts of Gruppo Intesa, which was further decreased following the depreciation of the Argentinean currency. The subsidiary will therefore remain in the books at cost until the completion of the merger operations.

Proportional consolidation

This approach is applied to companies controlled together with other parties.
The method is the same as that described in relation to full consolidation, except that the combination of the amounts reported in the balance sheet and statement of income is based on the percentage of control exercised by the Group.

Valuation using the equity method

This approach is applied to subsidiaries which do not carry out banking or financial activities, or do not contribute to Group's operations as well as to companies not controlled by the Group, but over which the Group exercises significant influence (so-called associated companies according to Legislative Decree 87/92).

This method measures investments with reference to the Group's interest in their shareholders' equity, including "Allowances for possible loan losses", "Revaluation reserves" and income for the period. Differences with respect to the Parent Company's book value are allocated to "Goodwill/Negative goodwill arising on application of the equity method" and to "Other reserves", as described in relation to full consolidation.

Other consolidation techniques

Goodwill/Negative goodwill arising on consolidation and on application of the equity method is determined at the time the investment is acquired or consolidated for the first time. Subsequent disposals or changes in percentage owned adjust the original differences.

The equity of foreign subsidiaries is translated into euro using the official end-of-period exchange rates. The difference between this amount and that recorded in the financial statements on incorporation, or at purchase date, is allocated with the appropriate sign to "Other reserves".

The financial statements of consolidated companies prepared using policies which differ from those applying to banks are adjusted accordingly.

Dividends, adjustments and write-backs are reversed if they relate to companies which have been consolidated or carried at equity. Adjustments, write-backs and provisions accounted for by consolidated companies for fiscal purposes are reversed in order to more fairly reflect the financial and operating position of the Group; provision is made for the related deferred taxation. Accordingly, the consolidated financial statements do not include any entries recorded solely for fiscal purposes.

In consolidation, further to intercompany balances reconciliation, all intercompany assets and liabilities, income and expenses offset each other. Residual amounts are allocated to the statement of income or the balance sheet, in accordance with the instructions issued by the Bank of Italy on 30th July 2002.

Financial lease receivables were stated according to the financial method. This means, essentially, that the cost of the leased asset represents the value of the loan at the start of the leasing contract while, subsequently, each instalment payment is treated as a loan repayment including both principal and interest using the internal rate of return of each contract. For leasing transactions between consolidated companies the historical cost and accumulated depreciation of the assets concerned at period-end are redetermined. The financial statements therefore reflect the net book value of such assets, stated in accordance with the criteria set out below, after eliminating the effect of intercompany transactions.

INFORMATION ON SPECIFIC ISSUES

Subsidised mortgages as per Law 133/99 and unsubsidised fixed rate mortgages

In relation to the problems concerning the determination of interest income, the actions illustrated in the Report on operations in the Annual Report 2001 are confirmed. In particular, amounts which may be subject to reimbursement to customers following the renegotiation of subsidised mortgages have been fully provisioned with a specific Allowance for risks and charges, while charges in excess for unsubsidised fixed rate mortgages, subsequent to flattening of interest rates to those set forth by relevant laws, have already been paid to customers.

Anatocism

In line with the general orientation of the banking system and the conviction of the full legitimacy of the Group's position, no provisions have been made to cover any reimbursement requests for interest calculated using the anatocism criterion.

Incentives provided for by Law 461/98

It must be noted that the tax incentives for bank concentration operations have been suspended as of the 2001 tax period, as set forth by Law Decree 63 of 15th April 2002, issued following the declaration of the European Commission that such incentives were incompatible with Community regulations regarding State subsidies. This suspension had already been prudentially considered in the determination of the tax burden for 2001 and the benefits legitimately recorded in the previous years have been covered by provisions of equal amount. Pursuant to Law Decree 282 of 24th December 2002, which – in compliance with EU regulations – set forth the restitution of the aforementioned tax benefits for the period from 1998 to 2000, the banks of Gruppo

Intesa concerned have paid an amount equal to the relevant benefits from the allowances set up in the 2001 financial statements.

EXPLANATION ADDED FOR THE ENGLISH TRANSLATION

The financial statements have been translated into English from the original version in Italian. They have been prepared in accordance with the Italian law related to financial statements, interpreted and integrated by the accounting principles established by the Italian Accounting Profession.
Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Italy may not conform with the generally accepted accounting principles in other Countries.

Part A - Valuation criteria

SECTION 1 - VALUATION CRITERIA

Accounting policies adopted comply with the Italian law, interpreted and integrated by the accounting principles established by the National Council of Dottori Commercialisti e Ragionieri (the Italian Accounting Profession).

With reference to the exercise of the derogation provided for by Art. 2, par. 5 of Legislative Decree 87/92, please refer to the chapter on accounting criteria above.

The financial statements of foreign companies which adopt valuation criteria different from the Group's are restated according to the principles illustrated below. The financial statements drawn up according to different criteria which have not been restated are immaterial and the relevant amounts do not appreciably affect figures in the consolidated financial statements.

1. Loans, guarantees and commitments

1.1 Due from banks

Amounts due from banks are generally stated at nominal value, including the interest due at the balance sheet date.

Amounts due from certain banks are written down with reference to their solvency conditions; other amounts due from banks resident in Countries which may have difficulties in servicing external debt have been written down by lump-sum adjustments, also considering the general indications of the banking industry.

The original value of amounts due from banks is written back in subsequent periods, to the extent that the reasons for any write-downs cease to apply.

1.2 Loans to customers

Loans are recorded among "Loans to customers" to the extent that they have been paid out under the terms of the related contracts.

Loans are stated at their estimated realisable value, which is determined by deducting expected losses at period-end from the principal outstanding.
Expected losses are determined as follows, considering the solvency of customers and any guarantees available:
– a detailed review is made of doubtful loans and other non-performing accounts; this may be integrated by lump-sum adjustments related to the positions of lower risk and size;
– yields and the basis and timing of repayments are considered with regard to consolidated or restructured loans;
– an overall estimate is made in relation to performing loans to customers located in Countries at risk, also considering the general indications of the banking industry.

Other loans are written down using lump-sum adjustments to reflect intrinsic risks, applying a percentage according to past experience.

The original value of amounts due from customers is written back in subsequent periods, to the extent that the reasons for any write-downs cease to apply.

1.3 Guarantees and commitments

Guarantees are recorded at the total value of the commitment.

Commitments to place funds with banking counterparties and make loans to customers are stated at the value of the amounts still to be paid over.

The credit risks associated with guarantees and commitments and with credit derivatives recorded in the banking book are covered by "Allowances for risks and charges – other allowances".

2. Securities and off-balance sheet transactions (excluding foreign currency transactions)

The securities portfolio is divided into Investment portfolio and Trading portfolio. Securities registered in the investment portfolio reflect precise predefined strategic decisions taken by the Executive Committee or equivalent body. Such securities may be sold before maturity provided a change in management strategy occurs, or if market conditions evolve so to undermine reasons which had brought about the inclusion of such securities in the investment portfolio.

Both securities held for trading and those purchased for liquidity purposes are recorded in the trading portfolio or inserted in structured portfolios.

2.1 Investment portfolio

Securities classified as financial fixed assets are recorded and valued at purchase cost or, if transferred from the trading portfolio, at the value resulting from the application of the relevant valuation criteria, at the term of the transfer.

Investment securities are written down if a permanent loss of value has occurred in relation to the solvency of the issuer and of the borrowers' resident Countries. Their original value is written back in subsequent periods, to the extent that the reasons for any write-downs cease to apply.

Issue discounts are registered among interest income on an accruals basis, as an increase in the book value of the relevant securities. The difference between purchase cost, including accrued issue discounts, and the higher or lower principal repayment of investment securities is recorded in interest income on an accruals basis.

2.2 Trading portfolio

Securities in the trading portfolio have been accounted for based on their continuous weighted average.

The valuation is carried out as follows:

- Italian and foreign securities traded on regulated markets: average market price for the last month of the period;
- treasury shares, though listed, at the lower between purchase cost and market value, considering the peculiarities of this type of asset, for which any real trading activities are excluded;
- unlisted securities: at the lower between cost or market value; the latter is calculated considering estimated realisable value which – in the case of fixed-income securities – is determined by discounting future financial flows using the market interest rate, obtained on listed securities with similar characteristics or on information system based markets normally used internationally.
  In particular, for subordinated securities originated from loan securitisations, estimated realisable value is calculated considering the forecasted recoveries on the loan portfolio sold.
  The solvency of the issuer and the resident Country's difficulty in servicing debt is also considered;
- for quotas of undertakings in collective investments in tradable securities (UCITS):
  - period-end market value, in presence of quotations expressed by regulated markets, or obtained from communications to the market of management companies published by specialised channels;
  - at the lower between cost or market value, if those parameters are not available. Market value, in these cases, is represented by estimated realisable value, determined according to the procedure indicated above for securities other than quotas.

Value of written down unlisted securities is written up in subsequent periods, to the extent that the reasons for any write-downs cease to apply.

Repurchase agreements are treated as deposit-taking or lending transactions. In particular:

- spot sales with a commitment to repurchase are recorded as deposits and stated at the spot amount received;
- spot purchases with a commitment to resell are recorded as loans and stated at the spot amount advanced.

In repurchase agreements on fixed-income securities, the difference between the spot and forward tel quel prices represents interest expense on deposits and interest income from loans and is recognised on an accruals basis.

Book value of zero-coupon securities includes accrued interest.

Transactions in securities and similar instruments are recorded with reference to their settlement dates.

2.3 Off-balance sheet transactions (excluding foreign currency transactions)

Securities to be delivered or received in relation to unsettled contracts at balance sheet date are considered as a part of the trading portfolio and are valued as described above, considering the price contained in the contract.

Off-balance sheet transactions which refer to derivative contracts – financial and credit derivatives – are valued as follows:

- derivatives used to hedge assets and liabilities (both on- and off-balance sheet) have been valued on a consistent basis with assets and liabilities hedged;
- derivative contracts held for trading are stated at market value;
- derivative contracts which are part of "structured financial portfolios", which also include assets made up of debt securities and/or shares, are valued consistently with the relevant asset;
- credit derivative contracts recorded in the banking book (hedging) are valued consistently with the criteria indicated in guarantees and commitments.

Market value for derivative contracts has been calculated on the basis of the official end-of-period quotation for derivatives traded in regulated markets and according to estimated replacement costs for derivatives which – though unlisted – can be considered similar to listed derivatives since they use (as parameters) prices, quotations or indices that may be obtained from international information systems and can in any case be calculated objectively.

Differentials on hedges on interest-bearing assets or liabilities are recognised on the basis used to record the interest itself, in the case of specific hedges, or over the life of the contract (in the case of general hedges).

Differentials on hedges on non-interest-bearing assets or liabilities are recorded in the statement of income at the time of settlement. Differentials on multi-flow derivative contracts held for trading are registered in the statement of income over the life of the contracts, while differentials on single-flow derivatives are registered at the time of settlement.

Evaluation results of off-balance sheet transactions are accounted for in the balance sheet in "Other assets" and "Other liabilities" without offsetting.

Dealing on the market in certain types of derivatives has been centralised at specific companies or business units. These units also manage, within their books, positions taken to meet hedging requirements of other Group units which are not authorised to operate on the market. The needs of the latter are satisfied via internal deals traded at market prices.
In the consolidated balance sheet, interunit and intercompany deals are accounted for as follows:

- internal deals included in the portfolios held by specialised companies or business units are valued at market prices similarly to other trading contracts held by such companies and units;
- internal deals held by companies/units which are not authorised to operate directly on the market are accounted consistently with assets and liabilities hedged and are therefore carried at cost, since they are used exclusively as hedges of assets and liabilities carried at cost.

Differentials or margins accrued in the period relative to internal deals are accounted for as interest income and expense i) using a time frame consistent with accrual of interest on assets and liabilities hedged if they refer to a specific hedge contract, or ii) determined according to the maturity of the contract if they refer to a generic hedge contract.

3. Equity investments

Significant investments are valued using the equity method, as described in the consolidation criteria.

Other minority equity investments are stated at cost on a LIFO basis using annual layers, as they are financial fixed assets.

In this regard, the book value of investments held as at 31st December 1992 (which includes any revaluations carried out according to specific regulations) is deemed to represent their cost at that date, as permitted by Art. 8.4 of Legislative Decree 87/92.
Book value is written down to reflect any impairment in the value of equity

investments. For equity investments in companies listed in regulated markets the write-down is also determined based on the arithmetical average of stock price over the last semester. However, the original value may be written back in subsequent periods, to the extent that the reasons for any write-downs cease to apply.

The acquisitions of equity investments for which there is a commitment to sell at a later date are accounted for as repurchase agreements. Therefore these equity investments are excluded from the consolidation area.

Dividends are recorded in the period they are declared which, usually, corresponds to the time of collection.

4. Assets and liabilities in foreign currencies (including off-balance sheet transactions)

Other assets and liabilities denominated in foreign currencies are translated into euro using end-of-period spot exchange rates.

Off-balance sheet transactions in foreign currencies including derivatives are valued as follows:
– for transactions related to unsettled spot contracts, market prices have been calculated using spot exchange rates at the end of period;
– for transactions related to forward contracts, market prices have been obtained using end-of-period forward rates for maturities corresponding to those of the relative contracts;
– for hedge transactions, market prices have been calculated on a consistent basis and take into account the terms and conditions contained in the relative contracts.

The results of the valuations are recorded in the caption “Profits (Losses) on financial transactions” in the statement of income, while in the balance sheet they are accounted for as “Other assets/liabilities”.

Differentials between the spot and forward rates of hedge transactions are recognised in the statement of income on an accrual basis, to match the recognition of interest on the underlying assets or liabilities.

Foreign currency transactions are recorded with reference to the time of settlement.

5. Fixed assets

Real estate is recorded at purchase cost, including related charges, as well as renovation expenses and any extraordinary repairs, which have determined an increase in its value. The value of certain real estate properties has also been restated as a result of applying revaluation laws and following the allocation of merger deficit or as a result of positive consolidation differences.

Furniture, fittings, machines and equipment are recorded at purchase cost, including related expenses and any improvement expenditure incurred.

The book value of tangible fixed assets is stated net of accumulated depreciation. These assets are automatically depreciated on a straight-line basis using rates which reflect their useful lives.

In particular:
– newly-acquired assets are depreciated from the accounting period in which they enter service;
– assets entering service during the period are depreciated at half the standard rate since it is assumed that, on average, their use began half way through the year.

Fixed assets accounted from restatement of intercompany leases are depreciated on the above basis; the depreciation rates applied by the user are adopted for this purpose.

Accelerated depreciation provided for fiscal purposes has been reversed on consolidation and provision is made for the related deferred taxation.

Value of fixed assets is adjusted when losses deemed to be permanent occur.

Maintenance expenditure that does not increase the value of assets is expensed as incurred.

6. Intangibles

Intangibles are stated at purchase cost net of accumulated amortisation.

This caption comprises:
– goodwill paid on the acquisition of companies or deriving from merger deficits which emerge on integration

of companies. These are amortised at constant rates over a ten-year period;
- start-up costs related to new branches located in buildings which are not owned by the Group, costs related to new issues of shares or of other securities. Such costs are amortised at constant rates over a five-year period;
- refurbishing costs for branches and other premises which are not owned by the Group. These costs are amortised on a straight-line basis over their estimated useful life and in any case, according to provisions set out by Art. 16, par. 1, of Legislative Decree 87/92, in a period no longer than five years;
- application software costs of multi-annual use. These are amortised over a maximum of five years according to estimated useful life;
- other deferred charges which are amortised over a maximum period of five years.

Positive differences arising on consolidation and application of the equity method are considered intangibles even though these are accounted for in specific captions; these are amortised at constant rates over a ten-year period just like goodwill.

Value of intangibles is adjusted when losses deemed to be permanent occur.

7. Other policies

7.1 Accruals and deferrals

Accruals and deferrals are determined in accordance with the matching principle taking account of the rates and conditions applicable to individual accounts. The amounts are reported separately in the balance sheet since, as permitted, they have not been added to or deducted from the asset and liability accounts to which they relate.
The only exceptions are accruals on zero-coupon securities held in portfolio or issued by Group companies.

7.2 Deposits and public funds under administration

Deposits of banks and ordinary customers and public funds under administration are stated at their nominal values.

7.3 Securities issued

Mortgage bonds, other bonds, certificates of deposit and bank cashiers' cheques are stated at their nominal values.

Zero-coupon securities have been stated at issue price plus accruals at period-end.

Issue discounts are reported as a "Prepaid expense". Issue premiums are recorded as a "Deferred income" item.

7.4 Allowance for employee termination indemnities

The amount recorded represents the liability to all employees at the end of the period, accrued in accordance with current legislation and labour agreements.

7.5 Allowances for risks and charges

This caption comprises:
- *"Allowances for pensions and similar commitments"*
  Have been set up as a consequence of specific contracts and are deemed to adequately guarantee the payment of pensions for which Group companies are liable.
- *"Allowance for taxation"*
  The provision for income taxes is determined with reference to a prudent estimate of the current, prepaid and deferred taxation. In particular, prepaid and deferred taxes are determined irrespective of temporal limits and according to all temporary differences between book value attributed to assets or liabilities and the corresponding values for fiscal purposes.

Deferred tax assets are accounted for in the balance sheet when a reasonable certainty of their recovery exists, based on the relevant company's continuing capacity to generate taxable income.

Deferred tax liabilities have been fully accounted for, with the sole exceptions of higher asset values in equity investments subject to a suspended tax regime and shareholders' equity reserves for which taxes are suspended, since it is reasonably expected that no voluntary actions will be taken which involve taxation of such reserves.

Prepaid and deferred taxes are accounted for in the balance sheet with open balances and without offsetting effects, the former in the "Other assets" caption and the latter in the "Allowances for risks and charges - allowance for taxation" caption.
In addition, this account reflects the deferred taxation on consolidation adjustments, if it is likely that the taxes concerned will become payable by a Group company.

These taxes essentially reflect:
- those arising from the reversal, on consolidation, of adjustments and provisions recorded for fiscal purposes;
- those arising from the allocation of positive consolidation differences in the assets of the consolidated company.

Deferred tax assets and liabilities are systematically valued considering any changes in fiscal regulations or tax rates and the situation of the Group companies involved.

The allowance also contains provisions for tax charges which could derive from assessments already notified, or in any case from litigations currently under way with Fiscal Authorities.

- *"Allowance for risks and charges arising on consolidation"*

  The allowance contains negative differences that arise from the comparison of purchase cost of a consolidated subsidiary and the relevant portion of shareholders' equity acquired, when the difference reflects negative performances forecasted for that company. The allowance is transferred to the consolidated statement of income for the amount of the losses incurred and when such losses occur.

- *"Other allowances"*

  This caption comprises provisions to cover known or possible losses, the timing or the extent of which cannot be determined at the balance sheet date.

Such allowances do not adjust the value of any asset captions.
The allowances reflect the best estimate of the charges to be incurred, based on available information.

7.6 Allowance for possible loan losses

The "Allowances for possible loan losses" have been set up for prudential purposes, considering loan portfolio breakdown and do not adjust asset captions.

7.7 Subordinated liabilities

Subordinated liabilities are stated at nominal value. Subordinated liabilities denominated in foreign currency are translated using the end-of-period spot rates.

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

The adjustments and provisions recorded by Group companies solely for fiscal purposes have been eliminated on consolidation in order to present more fairly the financial and operating position of the Group. Deferred taxation has been recorded in relation to such elimination.
Accordingly, the consolidated financial statements do not include any entries made solely for fiscal purposes.

Part B - Information regarding the consolidated balance sheet

SECTION 1 - LOANS

Breakdown of caption 10 “Cash and deposits with central banks and post offices”

Subcaptions	
Cash	1,396
Deposits with	
– central banks	243
– post offices and other entities	22
– other	11
Total	1,672

Breakdown of caption 30 “Due from banks”

Subcaptions	
a) Repayable on demand	
– current accounts for services rendered	*805*
– deposits	*1,451*
– other	*356*
Total a)	2,612
b) Other loans	
to central banks	
– compulsory reserve requirement	*2,011*
– other	*618*
to banks	
– time deposits	*4,426*
– loans	*3,499*
– repurchase agreements	*15,927*
– doubtful loans	*2*
– other	*1,340*
Total b)	27,823
Total	30,435

1.1 Analysis of caption 30 “Due from banks”

a) Due from central banks	2,629
b) Bills eligible for refinancing with central banks	–
c) Financial lease receivables	12
d) Repurchase agreements	15,927
e) Securities lending	32

1.2 Breakdown of on-balance sheet loans due from banks

Categories	Gross exposure	Total adjustments	Net exposure
A. Non-performing loans	319	(99)	220
A1. doubtful loans	*39*	*(37)*	*2*
A2. substandard loans	*14*	*(10)*	*4*
A3. loans under restructuring	–	–	–
A4. restructured loans	–	–	–
A5. loans subject to Country risk	*266*	*(52)*	*214*
B. Performing loans	30,215	–	(30,215)
Total	30,534	(99)	30,435

1.3 Due from banks - Changes in non-performing loans

	Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A. Initial gross exposure	39	2	–	–	497
A1. including overdue interest	*1*	–	–	–	–
B. Increases	1	12	–	15	41
B1. inflows from performing loans	*1*	*12*	–	–	*41*
B2. overdue interest	–	–	–	–	–
B3. transfers from other non-performing loan categories	–	–	–	*15*	–
B4. other increases	–	–	–	–	–
C. Decreases	(1)	–	–	(15)	(272)
C1. outflows to performing loans	–	–	–	–	*(1)*
C2. write-offs	–	–	–	–	–
C3. repayments	–	–	–	*(15)*	*(88)*
C4. credit disposals	–	–	–	–	–
C5. transfers to other non-performing loan categories	–	–	–	–	*(15)*
C6. other decreases	*(1)*	–	–	–	*(168)*
D. Final gross exposure	**39**	**14**	**–**	**–**	**266**
D1. including overdue interest	*1*	–	–	–	–

1.4 Due from banks - Changes in total adjustments

	Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A. Initial total adjustments	37	–	–	–	94	–
A1. including overdue interest	*2*	–	–	–	–	–
B. Increases	3	10	–	7	27	–
B1. adjustments	*3*	*10*	–	–	*3*	–
B1.1 including overdue interest	–	–	–	–	–	–
B2. use of allowances for possible loan losses	–	–	–	–	–	–
B3. transfers from other loan categories	–	–	–	*7*	–	–
B4. other increases	–	–	–	–	*24*	–
C. Decreases	(3)	–	–	(7)	(69)	–
C1. write-back of adjustments	–	–	–	–	*(9)*	–
C1.1 including overdue interest	–	–	–	–	–	–
C2. write-backs on repayments	–	–	–	*(7)*	*(1)*	–
C2.1 including overdue interest	–	–	–	–	–	–
C3. write-offs	–	–	–	–	–	–
C4. transfers to other non-performing loan categories	–	–	–	–	*(7)*	–
C5. other decreases	*(3)*	–	–	–	*(52)*	–
D. Final total adjustments	**37**	**10**	**–**	**–**	**52**	**–**
D1. including overdue interest	*1*	–	–	–	–	–

Breakdown of caption 40 “Loans to customers”

Subcaptions	
Mortgages	57,119
Current accounts	24,678
Other loans	57,897
Loans for factoring activities	6,954
Doubtful loans	5,348
Financial lease receivables	6,712
Discounted portfolio risk	3,105
Repurchase agreements	3,457
Other	3,262
Total	**168,532**

1.5 Analysis of caption 40 “Loans to customers”

a) Bills eligible for refinancing with central banks	81
b) Financial lease receivables	6,712
c) Repurchase agreements	3,457
d) Securities lending	73

1.6 Secured loans to customers

a) Loans secured by mortgages	50,568
b) Loans secured by pledge on	
1. cash deposits	*1,132*
2. securities	*8,559*
3. other valuables	*1,023*
	10,714
c) Loans secured by guarantees from	
1. Governments	*700*
2. other public agencies	*383*
3. banks	*3,188*
4. other operators	*27,111*
	31,382
Total	**92,664**

1.7 Breakdown of on-balance sheet loans to customers

Categories	Gross exposure	Total adjustments	Net exposure
A. Non-performing loans	21,155	(10,563)	10,592
A1. doubtful loans	*14,265*	*(8,917)*	*5,348*
A2. substandard loans	*5,669*	*(1,405)*	*4,264*
A3. loans under restructuring	*3*	*(1)*	*2*
A4. restructured loans	*429*	*(150)*	*279*
A5. loans subject to Country risk	*789*	*(90)*	*699*
B. Performing loans	159,029	(1,089)	157,940
Total	**180,184**	**(11,652)**	**168,532**

1.8 Loans to customers - Changes in non-performing loans

	Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A. Initial gross exposure	13,612	4,576	100	455	1,194
A1. including overdue interest	*3,115*	*114*	*–*	*11*	*–*
B. Increases	3,500	4,867	7	252	24
B1. inflows from performing loans	*1,384*	*4,222*	*6*	*220*	*20*
B2. overdue interest	*461*	*43*	*–*	*2*	*–*
B3. transfers from other non-performing loan categories	*1,205*	*220*	*–*	*25*	*–*
B4. other increases	*450*	*382*	*1*	*5*	*4*
C. Decreases	(2,847)	(3,774)	(104)	(278)	(429)
C1. outflows to performing loans	*(189)*	*(506)*	*(8)*	*(10)*	*(4)*
C2. write-offs	*(1,069)*	*(112)*	*(2)*	*(13)*	*–*
C3. repayments	*(921)*	*(1,693)*	*(60)*	*(45)*	*(18)*
C4. credit disposals	*(1)*	*(5)*	*–*	*(5)*	*–*
C5. transfers to other non-performing loan categories	*(36)*	*(1,195)*	*(26)*	*(193)*	*–*
C6. other decreases	*(631)*	*(263)*	*(8)*	*(12)*	*(407)*
D. Final gross exposure	**14,265**	**5,669**	**3**	**429**	**789**
D1. including overdue interest	*3,388*	*106*	*–*	*11*	*–*

1.9 Loans to customers - Changes in total adjustments

	Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A. Initial total adjustments	8,099	993	13	101	117	1,178
A1. including overdue interest	*2,886*	*99*	*–*	*7*	*–*	*4*
B. Increases	2,993	1,146	–	121	17	287
B1. adjustments	*2,284*	*999*	*–*	*112*	*17*	*265*
B1.1 including overdue interest	*397*	*15*	*–*	*1*	*–*	*1*
B2. use of allowances for possible loan losses	*72*	*1*	*–*	*–*	*–*	*–*
B3. transfers from other loan categories	*569*	*130*	*–*	*8*	*–*	*12*
B4. other increases	*68*	*16*	*–*	*1*	*–*	*10*
C. Decreases	(2,175)	(734)	(12)	(72)	(44)	(376)
C1. write-back of adjustments	*(333)*	*(82)*	*(1)*	*(1)*	*(20)*	*(70)*
C1.1 including overdue interest	*(41)*	*(1)*	*–*	*–*	*–*	*–*
C2. write-backs on repayments	*(430)*	*(62)*	*(4)*	*(7)*	*(2)*	*(12)*
C2.1 including overdue interest	*(39)*	*(9)*	*–*	*–*	*–*	*–*
C3. write-offs	*(1,070)*	*(112)*	*(2)*	*(12)*	*–*	*(53)*
C4. transfers to other loan categories	*(22)*	*(440)*	*(5)*	*(47)*	*(3)*	*(202)*
C5. other decreases	*(320)*	*(38)*	*–*	*(5)*	*(19)*	*(39)*
D. Final total adjustments	**8,917**	**1,405**	**1**	**150**	**90**	**1,089**
D1. including overdue interest	*3,291*	*87*	*–*	*10*	*–*	*2*

SECTION 2 - SECURITIES

2.1 Investment portfolio

Subcaptions	Book value	Market value
1. Debt securities	8,100	8,377
1.1 Government securities	1,699	2,013
– listed	*1,645*	*1,959*
– unlisted	*54*	*54*
1.2 Other securities	6,401	6,364
– listed	*5,646*	*5,643*
– unlisted	*755*	*721*
2. Shares, quotas and other forms of capital	8	7
– listed	*8*	*7*
– unlisted	*–*	*–*
Total	**8,108**	**8,384**

Differences between principal repayment and book value

Positive	89
Negative	39

2.2 Changes in the investment portfolio

A. Initial amount	12,585
B. Increases	1,167
B1. purchases	*872*
B2. write-backs	*3*
B3. transfers from the trading portfolio	*162*
B4. other changes	*130*
C. Decreases	(5,644)
C1. sales	*(3,853)*
C2. principal repayments	*(1,361)*
C3. adjustments	*(39)*
including	
– permanent write-downs	*–*
C4. transfers to the trading portfolio	*(46)*
C5. other changes	*(345)*
D. Final amount	**8,108**

2.3 Trading portfolio

Subcaptions	Book value	Market value
1. Debt securities	24,732	24,754
1.1 Government securities	7,327	7,327
– listed	*6,929*	*6,929*
– unlisted	*398*	*398*
1.2 other securities	17,405	17,427
– listed	*5,518*	*5,518*
– unlisted	*11,887*	*11,909*
2. Shares, quotas and other forms of capital	2,445	2,470
– listed	*1,913*	*1,913*
– unlisted	*532*	*557*
Total	**27,177**	**27,224**

2.4 Changes in the trading portfolio

A. Initial amount	38,329
B. Increases	455,932
B1. purchases	454,507
– debt securities	*418,555*
– Government securities	*279,450*
– other securities	*139,105*
– shares, quotas and other forms of capital	*35,952*
B2. write-backs and revaluations	*474*
B3. transfers from the investment portfolio	*46*
B4. other changes	*905*
C. Decreases	(467,084)
C1. sales and principal repayments	*(463,185)*
– debt securities	*(427,925)*
– Government securities	*(284,899)*
– other securities	*(143,026)*
– shares, quotas and other forms of capital	*(35,260)*
C2. adjustments	*(273)*
C3. transfers to the investment portfolio	*(162)*
C5. other changes	*(3,464)*
D. Final amount	**27,177**

SECTION 3 - EQUITY INVESTMENTS

Variations in the consolidation area

As at 31st December 2001, in relation to its acquisition at year-end, the Vseobecna Uverova Banka group was carried at cost. In the various 2002 interim reports, the VUB group was consolidated with the equity method. In these financial statements, the VUB group is fully consolidated and the following companies pass, thereby, to full/proportional consolidation:

VUB Bank	VUB Real
VUB Factoring	VUB Leasingova
VUB Asset Management	Leasreal
Realitna Spolocnost VUB	VUB Wustenrot (*proportional*)

Furthermore, as commented in the Report on operations, the following companies are carried at cost: Banco Sudameris Argentina and its controlling company Atlantis, considering that their disposal is under completion, and also Banco di Chiavari, due to the contract for its disposal signed in December 2002.
The other variations in the consolidation area compared to as at 31st December 2001 are set out below.

Companies subject to full/proportional consolidation

Inclusions	
Cassa di Risparmio di Terni e Narni	Formerly carried at equity
Compagnia Regionale Leasing	Controlled by Cassa di Risparmio di Terni e Narni
Servizio Riscossione Tributi – Terni	Controlled by Cassa di Risparmio di Terni e Narni
Carinord 1	Increased stake and thus consolidated with proportional method. Formerly carried at cost
Cassa di Risparmio di Alessandria	Controlled by Carinord 1. Consolidated with proportional method
Epsilon Sgr	Newly-acquired company
IntesaBci Sec. 2	Newly-established company
LUXICAV Conseil	Formerly carried at equity
Private Equity International	Transformation of Neuf SA, formerly carried at cost, in financial company
Sailview Company	Controlled by Private Equity International
Sim Co.Ge.F.	Formerly carried at equity
Servizio Riscossione Tributi – Rieti	Newly-established company
Servizio Riscossione Tributi – La Spezia	Newly-established company. Consolidated with proportional method

Exclusions	
BCI Canada Securities	Liquidated
Cariplo Finance	Liquidated
Cofragef	Liquidated
Comit Factoring	Merged in Banca Intesa
Comit Service	Sold
Intesa (Ireland)	Liquidated
Serit Picena	Sold

Companies carried at equity

Exclusions	
Allevamento Le Colombaie	Sold
Azienda Agricola Ballottino	Sold
Banca Carime	Sold
Cassa di Risparmio di Terni e Narni	Fully consolidated
Centro Incremento Suini	Sold
Loyalty Group	Sold
LUXICAV Conseil	Fully consolidated
PROMINVESTMENT	Sold
Sim Co.Ge.F.	Fully consolidated

The numerous transformations, mergers and spin-offs which occurred in Group companies without affecting consolidated aggregates have not been mentioned.

3.1 Significant equity investments

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment		Votes available at Shareholders' Meeting % (*)	Book value
				direct ownership	% held		
A. Consolidated companies **Parent Company** Banca Intesa Spa Capital euro 3,561,062,849.24 in shares of euro 0.52							
A.1 Companies subject to full consolidation 1 Amex doo - Ljubljana Capital SIT 2,500,000	1	0	0	PBZ American Express	100.00		
2 Banca Cis Spa - Cagliari Capital euro 170,276,569.35 in shares of euro 51.65	1	271	19	Banca IntesaBci Mediocredito	55.37		
3 Banca Commerciale Italiana (France) SA - Paris Capital euro 188,000,000 in shares of euro 17.07	1	219	25	Banca Intesa	99.99		
4 Banca di Trento e Bolzano Spa - Trento Capital euro 51,167,583 in shares of euro 0.52	1	122	11	Banca Intesa Finanziaria BTB	8.28 57.00		
5 Banca Intesa (France) SA - Paris Capital euro 39,636,744 in shares of euro 15.24	1	48	1	Banca Intesa	99.99		
6 Banca IntesaBci Mediocredito Spa - Milano Capital euro 500,000,000 in shares of euro 1	1	874	46	Banca Intesa	100.00		
7 Banca Popolare FriulAdria Spa - Pordenone Capital euro 101,975,060 in shares of euro 5	1	438	34	Banca Intesa	76.05		
8 Banca Primavera Spa - Assago (*Milano*) Capital euro 120,000,000 in shares of euro 1	1	70	(63)	Banca Intesa IntesaBci e.lab	11.56 88.44		
9 Banco Comercial e de Investimento Sudameris SA - São Paulo Capital R$ 844,367,472 in shares without nominal value	1	306	46	Sudameris Distribuidora de Titulos e Val. Banco Sudameris Brasil	93.88 5.92	89.44 10.44	
10 Banco Sudameris Brasil SA - São Paulo Capital R$ 1,138,689,238 in shares without nominal value	1	361	27	Banque Sudameris SATA	93.91 0.67	94.38 0.65	
11 Banco Sudameris Colombia - Santa Fé de Bogotá Capital COP 24,871,922,800 in shares of COP 400	1	24	(6)	Banque Sudameris	73.60		
12 Banco Sudameris de Investimento SA - São Paulo Capital R$ 12,504,650 in shares without nominal value	1	5	1	Banco Sudameris Brasil	99.99	99.98	
13 Banco Sudameris Paraguay SAECA - Asunción Capital PYG 38,613,335,000 in shares of PYG 1,000	1	11	2	Banque Sudameris Sudameris Immobiliaria	92.88 0.36		
14 Banco Wiese Sudameris SA - Lima Capital PEN 847,816,732 in shares of PEN 0.18	1	352	9	Lima Sudameris Holding Banque Sudameris	58.49 35.33	58.90 35.58	
15 Bankhaus Löbbecke & Co. KG - Berlin Capital euro 85,947,560.88	1	425	1	Banca Intesa Beteiligungsgesellschaft für das Bankhaus Löbbecke	98.78 1.22	74.00 26.00	
16 Banque Sudameris SA - Paris Capital euro 545,152,937 in shares without nominal value	1	127	(773)	IntesaBci Holding International	99.98		
17 BCI Funding Corporation - Wilmington (*Delaware*) Capital USD 10,000 in shares of USD 1	1	0	0	IntesaBci Holding International	100.00		
18 BCI US Funding LLC I (c) - Wilmington (*Delaware*) Capital USD 10,000,000 in "common shares" of USD 10,000	1	10	0	Banca Intesa	100.00		
19 BCI US Funding LLC II (d) - Wilmington (*Delaware*) Capital euro 27,500,000 in "common shares" of euro 1,000	1	28	0	Banca Intesa	100.00		
20 BCI US Funding LLC III (e) - Wilmington (*Delaware*) Capital GBP 6,000,000 in "common shares" of GBP 1,000	1	9	0	Banca Intesa	100.00		
21 Beteiligungsgesellschaft für das Bankhaus Löbbecke - Berlin Capital euro 1,583,419.83	1	3	0	Banca Intesa	100.00		
22 C.R.L. - Compagnia Regionale Leasing - Terni Capital euro 4,800,000 in shares of euro 6	1	9	0	C.R. di Terni e Narni	99.95		
23 Caboto (International) SA - Lugano Capital CHF 10,000,000 in shares of CHF 1,000	1	7	0	Banca Intesa	100.00		
24 Caboto IntesaBci Sim Spa - Milano Capital euro 412,464,000 in shares of euro 52	1	499	24	Banca Intesa	100.00		
25 Caboto Securities Limited - London Capital GBP 10,000,000 in shares of GBP 1	1	17	2	Caboto IntesaBci Sim	100.00		
26 Caboto USA Inc - New York Capital USD 2,000,000 in shares of USD 100	1	1	(1)	Caboto IntesaBci Sim	100.00		
27 Caridata Spa - Milano Capital euro 1,040,000 in shares of euro 0.52	1	9	1	Banca Intesa	60.00		
28 Cassa di Risparmio della Provincia di Viterbo Spa - Viterbo Capital euro 49,407,056.31 in shares of euro 0.51	1	86	5	Holding IntesaBci Centro	70.93	79.09	
29 Cassa di Risparmio di Ascoli Piceno Spa - Ascoli Piceno Capital euro 70,755,020 in shares of euro 258.23	1	166	10	Holding IntesaBci Centro	66.00		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting % (°)	Book value
30 Cassa di Risparmio di Biella e Vercelli Spa - Biella Capital euro 117,500,000 in shares of euro 1	1	215	25	Banca Intesa	55.00		
31 Cassa di Risparmio di Città di Castello Spa - Città di Castello (*Perugia*) Capital euro 23,750,000 in shares of euro 0.50	1	43	1	Banca Intesa Holding IntesaBci Centro	15.00 64.24		
32 Cassa di Risparmio di Foligno Spa - Foligno (*Perugia*) Capital euro 17,720,820 in shares of euro 0.52	1	60	5	Holding IntesaBci Centro Carivita	70.47 0.06		
33 Cassa di Risparmio di Parma e Piacenza Spa - Parma Capital euro 500,000,000 in shares of euro 1	1	866	138	Banca Intesa	100.00		
34 Cassa di Risparmio di Rieti Spa - Rieti Capital euro 47,339,291 in shares of euro 51.65	1	148	5	Holding IntesaBci Centro	85.00		
35 Cassa di Risparmio di Spoleto Spa - Spoleto (*Perugia*) Capital euro 35,070,334 in shares of euro 1	1	53	4	Holding IntesaBci Centro	59.44	65.31	
36 Cassa di Risparmio di Terni e Narni Spa - Terni Capital euro 21,000,000 in shares of euro 6	1	82	8	Banca Intesa	75.00		
37 Central-European International Bank Ltd - Budapest Capital HUF 23,500,000,000 in shares of HUF 1,000	1	290	30	IntesaBci Holding International	100.00		
38 CIB Credit Co. Ltd - Budapest Capital HUF 50,000,000 in shares of HUF 1,000,000	1	3	3	CIB Leasing CIB Real Estate	98.00 2.00		
39 CIB Investment Fund Management Rt - Budapest Capital HUF 300,000,000 in shares of HUF 10,000	1	2	1	Central-European International Bank CIB Securities CIB Service	93.33 6.66 0.01		
40 CIB Leasing Rt - Budapest Capital HUF 1,520,000,000 in shares of HUF 10,000	1	13	5	Central-European International Bank CIB Rent CIB Service	1.31 98.68 0.01		
41 CIB Real Estate Rt - Budapest Capital HUF 50,000,000 in shares of HUF 1,000,000	1	1	1	CIB Leasing CIB Credit	98.00 2.00		
42 CIB Rent Rt - Budapest Capital HUF 1,800,000,000 in shares of HUF 10,000	1	9	1	Central-European International Bank CIB Securities	98.89 1.11		
43 CIB Securities Rt - Budapest Capital HUF 4,400,000,000 in shares of HUF 10,000	1	29	2	Central-European International Bank CIB Service	26.00 74.00		
44 CIB Service Rt - Budapest Capital HUF 16,333,500,000 in ordinary shares of HUF 10,000	1	66	1	Central-European International Bank CIB Leasing	99.99 0.01		
45 Comit Investments (Ireland) Ltd - Dublin Capital euro 7,625 in shares of euro 76.25	1	119	5	Banca Intesa	99.21		
46 Depositos SA - Lima Capital PEN 36,035,670 in shares of PEN 10	1	11	1	Banco Wiese Sudameris	99.98		
47 E.Tr. - Esazione Tributi Spa - Cosenza Capital euro 2,600,000 in shares of euro 1	1	7	(9)	IntesaBci Riscossione Tributi	100.00		
48 Epsilon Sgr Spa - Milano Capital euro 2,080,000 in shares of euro 0.52	1	3	0	Nextra Investment Management	84.37		
49 Esa.Tri. - Esazione Tributi Spa - Milano Capital euro 18,049,586.88 in shares of euro 0.52	1	60	17	IntesaBci Riscossione Tributi	66.68		
50 Finanziaria BTB Spa - Trento Capital euro 56,832,922 in shares of euro 0.52	1	63	5	Banca Intesa	99.29		
51 Finreme Sim Spa - Milano Capital euro 15,600,000 in shares of euro 52	1	16	(1)	Banca Intesa	100.00		
52 FundsWorld Financial Service Ltd - Dublin Capital euro 268,780 in shares of euro 1.25	1	8	(4)	IntesaBci e.lab	85.25		
53 Holding IntesaBci Centro Spa - Spoleto (*Perugia*) Capital euro 560,259,150 in shares of euro 1	1	591	13	Banca Intesa	97.11		
54 Immobiliare Maram Srl - Milano Capital euro 4,625,000	1	30	0	Banca Intesa	100.00		
55 IMSA – Inversiones Mobiliarias SA - Lima Capital PEN 311,107,216 in shares of PEN 0.35	1	30	(54)	Banque Sudameris	97.29		
56 Intesa Bank Overseas Ltd - Cayman Islands Capital USD 10,000,000 in shares of USD 1	1	11	0	Banca Intesa	100.00		
57 Intesa Holding Asset Management Spa - Milano Capital euro 46,668,752 in shares of euro 52	1	231	71	Banca Intesa C.R. della Provincia di Viterbo C.R. di Città di Castello C.R. di Foligno C.R. di Spoleto C.R. di Terni e Narni	85.79 0.28 0.28 0.28 0.28 0.28		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting % (°)	Book value
58 Intesa Leasing Spa - Milano Capital euro 33,875,895.56 in shares of euro 0.52	1	190	18	Banca Intesa	99.44		
59 Intesa Preferred Capital Company LLC (f) - Wilmington (*Delaware*) Capital euro 46,000,000 in "common shares" of euro 1	1	43	(1)	Banca Intesa	100.00		
60 Intesa Preferred II Capital Company LLC (g) - Wilmington (*Delaware*) Capital euro 4,000,000 in "common shares" of euro 1	1	4	0	Banca Intesa	100.00		
61 IntesaBci Bank (Suisse) - Zürich Capital CHF 100,000,000 in shares of CHF 1,000	1	83	0	IntesaBci Holding International	100.00		
62 IntesaBci Bank Ireland Plc - Dublin Capital euro 8,000,000 in shares of euro 50	1	373	(3)	Banca Intesa	99.99		
63 IntesaBci Canada - Toronto Capital CAD 107,900,000 in shares without nominal value	1	65	(2)	IntesaBci Holding International	100.00		
64 IntesaBci Capital and Finance Ltd - Dublin Capital euro 100,000 in shares of euro 1,000	1	930	0	IntesaBci Holding International	99.00		
65 IntesaBci e.lab Spa - Milano Capital euro 239,200,000 in shares of euro 52	1	144	(60)	Banca Intesa	100.00		
66 IntesaBci Fiduciaria Sim Spa - Milano Capital euro 5,200,000 in shares of euro 52	1	9	2	Banca Intesa	100.00		
67 IntesaBci Formazione Scpa - Milano Capital euro 520,000 in shares of euro 52	1	2	1	Banca Intesa Banca di Trento e Bolzano Banca Primavera Banca Popolare FriulAdria Caboto IntesaBci Sim C.R. della Provincia di Viterbo C.R. di Ascoli Piceno C.R. di Città di Castello C.R. di Parma e Piacenza C.R. di Rieti Intesa Leasing IntesaBci Fiduciaria Sim IntesaBci Gestione Crediti IntesaBci Sistemi e Servizi S.I.Re.F.	72.50 3.00 1.00 3.00 3.00 1.00 1.00 1.00 5.00 1.00 1.00 0.50 0.50 3.00 0.50		
68 IntesaBci Formazione Sud Scpa - Napoli Capital euro 103,300 in shares of euro 51.65	1	0	0	Banca Intesa Holding IntesaBci Centro IntesaBci Formazione	10.00 37.55 51.00		
69 IntesaBci Gestione Crediti Spa - Milano Capital euro 326,349,348 in shares of euro 52	1	268	(58)	Banca Intesa	100.00		
70 IntesaBci Holding International SA - Luxembourg Capital euro 3,535,366,144 in shares of euro 512	1	2,161	(769)	Banca Intesa	99.99		
71 IntesaBci Immobiliare Spa - Milano Capital euro 5,000,000 in shares of euro 1	1	5	0	Banca Intesa IntesaBci Gestione Crediti	90.00 10.00		
72 IntesaBci Investimenti Spa - Milano Capital euro 1,000,000,000 in shares of euro 1,000	1	1,097	94	Banca Intesa	100.00		
73 IntesaBci Preferred Capital Company LLC III - Wilmington (*Delaware*) Capital euro 11,000,000 in shares of euro 1	1	9	(1)	Banca Intesa	100.00		
74 IntesaBci Preferred Securities Investor Trust - New York Capital euro 1,000 in shares of euro 1,000	1	0	0	IntesaBci Preferred Capital Company III	100.00		
75 IntesaBci Riscossione Tributi Spa - Milano Capital euro 76,500,000 in shares of euro 0.51	1	88	8	Banca Intesa	100.00		
76 IntesaBci Sec. Spa - Milano Capital euro 100,000 in shares of euro 100	1	0	0	Banca Intesa	60.00		
77 IntesaBci Sec. 2 Srl - Milano Capital euro 15,000 in shares of euro 512	1	0	0	Banca Intesa	60.00		
78 IntesaBci Sec. Npl Spa - Milano Capital euro 129,000 in shares of euro 100	1	0	0	Caboto IntesaBci Sim	60.00		
79 IntesaBci Sistemi e Servizi Spa - Milano Capital euro 296,566,400 in shares of euro 52	1	298	1	Banca Intesa	100.00		
80 IntesaTrade Sim - Milano Capital euro 30,000,000 in shares of euro 16	1	24	(6)	IntesaBci e.lab	100.00		
81 Investholding doo - Karlovac Capital HRK 30,000,000	1	5	0	Privredna Banka Zagreb	56.38		
82 Leasreal as - Bratislava Capital SKK 1,000,000 in shares of SKK 10,000	1	1	(2)	Vseobecna Uverova Banka	100.00		–
83 Lima Sudameris Holding SA - Lima Capital PEN 802,000,050 in shares of PEN 0.40	1	94	(121)	Banque Sudameris IMSA	47.38 43.95		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting % (°)	Book value
84 Luxicav Conseil SA - Luxembourg Capital euro 75,000 in shares of euro 25	1	0	0	Société Européenne de Banque	99.97		
85 Magazzini Generali Fiduciari Cariplo Spa - Milano Capital euro 10,400,000 in shares of euro 0.52	1	19	1	Banca Intesa	100.00		
86 Medimurska Banka dd - Čakovec Capital HRK 127,900,000 in shares of HRK 400	1	21	1	Privredna Banka	96.39	98.07	
87 Mediofactoring Spa - Milano Capital euro 53,696,032 in shares of euro 52	1	166	22	Banca Intesa	100.00		
88 Nextra Alternative Investments Sgr Spa - Milano Capital euro 2,600,000 in shares of euro 130	1	4	0	Banca Intesa Nextra Investment Management Sgr	10.00 90.00		
89 Nextra Investment Management Sgr Spa - Milano Capital euro 24,172,200 in shares of euro 51.65	1	176	54	Banca Intesa Intesa Holding Asset Management Sgr	32.05 67.95		
90 PBZ American Express doo - Zagreb Capital HRK 1,000,000	1	15	9	Privredna Banka Zagreb	100.00		
91 PBZ American Express i dr doo - Skopje Capital Mad 320,000	1	0	0	PBZ American Express - Zagreb	95.00		
92 PBZ Invest doo - Zagreb Capital HRK 1,000,000	1	1	1	Privredna Banka Zagreb	100.00		
93 PBZ Kapital doo - Zagreb Capital HRK 400,000	1	0	0	Privredna Banka Zagreb	100.00		
94 PBZ Leasing doo - Zagreb Capital HRK 20,000	1	2	1	Privredna Banka Zagreb	100.00		
95 PBZ Nekretnine doo - Zagreb Capital HRK 250,000	1	1	1	Privredna Banka Zagreb	100.00		
96 Phönix KG - Berlin Capital euro 43,459,809.90	1	44	0	Banca Intesa Beteiligungsgesellschaft für das Bankhaus Löbbecke	98.78 1.22		
97 Private Equity International SA (former Neuf) - Luxembourg Capital euro 13,000,000 in shares of euro 26	1	279	5	Banca Intesa	99.99		
98 Privredna Banka Zagreb dd - Zagreb Capital HRK 1,666,000,000 in shares of HRK 100	1	406	71	IntesaBci Holding International	76.30		
99 Privredna Banka - Laguna Banka dd - Porec Capital HRK 60,014,000 in shares of HRK 3,700	1	12	1	Privredna Banka Zagreb	100.00		
100 Prontofund Advisory SA - Luxembourg Capital euro 75,000 in shares of euro 25	1	2	1	Banca Intesa Société Européenne de Banque	99.97 0.03		
101 Realitna Spolocnost VUB Spol. Sro - Bratislava Capital SKK 52,000,000	1	1	0	Vseobecna Uverova Banka	100.00		
102 Riadria Banka dd - Rijeka Capital HRK 165,813,000 in shares of HRK 300	1	28	4	Privredna Banka Zagreb	77.98	85.01	
103 Sailview Company - Dublin Capital IEP 4,725,384 in shares of IEP 1	1	6	0	Private Equity International	99.99		
104 SATA – Sociedade de Assessoria Técnica e Administrativa SA - São Paulo Capital R$ 19,584,177 in shares of R$ 1	1	0	(2)	Banque Sudameris	99.99		
105 S.Es.I.T. Puglia - Servizio Esazione Imposte e Tributi Spa - Bari Capital euro 2,600,000 in shares of euro 1	1	(1)	(4)	IntesaBci Riscossione Tributi	64.99		
106 Se. Ri. T. Rieti Spa - Rieti Capital euro 2,601,300 in shares of euro 26	1	3	0	C.R. Rieti	100.00		
107 Servitia SA - Luxembourg Capital euro 1,000,000 in shares without nominal value	1	2	0	Société Européenne de Banque	99.99		
108 Servizi Riscossione Tributi Spa - Terni Capital euro 2,582,580 in shares of euro 5.16	1	2	(1)	C.R. di Spoleto C.R. di Terni e Narni	0.03 99.97		
109 Setefi Spa - Milano Capital euro 8,450,000 in shares of euro 52	1	52	22	Banca Intesa	100.00		
110 Sim Co.Ge.F. Spa - Milano Capital euro 8,350,000 in shares of euro 500	1	7	(2)	Banca Intesa	55.00		
111 Società Italiana di Revisione e Fiduciaria - S.I.Re.F. Spa - Milano Capital euro 2,600,000 in shares of euro 0.52	1	6	2	Banca Intesa	100.00		
112 Société d'Investissements et de Financements Immobiliers - FINAMERIS SA - Paris Capital euro 762,245 in shares of euro 15.24	1	1	0	Banca Commerciale Italiana (France)	99.99		
113 Société Européenne de Banque SA - Luxembourg Capital euro 45,000,000 in shares without nominal value	1	101	16	IntesaBci Holding International	99.99		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting % (°)	Book value
114 Société Foncière Meyerbeer Sarl - Paris Capital euro 180,000 in shares of euro 40	1	1	0	Banque Sudameris	99.56		
115 Sudameris – Sociedade de Fomento Comercial e de Serviços Ltda - Barueri (*São Paulo*) Capital R$ 2,200,000 in quotas of R$ 1	1	1	1	Sudameris Arrendamento Mercantil	99.99		
116 Sudameris Administradora de Cartão de Crédito e Serviços SA - Barueri (*São Paulo*) Capital R$ 5,550,000 in shares without nominal value	1	6	2	Banco Sudameris Brasil	100.00		
117 Sudameris Agencia de Valores SA - Santiago Capital CLP 261,464,696 in 1,000 shares without nominal value	1	1	0	Banque Sudameris Inversiones Sudameris Chile	95.00 5.00		
118 Sudameris Arrendamento Mercantil SA - Alphaville (*São Paulo*) Capital R$ 199,748,686.43 in shares without nominal value	1	65	6	Banco Sudameris Brasil	99.83		
119 Sudameris Corretora de Câmbio e Valores Mobiliários SA - São Paulo Capital R$ 6,200,000 in shares without nominal value	1	6	0	Banco Comercial e de Investimento Sudameris	100.00		
120 Sudameris Distribuidora de Títulos e Valores Mobiliários SA - São Paulo Capital R$ 811,487,209 in shares without nominal value	1	294	40	Banco Sudameris Brasil	99.99		
121 Sudameris Empreendimentos e Serviços Ltda - Santo Amaro (*São Paulo*) Capital R$ 100,000,000 in quotas of R$ 1	1	33	0	Banco Sudameris Brasil Sudameris Arrendamento Mercantil Sudameris Distribuidora de Títulos ... Sudameris Corretora de Câmbio e ... Sudameris Sociedade de Fomento ...	97.20 2.00 0.80 n.s. n.s.		
122 Sudameris Leasing SA - Santiago Capital CLP 1,564,230,657 in 1,000 shares without nominal value	1	3	0	Banque Sudameris Inversiones Sudameris Chile	95.00 5.00		
123 Vseobecna Uverova Banka as - Bratislava Capital SKK 12,978,108,000 in shares of SKK 1,000	1	401	33	IntesaBci Holding International	94.47		
124 VUB Asset Management Sprav. Spol as - Bratislava Capital SKK 50,000,000 in shares of SKK 100,000	1	1	0	Vseobecna Uverova Banka	100.00		–
125 VUB Factoring as - Bratislava Capital SKK 238,912,000 divided in shares of SKK 32,000	1	2	(4)	Vseobecna Uverova Banka	97.38		–
126 VUB Leasingova as - Bratislava Capital SKK 50,000,000 in shares of SKK 1,000,000	1	1	(3)	Vseobecna Uverova Banka	100.00		–
127 VUB Real as - Bratislava Capital SKK 1,000,000 in shares of SKK 100,000	1	0	0	Realitnà Spolocnost	100.00		–
128 Wiese Bank International - George Town (*Cayman Islands*) Capital USD 21,678,000 in shares of USD 1,000	1	0	(1)	Banco Wiese Sudameris	100.00		
129 Wiese Inversiones Financieras SA - Lima Capital PEN 10,472,078 in shares of PEN 1	1	1	(5)	Banco Wiese Sudameris	99.70		
130 Wiese Sudameris Leasing - San Isidro (*Lima*) Capital PEN 140,000,000 in shares of PEN 50	1	45	3	Banco Wiese Sudameris	99.82		
A. Consolidated companies **A.2 Companies subject to proportional consolidation** 1 Carinord 1 Spa - Alessandria Capital euro 64,439,024 in shares of euro 0.52	7	219	0	Banca Intesa	50.00		
2 Cassa di Risparmio di Alessandria - Alessandria Capital euro 61,920,000 in shares of euro 5.16	7	145	5	Carinord 1	80.00		
3 Carinord 2 Spa - Milano Capital euro 110,754,644 in shares of euro 0.52	7	219	5	Banca Intesa	41.14		
4 Cassa di Risparmio della Spezia - La Spezia Capital euro 76,180,000 in shares of euro 0.52	7	159	5	Carinord 2	68.09		
5 Cassa di Risparmio di Carrara - Carrara Capital euro 31,762,290 in shares of euro 516.46	7	93	4	Carinord 2	90.00		
6 Se.Ri.T. La Spezia - La Spezia Capital euro 5,164,800 in shares of euro 2	7	5	0	C.R. della Spezia	100.00		
7 Stavebna Sporitelna VUB Wustenrot as - Bratislava Capital SKK 500,000,000 in shares of SKK 500,000	7	21	6	Vseobecna Uverova Banka	50.00		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment		Votes available at Shareholders' Meeting % (°)	Book value
				direct ownership	% held		
B. Companies carried at equity							
B.1 Controlled							
1 Adria Investing dd (in liquidation) - Zagreb Capital HRK 97,104,600 in shares of HRK 900	1	14	0	Riadria Banka Privredna Banka Zagreb	44.73 41.21	51.50 47.44	
2 Agricola Investimenti Spa - Milano Capital euro 5,100,000 in shares of euro 1	1	0	(4)	Banca Intesa	99.99		
3 Charta Srl - Sant'Agata sul Santerno (*Ravenna*) Capital euro 37,500	1	0	0	IntesaBci e.lab	70.00		
4 CIB Insurance Broker Kft - Budapest Capital HUF 10,000,000	1	0	0	CIB Leasing	100.00		
5 Conser Spa - Bari Capital euro 200,000 in shares of euro 1	1	0	0	S.Es.I.T. Puglia	51.00		
6 Fiduciaria Sudameris SA – FIDUAMERIS - Santa Fé de Bogotá Capital COP 3,368,187,000 in shares of COP 1,000	1	1	0	Banco Sudameris Colombia Banque Sudameris	94.99 5.01		
7 IAIS4 Spa - Cosenza Capital euro 3,000,000 in shares of euro 1	1	1	(1)	E.Tr. - Esazione Tributi	67.50		
8 Intesa Renting Spa - Milano Capital euro 3,000,000 in shares of euro 1	1	3	0	Intesa Leasing	65.00		
9 IntesaBci Learning Spa - Foligno (*Perugia*) Capital euro 104,000 in shares of euro 52	1	0	0	Banca Intesa C.R. di Foligno C.R. di Spoleto	96.50 1.50 0.50		
10 Intesa Vita Spa - Milano Capital euro 100,000,000 in shares of euro 5	1	175	18	Banca Intesa	80.00		
11 La Centrale Consulenza Srl - Milano Capital euro 15,000 in shares of euro 0.50	1	0	0	Banca Intesa	100.00		
12 PBZ Croatia Osiguranje Joint Stock Company - Zagreb Capital HRK 56,000,000 in shares of HRK 1,000	1	7	0	Privredna Banka Zagreb	50.00		
13 Sudameris Asset Management Ltda - Alphaville - Barueri Capital R$ 400,000	1	0	0	Banco Comercial e de Investimento Sudameris Banco Sudameris Brasil	90.00 10.00		
14 Sudameris Inversiones y Proyectos - Santa Fé de Bogotá Capital COP 344,490,000 in shares of COP 1,000	1	0	0	Banque Sudameris Sudameris Inmobiliaria	94.99 5.00		
15 Sudameris Valores SA Sociedad de Bolsa (4) - Buenos Aires Capital ARP 3,619,500 in shares of ARP 1	1	2	0	Banco Sudameris Argentina	99.99		
16 Wiese Sudameris Fondos SA - Lima Capital PEN 3,527,416 in shares of PEN 1	1	2	1	Banco Wiese Sudameris	100.00		
17 Wiese Sudameris Sociedad Agente de Bolsa SA - Lima Capital PEN 4,895,201 in shares of PEN 1	1	1	0	Banco Wiese Sudameris	100.00		
18 Wiese Sudameris Sociedad Titulizadora SA - Lima Capital PEN 22,593,000 in shares of PEN 1	1	7	0	Banco Wiese Sudameris	100.00		
B.2 Associated							
1 Agos Itafinco Spa - Milano Capital euro 57,309,200 in shares of euro 520	8	125	20	Banca Intesa	40.00		
2 ASSIBA - Società di Assicurazioni Spa - Milano Capital euro 110,000,000 in shares of euro 5	8	137	13	Banca Intesa	49.00		
3 Banco de Investimento Imobiliario (and its group) - Lisboa Capital euro 157,000,000 in shares of euro 1	8	180	18	Banca Intesa	30.10		
4 Car World Italia Spa (#) (1) - Milano Capital euro 8,760,000 in shares of euro 146	8	13	2	Banca Intesa	30.00		
5 Caralt Spa - Alessandria Capital euro 2,582,500 in shares of euro 51.65	8	4	0	Banca Intesa	35.00		
6 Cassa di Risparmio della Provincia di Chieti Spa (1) - Chieti Capital euro 52,000,000 in shares of euro 0.52m	8	159	4	Banca Intesa	20.00		
7 Cassa di Risparmio della Provincia di Teramo Spa (1) - Teramo Capital euro 26,000,000 in shares of euro 0.52	8	227	9	Banca Intesa	20.00		
8 Cassa di Risparmio di Fermo Spa - Fermo (*Ascoli Piceno*) Capital euro 39,241,087.50 in shares of euro 51.65	8	140	4	Banca Intesa	33.33		
9 Compagnie Monégasque de Banque SAM - Monte Carlo Capital euro 111,110,000 in shares of euro 200	8	192	22	IntesaBci Holding International	33.86		
10 Companhia de Credito Financiamento e Investimento Renault do Brasil SA - Bela Vista (*São Paulo*) Capital R$ 47,800,000 in shares without nominal value	8	19	4	Banco Comercial e de Investimento Sudameris	39.85	40.00	

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting % (°)	Book value
11 Ente Nazionale Sementi Elette - Milano Endowment fund euro 34,071.23	8	0	0	Banca Intesa	49.41		
12 Euromilano Spa (1) (#) - Milano Capital euro 6,500,000	8	14	0	Banca Intesa	37.50		
13 FIDIA – Fondo Interbancario d'Investimento Azionario Spa - Milano Capital euro 15,600,000 in shares of euro 520	8	16	0	Banca Intesa	25.00		
14 First Skelligs International Finance Company Ltd - Dublin Capital lire 1,500,000,000 in shares of lire 1,000	8	2	1	Banca Intesa	33.33		
15 Lo.Se.Ri. - Lombarda Servizi di Riscossione Spa (1) - Cremona Capital euro 2,777,166 in shares of euro 0.52	8	4	0	Banca Intesa	30.50		
16 Luxiprivilège Conseil SA - Luxembourg Capital euro 75,000 in shares of euro 25	8	0	0	Société Européenne de Banque	50.00		
17 Parmafactor Spa (1) - Collecchio (*Parma*) Capital euro 5,160,000 in shares of euro 10	8	7	1	Banca Intesa C.R. di Parma e Piacenza	10.00 10.00		
18 Po Vita Assicurazioni Spa - Parma Capital euro 50,000,000 in shares of euro 1	8	58	2	C.R. di Parma e Piacenza	50.00		
19 PREVINET - Servizi per la previdenza (1) - Mogliano Veneto (*Treviso*) Capital euro 5,164,600 in shares of euro 516.46	8	11	3	Banca Intesa	45.50		
20 Selezione Terza Srl (1) - Milano Capital euro 10,000	8	0	0	Banca Intesa	50.00		
21 Servizi Assicurativi Padano Srl (1) - Parma Capital euro 91,800	8	0	0	C.R. di Parma e Piacenza	40.00		
22 Shoplà Spa - Milano Capital euro 6,610,000 in shares of euro 10	8	5	(3)	Intesa e.lab	50.00		
23 So.Ri.T Spa (1) - Foligno (*Perugia*) Capital euro 2,590,000 in shares of euro 2.59	8	1	(1)	C.R. di Città di Castello C.R. di Foligno C.R. di Spoleto	7.02 12.47 3.46		
24 Sudameris Generali C.ia de Seguros e Previdência Privada (2) - São Paulo Capital R$ 3,900,000 in shares without nominal value	8	5	2	Banco Sudameris de Investimento	50.00		
25 Termomeccanica Spa (#) (1) - La Spezia Capital euro 3,096,000 in shares of euro 5.16	8	32	3	Banca Intesa	32.32		
C. Other significant investments							
C. 1 Controlled							
1 Atlantis Sociedad Anonima (1) (@) - Buenos Aires Capital ARP 78,574,090 in shares of ARP 1	1	72	(3)	Banque Sudameris IntesaBci Holding International	81.25 18.75		11
2 Banco di Chiavari e della Riviera Ligure (@) - Chiavari (*Genova*) Capital euro 36,400,000 in shares of euro 0.52	1	216	19	Banca Intesa	69.62		138
3 Banco Sudameris Argentina SA (1) (@) - Buenos Aires Capital ARP 122,023,900 in shares of ARP 100	1	64	0	Banque Sudameris Atlantis Sociedad Anonima	20.01 79.99		–
4 BCILUX CONSEIL SA (9) (*) - Luxembourg Capital euro 75,000 in shares of euro 25	1	0	0	IntesaBci Bank (Suisse) Société Européenne de Banque	50.00 50.00		0
5 Bil Servizi Finanziari Spa (*) - Milano Capital euro 160,000 in shares of euro 1	1	0	0	Banca Intesa	100.00		0
6 Biverbroker Srl (1) (*) - Biella Capital euro 46,800	1	0	0	C.R. di Biella e Vercelli	55.00		0
7 Capital Servis as (in liquidation) (**) - Bratislava Capital SKK 1,000,000 in shares of SKK 10,000	1	0	0	Realitna Spolocnost	100.00		–
8 Cartitalia Srl (under bankruptcy procedures) (*) - Firenze Capital euro 46,481	1	0	0	Cormano	51.00		–
9 Cofragef SA (in liquidation) (**) - Paris Capital euro 38,112 in shares of euro 15.24	1	0	0	Banca Intesa (France)	99.76		0
10 Consul Service Srl (in liquidation) (**) - Cagliari Capital euro 16,320	1	0	0	Banca Cis	98.41		–
11 Consult-Ameris SA (*) - Montevideo Capital USD 8,000 in shares of USD 100	1	0	0	Banque Sudameris	100.00		0
12 Cormano Srl (*) - Olgiate Olona (*Varese*) Capital euro 25,800	1	0	0	Banca Intesa	70.82		–
13 Cotonificio di Solbiate Spa (in liquidation) (**) - Olgiate Olona (*Varese*) Capital euro 6,502,500 in shares of euro 0.51	1	n.a.	n.a.	Cormano	92.69		–

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting % (°)	Book value
14 Del Mar SA (*) - Miraflores Capital PEN 52,170,440 in shares of PEN 10	1	11	(1)	Banco Wiese Sudameris	56.69		6
15 Finanziaria Colonna Srl (*) - Roma Capital euro 10,000	1	0	0	Banca Intesa	100.00		0
16 Finech as (*) - Bratislava Capital SKK 46,000,000 in shares of SKK 100,000	1	0	0	Realitna Spolocnost Vseobecna Uverova Banka	91.30 8.70		0
17 International Business Consulting Zao ($) - Moscow Capital RUR 60,000,000 in shares of RUR 3,000,000	1	2	0	Banca Intesa	55.00		1
18 Inversiones Sudameris CA (3) (*) - Caracas Capital VEB 300,000,000 in shares of VEB 1,000	1	0	0	Banque Sudameris	99.97		–
19 Inversiones Sudameris Chile Ltda (*) - Santiago Capital CLP 38,040,000 in shares without nominal value	1	0	0	Banque Sudameris Sudameris Inmobiliaria	83.33 16.67		0
20 Löbco Immobilien- und Handelsgesellschaft (3) (*) - Berlin Capital euro 51,129.18	1	0	0	Bankhaus Löbbecke	100.00		0
21 Novacarta Srl (in liquidation) (**) - Olgiate Olona (*Varese*) Capital euro 129,000	1	n.a.	n.a.	Cormano	99.90		–
22 Palazzo Legnazzi Srl Unipersonale (in liquidation) (**) - Milano Capital euro 2,550,000	1	0	0	Agricola Investimenti	100.00		
23 PBZ Im - und Export Handel Service GmbH (in liquidation) (**) - Frankfurt am Main Capital euro 131,107	1	n.a.	n.a.	Privredna Banka Zagreb	100.00		0
24 PBZ Trading (in liquidation) (**) - Moscow Capital RUR 11,860 in shares of RUR 10	1	n.a.	n.a.	PBZ Im - und Export Handel Service	100.00		–
25 Petrochemical Investments Ltd (11) (*) - George Town (*Cayman Islands*) Capital USD 22,000,000 in shares of USD 1	1	30	1	Banca Intesa	100.00		21
26 RS as (*) - Bratislava Capital SKK 1,000,000 in shares of SKK 100,000	1	0	0	Vseobecna Uverova Banka	100.00		0
27 Safinvest Finanziaria Spa (in liquidation) (**) - Olgiate Olona (*Varese*) Capital euro 1,530,000 in shares of euro 0.51	1	n.a.	n.a.	Cormano	99.67		–
28 Scala Advisory SA (*) - Luxembourg Capital euro 75,000 in shares of euro 25	1	0	0	Banca Intesa Société Européenne de Banque	99.97 0.03		0
29 SEB Trust Limited (*) - St Helier - Jersey Capital euro 410,000 in shares of euro 1	1	0	0	Société Européenne de Banque	99.99		0
30 SHI-MI SA (#) - Luxembourg Capital euro 10,206,208 in shares of euro 512	1	20	9	Banca Intesa	99.99		16
31 Sphera Sarl (*) - Paris Capital euro 7,622	1	0	0	Banca Intesa (France)	100.00		0
32 Spolocnost Pre Bankovu Ochranu as (*) - Zilina Capital SKK 40,000,000 in shares of SKK 1,000,000	1	1	0	Vseobecna Uverova Banka	100.00		1
33 Sudameris Aministradora de Fondos Mutuos SA (*) - Asunción Capital PYG 1,305,000,000 in shares of PYG 1,000	1	0	0	Banco Sudameris Paraguay	70.00		0
34 Sudameris Capital Markets SA (8) (*) - Buenos Aires Capital ARP 178,650 in shares of ARP 1	1	1	0	Banque Sudameris	99.72		–
35 Sudameris Casa de Bolsa SA (*) - Asunción Capital PYG 100,000,000 in shares of PYG 1,000,000	1	69	5	Banco Sudameris Paraguay	49.00		–
36 Sudameris Inmobiliaria SA (2) (*) - Panama Capital USD 100,000 in shares of USD 100	1	0	0	Banque Sudameris	100.00		–
37 Sudameris Inversora Argentina Sociedad Gerente de Fondos Comunes de Inversion SA (4) (*) - Buenos Aires Capital ARP 130,000 in shares of ARP 1	1	0	0	Banco Sudameris Argentina Atlantis Sociedad Anonima	99.99 0.01		0
38 Sudameris Investment Chile SA (*) - Santiago Capital CLP 2,453,717,315 in shares without nominal value	1	5	(1)	Banque Sudameris Inversiones Sudameris Chile	99.99 0.01		3
39 Sudpar International Inc (2) (*) - George Town (*Cayman Islands*) Capital USD 125,000 in shares of USD 1	1	0	0	Banque Sudameris	100.00		0
40 Sudameris Securities Inc ($) - Miami Capital USD 5,000	1	0	0	Banque Sudameris	100.00		0
41 Technicky Servis as (*) - Bratislava Capital SKK 7,000,000 in shares of SKK 100,000	1	0	0	Vseobecna Uverova Banka	100.00		0
							197

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting % (°)	Book value
C.2 Associated							
1 Alfieri Associated Investors Servicos de Consultoria SA (#) (1) - Madeira Capital 80,800 in shares of euro 100	8	76	9	Banca Intesa	19.80	20.00	31
2 Alstom Power doo (*) - Karlovac Capital HRK 27,821,000 in 2 shares of HRK 13,910,500	8	5	1	Investholding - Karlovac	20.06		–
3 Asociacion Los Portales de Ceres (2) (*) - Lima Capital PEN 5,179,500 in shares without nominal value	8	2	0	Banco Wiese Sudameris	20.00		0
4 Bci Soditic Trade Finance Ltd (*) - London Capital USD 5,000,000 in shares of USD 1	8	4	0	IntesaBci Holding International	50.00		2
5 Bolzoni Spa (#) (1) - Podenzano (*Piacenza*) Capital euro 5,319,149 in shares of euro 1	8	16	2	Banca Intesa	28.36		12
6 Burza Cennych Papierov v Bratislave as (*) - Bratislava Capital SKK 113,850,000 divided in shares of SKK 11,385	8	3	0	Vseobecna Uverova Banka	20.20		1
7 Camigliati Scuola Management Territoriale Scrl (*) - Spezzano della Sila (*Cosenza*) Capital euro 16,455	8	0	0	IntesaBci Formazione Sud	20.00		0
8 Cantiere Darsena Italia Spa (arrangement before bankruptcy) (1) (**) - Viareggio (*Lucca*) Capital euro 2,550,000 in shares of euro 0.51	8	(10)	0	Banca Intesa	20.00		–
9 Capitale e Sviluppo Spa (6) (*) - Perugia Capital euro 4,390,250 in shares of euro 51.65	8	4	0	C.R. di Foligno C.R. di Spoleto C.R. di Terni e Narni	9.76 9.76 9.76		0 0 0
10 Castello di Udine Spa (1) (*) - San Giorgio di Nogaro (*Udine*) Capital euro 7,752,000 in shares of euro 0.51	8	5	(1)	Banca Popolare FriulAdria	30.00		1
11 Cedacri Ovest Spa (1) (*) - Castellazzo Bormida (*Alessandria*) Capital euro 7,461,300 in shares of euro 35.53	8	9	1	C.R. di Biella e Vercelli	23.08		2
12 Chess Ventures Ltd (*) - Cayman Islands Capital USD 20,000,000	8	n.a.	n.a.	IntesaBci e.lab	49.75		3
13 Cidipi Spa (#) (5) - Milano Capital euro 10,000,000 in shares of euro 1	8	10	(14)	Banca Intesa	30.00		7
14 Companhia de Arrendamento Mercantil Renault do Brasil SA (*) - São Paulo Capital R$ 7,000,000 in shares without nominal value	8	2	0	Banco Comercial e de Investimento Sudameris	39.81	39.84	1
15 Dante Prini Spa (in liquidation) (#) (1) (**) - Montano Lucino (*Como*) Capital euro 5,164,569 in shares of euro 0.52	8	14	(2)	Banca Intesa	32.50		–
16 E. Gilardi & C. Srl (in liquidation) (1) (**) - Novara Capital euro 51,480	8	0	0	C.R. di Biella e Vercelli	30.00		–
17 Ecc Holding Srl (#) (1) - Roma Capital euro 9,286,527 in shares of euro 1	8	44	0	Banca Intesa	31.14		10
18 Editrade SAC (*) - San Isidro (*Lima*) Capital PEN 11,659,600 in shares of PEN 100	8	(1)	0	Wiese Inversiones Financieras	22.50		–
19 Eutron Spa (#) (1) - Treviolo (*Bergamo*) Capital euro 2,730,000 in shares of euro 130	8	7	(1)	Banca Intesa	20.00		10
20 F.I.L.A. Fabbrica Italiana Lapis e Affini Spa (#) (1) - Milano Capital euro 2,917,215 in shares of euro 1	8	32	0	Banca Intesa	20.00		14
21 Galileo Holding Spa (in liquidation) (1) (**) - Marghera (*Venezia*) Capital euro 2,295,000 in shares of euro 0.51	8	(24)	1	Banca Intesa C.R. della Provincia di Viterbo	28.98 5.88		–
22 GENSEB – Gen. & SEB Risk Service SA (1) (*) - Luxembourg Capital euro 250,000 in shares of euro 25	8	0	0	Société Européenne de Banque	50.00		0
23 Giraglia Immobiliare Spa (1) (§) - Milano Capital euro 3,500,000 in shares of euro 1	8	4	(3)	Banca Intesa	20.02		1
24 Ifas Gruppo Spa (1) (#) - Torino Capital euro 20,640,000 in shares of euro 5.16	8	11	(14)	Banca Intesa	36.00		2
25 Immobiliare Lombarda Spa (1) (§) - Milano Capital euro 239,912,727.60 in shares of euro 0.40	8	213	(11)	Banca Intesa	29.15		20
26 Immobiliare Palvareto Srl (in liquidation) (1) (**) - Cremona Capital euro 10,400	8	0	0	Banca Intesa	50.00		–
27 Infocorp SA (2) (*) - San Isidro (*Lima*) Capital PEN 4,485,265 in shares of PEN 1	8	4	1	Banco Wiese Sudameris	20.73		1

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment		Votes available at Shareholders' Meeting % (°)	Book value
				direct ownership	% held		
28 Ipef Partners Limited (#) (1) - London Capital GBP 1,000 in shares of GBP 1	8	0	0	Banca Intesa	40.50		–
29 Kingston Comercio International Ltda (#) (11) - Madeira Capital euro 3,925,406	8	3	(1)	Banca Intesa	25.13		–
30 Land Spa (in liquidation) (#) (1) (**) - Vimodrone (*Milano*) Capital euro 672,000 in shares of euro 1	8	0	(1)	Banca Intesa	40.00		–
31 Mater-Bi Spa (#) (1) - Milano Capital euro 14,560,000 in shares of euro 0.52	8	31	0	Banca Intesa	34.48		11
32 Monte Mario 2000 Srl (*) - Roma Capital euro 51,480	8	0	0	Finanziaria Colonna	47.50		–
33 Neubor Glass Spa (1) (*) - San Vito al Tagliamento (*Pordenone*) Capital euro 1,550,000 in shares of euro 1	8	2	1	Banca Popolare FriulAdria	26.66		0
34 Obiettivo NordEst Sicav Spa (1) (*) - Venezia Capital euro 5,203,019 in shares without nominal value	8	5	0	Banca Intesa	37.94		2
35 Office Chairs Participations Sarl (#) (11) - Luxembourg Capital euro 2,892,150 in shares of euro 25	8	2	(1)	Banca Intesa	50.00		1
36 Pm Srl (in liquidation) (#) (1) (**) - Milano Capital euro 98,000	8	0	0	Banca Intesa	29.00		–
37 Procesos Mc Perù SA (2) (*) - Lima Capital PEN 14,967,414 in shares of PEN 1	8	3	0	Banco Wiese Sudameris	50.00		1
38 Redbanc Srl (10) (*) - Montevideo Capital UYP 21,000 in shares of UYP 4,200	8	0	0	Banque Sudameris	20.00		0
39 Saper Empreendimentos Imobiliarios Ltda (*) - São Paulo Capital R$ 363.63 in shares of R$ 0.000364	8	1	0	SATA	37.89		0
40 SIDER CORP SA (*) - Santa Anita (*Lima*) Capital PEN 105,263,000 in shares of PEN 1,000	8	72	(21)	Wiese Inversiones Financieras	36.79		2
41 Sviluppo Garibaldi - Repubblica Spa (1) ($) - Milano Capital euro 454,546 in shares of euro 1	8	0	0	Banca Intesa	33.00		0
42 Tecno Spa (#) (1) - Milano Capital euro 12,577,500 in shares of 5.16	8	13	0	Banca Intesa	38.46		4
43 The Maple Gas Development Corporation (7) (*) - San Isidro (*Lima*) Capital USD 15,000 in shares of USD 1	8	28	1	Wiese Inversiones Financieras	33.33		8
44 Vobitech Nv (#) (1) - Rotterdam Capital euro 10,000,000 in shares of euro 1	8	5	(3)	Banca Intesa	36.63		–
45 Zetesis.com Spa (in liquidation) (#) (1) (**) - Sesto San Giovanni (*Milano*) Capital euro 256,002 in shares of euro 1	8	6	(6)	Banca Intesa	39.91		–
							147

(°) If different from the stake in terms of capital rights.

(a) Type of relationship:

1 - control, as defined by Art. 2359 1.1 of the Italian Civil Code (majority of voting rights at Ordinary Shareholders' Meeting);

2 - control, as defined by Art. 2359 1.2 of the Italian Civil Code (dominant influence at Ordinary Shareholders' Meeting);

3 - control, as defined by Art. 23, par 2, n. 1 of the Combined regulations on investment services (agreements with other Shareholders);

4 - other forms of control;

5 - common management as defined in Art. 26.1 of the "Decree";

6 - common management as defined in Art. 26.2 of the "Decree";

7 - joint control;

8 - associated company.

(b) Amount included in the "Shareholders' equity" column.

(c) Considering the "preferred shares" issued by BCI US Funding Trust for a total of USD 200,000,000, the equity stake equals 4.76%.

(d) Considering the "preferred shares" issued by BCI US Funding Trust for a total of euro 550,000,000, the equity stake equals 4.76%.

[e] Considering the "preferred shares" issued by BCI US Funding Trust for a total of GBP 120,000,000, the equity stake equals 4.76%.

[f] Considering the "preferred shares" issued for a total of euro 200,000,000, the equity stake equals 18.70%.

[g] Considering the "preferred shares" issued for a total of euro 150,000,000, the equity stake equals 2.60%.

(*) Company excluded from consolidation or valuation according to the equity method since total assets is not significant.

(**) Company excluded from consolidation or valuation according to the equity method since in liquidation.

(§) Company excluded from consolidation or valuation according to the equity method since under disposal.

($) Company excluded from consolidation or valuation according to the equity method since still not operational.

(#) From Merchant Banking activities.

(@) Company excluded from consolidation or valuation according to the equity method since under disposal.

Shareholders' equity and net income, not referred to as at 31st December 2002:

[1] figures as at 31st December 2001;
[2] figures as at 30th November 2002;
[3] figures as at 31st October 2002;
[4] figures as at 30th September 2002;
[5] figures as at 31st August 2002;
[6] figures as at 31st July 2002;
[7] figures as at 30th June 2002;
[8] figures as at 28th June 2002;
[9] figures as at 31st March 2002;
[10] figures as at 31st October 2001;
[11] figures as at 31st December 2000.

Other equity investments

Among other equity investments held by Banca Intesa and its subsidiaries, the most significant (i.e. with book value over 5 million euro) are listed below.

Companies	Investment: direct ownership	Investment: % held	Book value
A. Banks			
Italy			
1 Banca d'Italia - Roma	Banca Intesa	22.01	348
Capital euro 300,000,000	C.R. di Parma e Piacenza	2.03	63
	C.R. di Biella e Vercelli	2.10	9
	C.R. di Alessandria	0.29	4
	C.R. di Ascoli Piceno	0.22	6
	C.R. di Foligno	0.10	3
	C.R. di Città di Castello	0.08	2
	C.R. della Provincia di Viterbo	0.08	2
	C.R. della Spezia	0.09	1
	C.R. di Carrara	0.03	–
	C.R. di Spoleto	0.03	–
	C.R. di Rieti	0.01	–
	C.R. di Terni e Narni	0.15	–
Other Countries			
1 Bayerische Hypo- und Vereinsbank - Wien	Banca Intesa	0.68	117
Capital euro 1,608,866,103			
2 Banco Comercial Portugues - Oporto	Banca Intesa	4.91	383
Capital euro 2,326,714,877	IntesaBci Holding International	2.52	286
3 Bre Bank - Warsaw	IntesaBci Holding International	4.97	24
Capital PLN 91,882,000			
4 Commerzbank - Frankfurt am Main	Banca Intesa	1.21	106
Capital euro 1,408,751,234.80	IntesaBci Holding International	0.84	66
B. Financial Companies			
Italy			
1 Borsa Italiana Spa - Milano	Banca Intesa	4.94	3
Capital euro 8,434,179.36	C.R. di Biella e Vercelli	0.06	–
2 Hopa Spa - Holding di partecipazioni aziendali - Brescia	Banca Intesa	0.69	10
Capital euro 709,800,000			
3 Linea Più Spa - Prato	Banca Intesa	15.03	10
Capital euro 10,000,016			
Other Countries			
1 ETF Group SA - Massagno	Banca Intesa	4.44	2
Capital CHF 197,698,770			
2 The Peru Privatisation Fund Limited - George Town			
(*Cayman Islands*)	Banque Sudameris	10.81	7
Capital USD 737,251	Banco Wiese Sudameris	0.89	1

Companies	Investment direct ownership	% held	Book value
C. Other Companies			
Italy			
1 21, Investimenti Spa - Treviso Capital euro 58,142,760	Banca Intesa	11.23	14
2 Atos Spa - Milano Capital euro 5,270,000	Banca Intesa	10.00	5
3 Banksiel Spa - Milano Capital euro 10,400,000	Banca Intesa	14.00	6
4 Digital Multimedia Technologies Spa - Lissone (*Milano*) Capital euro 722,256	Banca Intesa	8.65	5
5 Fincantieri Cantieri Navali Italiani Spa - Trieste Capital euro 337,111,530	Banca Intesa	1.51	5
6 Holding di Partecipazioni Industriali Spa - Milano Capital euro 760,559,800	Banca Intesa	1.83	28
7 Istituto Europeo di Oncologia Srl - Milano Capital euro 82,500,000	Banca Intesa	7.46	5
8 Italenergia Bis Spa - Torino Capital euro 906,624,000	Private Equity International	10.65	373
9 Merloni Termosanitari Spa - Fabriano (*Ancona*) Capital euro 41,845,000	Banca Intesa	6.05	22
10 Olimpia Spa - Milano Capital euro 1,562,596,150	Banca Intesa	10.00	520
11 Sole Spa - Milano Capital euro 33,900,000	Banca Intesa	9.88	7
Other Countries			
1 Generandes Perú - San Isidro (*Lima*) Capital PEN 1,116,564,007	Wiese Bank International	2.24	6
2 Ilpea Equity LLC - Chicago Capital euro 89,514,437	Banca Intesa	10.00	9
3 Nortel Inversora - Buenos Aires Capital ARP 78,633,050	Banca Intesa Banque Sudameris	0.39 1.62	– 5
4 Mirror International Holding - Luxembourg Capital euro 250,000	Private Equity International Banca Intesa	5.89 1.47	19 5
5 Usinas Siderurgica de Minas Gerais - Belo Horizonte Capital BRL 1,221,000	Banco Comercial e de Investimento Sudameris Sudameris Arrendamento Mercantil	0.96 0.02	8 –
Total			**2,495**

The book value of other equity investments carried at cost amounts to 44 million euro.
Equity investments purchased for merchant banking activities amounted to 118 million euro.

3.2 Assets and liabilities with Group companies

3.3 Assets and liabilities with subsidiaries (other than Group companies)

	Group companies		Other subsidiaries	
a) Assets				
1. Due from banks		147		2,045
– *including Subordinated*	–		*8*	
2. Due from financial institutions		49		619
– *including Subordinated*	–		–	
3. Due from other customers		586		625
– *including Subordinated*	*20*		*17*	
4. Bonds and other debt securities		72		402
– *including Subordinated*	*72*		*29*	
b) Liabilities				
1. Due to banks		37		244
2. Due to financial institutions		8		543
3. Due to other customers		60		125
4. Securities issued		–		–
5. Subordinated liabilities		–		–
c) Guarantees and commitments				
1. Guarantees given		14		197
2. Commitments		–		1,219
3. Credit derivatives		–		225

3.4 Breakdown of caption 70 “Equity investments”

3.5 Breakdown of caption 80 “Investments in Group companies”

Subcaptions	Equity investments (caption 70)	Investments in Group companies (caption 80)
a) In banks		
1. listed	838	138
2. unlisted	826	–
b) In financial institutions		
1. listed	6	–
2. unlisted	197	47
c) Other		
1. listed	67	6
2. unlisted	1,314	181
Total	3,248	372

3.6 Changes in equity investments

3.6.1 Investments in Group companies

3.6.2 Other investments

During the year the following changes occured:

Amounts/changes	Equity investments (caption 70)	Investments in Group companies (caption 80)
A. Initial amount	3,783	971
B. Increases	1,115	43
B1. purchases	*356*	*14*
B2. write-backs	*1*	*2*
B3. revaluations	*–*	*–*
B4. other changes	*758*	*27*
C. Decreases	(1,650)	(642)
C1. sales	*(692)*	*(30)*
C2. adjustments	*(250)*	*(5)*
including Permanent write-downs	*(250)*	*(5)*
C3. other changes	*(708)*	*(607)*
D. Final amount	**3,248**	**372**
E. Total revaluations	2	–
F. Total adjustments	345	2,519

SECTION 4 - FIXED ASSETS AND INTANGIBLES

4.1 Changes in fixed assets

Amounts/changes	Real estate	Furniture and fittings	Machines and equipment	Total
A. Initial amount	3,435	179	432	4,046
B. Increases	189	48	216	453
B1. purchases	*133*	*37*	*188*	*358*
B2. write-backs	–	–	–	–
B3. revaluations	–	–	–	–
B4. other changes	*56*	*11*	*28*	*95*
C. Decreases	(643)	(59)	(217)	(919)
C1. sales	*(382)*	*(7)*	*(8)*	*(397)*
C2. adjustments				
a) depreciation	*(125)*	*(36)*	*(180)*	*(341)*
b) permanent write-downs	*(43)*	–	*(2)*	*(45)*
C3. other changes	*(93)*	*(16)*	*(27)*	*(136)*
D. Final amount	**2,981**	**168**	**431**	**3,580**
E. Total revaluations	1,737	–	–	1,737
F. Total adjustments	(1,479)	(400)	(1,367)	(3,246)
a) depreciation	*(1,436)*	*(400)*	*(1,365)*	*(3,201)*
b) permanent write-downs	*(43)*	–	*(2)*	*(45)*

The table does not include properties to be let, amounting to 671 million euro (402 million euro in 2001).

4.2 Changes in intangibles

Amounts/changes	Start-up costs	Refurbishing costs	Software	Goodwill	Other	Total
A. Initial amount	46	107	508	24	42	727
B. Increases	5	32	372	1	7	417
B1. purchases	*5*	*32*	*371*	*1*	*7*	*416*
B2. write-backs	–	–	–	–	–	–
B3. revaluations	–	–	–	–	–	–
B4. other changes	–	–	*1*	–	–	*1*
C. Decreases	(25)	(50)	(312)	(13)	(26)	(426)
C1. sales	–	*(2)*	*(4)*	–	–	*(6)*
C2. adjustments						
a) amortisation	*(22)*	*(38)*	*(252)*	*(13)*	*(24)*	*(349)*
b) permanent write-downs	–	–	–	–	–	–
C3. other changes	*(3)*	*(10)*	*(56)*	–	*(2)*	*(71)*
D. Final amount	**26**	**89**	**568**	**12**	**23**	**718**
E. Total revaluations	–	–	–	–	–	–
F. Total adjustments	(83)	(137)	(623)	(194)	(57)	(1,094)
a) amortisation	*(65)*	*(137)*	*(623)*	*(194)*	*(56)*	*(1,075)*
b) permanent write-downs	*(18)*	–	–	–	*(1)*	*(19)*

SECTION 5 - OTHER ASSETS

5.1 Breakdown of caption 150 “Other assets”

Subcaptions	
Revaluation of off-balance sheet contracts	16,366
Due from fiscal authorities	2,255
Amounts due – deriving from tax collection activities	2,224
Deferred tax assets	1,815
Options bought	1,802
Amount to be debited under processing	1,182
Amounts due - deriving from securities transactions	808
Bank cheques drawn on third parties to be settled	735
Transit items among branches	533
Valuation of commitment related to Banco di Chiavari	246
Cautionary deposits on own behalf and on behalf of third parties	237
Other	2,056
Total	30,259

5.2 Breakdown of caption 160 “Accrued income and prepaid expenses”

Accrued income	
Differentials on off-balance sheet transactions	2,429
Interest income - customers	489
Interest income - securities	452
Interest income - securities in “repurchase agreements”	222
Interest income - banks	180
Bank commissions and other income	9
Other	113
Total	3,894

Prepaid expenses	
Differentials on off-balance sheet transactions	97
Discounts on issued bonds	54
Charges on contango loans and repurchase agreements	10
Interest expense on issued bonds	9
Commissions for placement of bonds	10
Rents paid	38
Interest expense and similar charges on due to customers	4
Administrative costs	10
Other	67
Total	299

5.3 Adjustments for accrued income and prepaid expenses

The 2002 financial statements were prepared without applying Art. 12.2 of Legislative Decree 87/92 which allows the addition (deduction) of accrued income and prepaid expenses directly to (from) the assets to which they refer. The only exception is accrued interest on zero-coupon bonds, which appear in the proprietary portfolio, and issue discounts receivables, which – as specifically required by the Bank of Italy – have been partly accounted for as an increase in the value of securities and partly in "Due from tax authorities".

5.4 Distribution of subordinated assets

a) Due from banks	7
b) Loans to customers	201
c) Bonds and other debt securities	1,492
Total	1,700

Securities portfolio deriving from securitisations (see Section 11.8) includes 34 million of shares or similar instruments which are also subordinated.

SECTION 6 - DEBTS

Breakdown of caption 10 “Due to banks”

Subcaptions	
a) Repayable on demand	
– *current accounts for services rendered*	*980*
– *deposits*	*4,008*
– *other*	*293*
Total a)	5,281
b) Time deposits or with notice period	
– *time deposits*	*23,280*
– *loans*	*1,662*
– *repurchase agreements*	*11,350*
– *other*	*3,017*
Total b)	39,309
Total	44,590

6.1 Analysis of caption 10 “Due to banks”

a) Repurchase agreements	11,350
b) Securities lending	222

Breakdown of caption 20 “Due to customers”

Subcaptions	
a) Repayable on demand	
– *saving deposits*	*6,985*
– *term accounts*	*75,623*
– *other*	*90*
Total a)	82,698
b) Time deposits or with notice period	
– *saving time deposits*	*5,266*
– *time accounts*	*11,580*
– *repurchase agreements*	*10,435*
– *other*	*3,664*
Total b)	30,945
Total	113,643

6.2 Analysis of caption 20 "Due to customers"

a) Repurchase agreements	10,435
b) Securities lending	180

Breakdown of caption 30 "Securities issued"

Subcaptions	
a) Bonds	44,920
b) Certificates of deposit	
– short-term	*8,762*
– medium-term	*1,568*
Total b)	10,330
Other securities	
– bank cashiers' cheques	*1,031*
– other	*390*
Total c)	1,421
Total	56,671

Breakdown of caption 40 "Public funds under administration"

Subcaptions	
– Funds received from the Italian Government	55
– Funds received from regional authorities	11
– Funds received from other public agencies	22
Total	88

SECTION 7 - ALLOWANCES

Changes in caption 70 “Allowance for employee termination indemnities”

A. Initial amount	1,407
B. Increases	189
B1. provisions	*178*
B2. other changes	*11*
C. Decreases	(221)
C1. indemnities paid out	*(96)*
C2. advances granted following current regulations or specific contracts	*(84)*
C3. funds given to external asset manager	*(25)*
C4. other changes	*(16)*
D. Final amount	1,375

Changes in caption 80/a “Pensions and similar commitments”

A. Initial amount	372
B. Increases	34
B1. provisions	*20*
B2. other changes	*14*
C. Decreases	(89)
C1. uses	*(87)*
C2. other changes	*(2)*
D. Final amount	317

7.1 Breakdown of caption 90 “Allowances for possible loan losses”

Allowance for possible loan losses	30
Allowance for possible loan losses on overdue interest	20
Total	50

7.2 Changes in caption 90 “Allowances for possible loan losses”

A. Initial amount	145
B. Increases	8
B1. provisions	*6*
B2. other changes	*2*
C. Decreases	(103)
C1. uses	*(69)*
C2. other changes	*(34)*
D. Final amount	50

Changes in subcaption 80 c) “Allowance for risks and charges arising on consolidation”

A. Initial amount	78
B. Increases	–
B1. provisions for the period	–
B4. other changes	–
C. Decreases	(3)
C1. uses for the period	(3)
C2. other changes	–
D. Final amount	75

As already described in the consolidation criteria, the allowance has been set up at the time of the first consolidation of Banca Cis as the difference between the purchase cost of the equity investment and the percentage of the Bank’s shareholders’ equity held; this allowance is deemed to reflect the unfavourable performance forecasted for the subsidiary in the short-term, that is before its integration in the Group enables it to generate adequate profits.

7.3 Breakdown in subcaption 80 d) “Allowances for risks and charges: other”

	Initial amount	Changes	Final amount
Allowance for legal disputes and amounts reclaimed	556	(21)	535
Solidarity allowance ex Ministerial Decree 158/2000	–	437	437
Allowance for charges on equity investments	222	156	378
Allowance for guarantees given and commitments	311	2	313
Allowance for personnel charges	376	(219)	157
Allowance for adjustments to interest and commissions	42	3	45
Allowance for risks on derivatives	44	(15)	29
Allowance for commitments with the pension fund of former BCI	26	–	26
Allowance for the Fonspa disposal	26	(14)	12
Allowance for charitable, social and cultural contributions	10	(3)	7
Allowance for future integration expenses	9	57	66
Other charges	208	(65)	143
Total	1,830	318	2,148

The specific destination of allowances is described below.

Allowance for legal disputes and amounts reclaimed
The allowance covers disputes with customers and other counterparties and any potential claims made to Group companies by the liquidators of bankrupt companies.

Solidarity allowance ex Ministerial Decree 158/2000
This allowance covers future charges which will derive from the activation of the “Solidarity allowance” provided for by Ministerial Decree 158/2000.

Allowance for charges on equity investments
The allowance covers possible future charges related to equity investments. In particular, this allowance prudentially includes the provisions recorded by Group companies charges forecasted for the Group’s disengagement from Latin America.

Allowance for guarantees given and commitments
The allowance covers guarantees given and credit risk on credit derivatives in the banking book.

Allowance for personnel charges
This allowance covers known or possible charges in relation to employees, the timing or extent of which is uncertain. In particular, the allowance covers holiday entitlement not yet taken and other payments to employees.

Allowance for adjustments to interest and commissions
This allowance covers out-of-period expenses to be incurred on the adjustment of interest and commission calculations, including provisions for charges on subsidised mortgages and unsubsidised fixed rate mortgages.

Allowance for risks on derivatives
The allowance was set up to cover liquidity risks on OTC derivatives.

Allowance for commitments with the pension fund of former BCI
The allowance records the charges deriving from the commitment to ensure the minimum guaranteed return on positions managed by the fund, in compliance with the agreements signed with Trade Unions at the time of the restructuring of the Fund.

Allowance for the Fonspa disposal
The allowance records provisions for future charges deriving from the agreements related to the sale of the stake in Fonspa.

Allowance for charitable, social and cultural contributions
The allowance was increased with the provisions allocated by the Shareholders' Meeting which approved the 2001 financial statements.

Allowance for future integration expenses
This allowance was set up in 1998 and 1999 to cover the charges related to the completion of the integration of Cariplo and Banco Ambrosiano Veneto and for the start-up of the integration plan for the Banca Commerciale Italiana group.

7.4 Changes in subcaption "Deferred tax assets"

1. Initial amount		1,683
2. Increases		895
2.1 deferred tax assets recognised in the period	*788*	
2.2 other increases	*107*	
3. Decreases		(763)
3.1 deferred tax assets eliminated in the period	*(575)*	
3.2 other decreases	*(188)*	
4. Final amount		1,815

Deferred tax assets mostly reflect the contribution of the Parent Company Banca Intesa for 1,463 million euro and the Sudameris group for 169 million euro, almost entirely relative to the Brazilian sub-group. Deferred tax assets have been accounted for based on the reasonable expectations – presumed from the multiannual business plans – of taxable income sufficient to ensure their recovery. If the targets contained in the plans are not reached, or unexpected events occur which lead to doubt the achievement of such targets, the relevant valuations of assets will be made, also considering local regulations regarding maximum time limits for deductible temporary differences.

Changes in “Current tax liabilities”

Initial amount	1,267
plus	
Provisions for the period	
– income taxes	*514*
– other taxes	*78*
Tax credits matured in the period on taxes paid abroad	–
Foreign exchange differences and other changes	34
minus	
Uses for payments made in the period	(774)
Registration in the statement of income of provisions available	(8)
Final amount	1,111

7.5 Changes in “Deferred tax liabilities”

1.	Initial amount		534
2.	Increases		79
	2.1 deferred tax liabilities recognised in the period	*41*	
	2.2 other increases	*38*	
3.	Decreases		(221)
	3.1 deferred tax liabilities eliminated in the period	*(152)*	
	3.2 other decreases	*(69)*	
4.	**Final amount**		392

Deferred tax assets and liabilities were calculated by applying the “balance sheet method” as follows: for Irpeg (Corporate income tax), based on the tax rate in force in 2003, and for Irap (Regional tax), based on the tax rate presumably applicable in the year in which the asset is realised or the liability is settled. As concerns foreign entities, reference is made to the equivalent local regulations.

SECTION 8 - SHARE CAPITAL, RESERVES, RESERVE FOR GENERAL BANKING RISKS, SUBORDINATED LIABILITIES

Breakdown of Shareholders' equity

Captions	
Share capital	3,561
Share premium reserve	5,764
Reserves	
a) legal reserve	773
b) reserve for own shares	981
c) statutory reserves	155
d) other reserves	2,014
Revaluation reserves	358
Reserve for general banking risks	115
Negative goodwill arising on consolidation	29
Negative goodwill arising on application of the equity method	1
Net income for the period	200
Shareholders' Equity	**13,951**
Subordinated liabilities	11,631

Breakdown of caption 150 "Share capital"

Shares (number)	
Ordinary	5,915,707,226
Saving	932,490,561
Total	6,848,197,787

Changes in caption 100 "Reserve for general banking risks"

A. Initial amount	93
B. Increases	22
B1. provisions for the period	*22*
B2. other changes	–
C. Decreases	–
C1. uses for the period	–
C2. other changes	–
D. Final amount	115

Breakdown and changes in caption 90 of Assets "Goodwill arising on consolidation"

	Balance as at 31/12/2001	Additions in the period	Amortisation charges	Balance as at 31/12/2002
Banca Intesa (former Cariplo)	251	–	42	209
Banca Intesa (former Mediocredito Lombardo)	6	–	1	5
Banco Comercial e de Investimento	27	(12)	2	13
Banco Wiese Sudameris	–	30	30	–
Bankhaus Löbbecke	7	–	7	–
Caboto IntesaBci Sim	8	–	1	7
Carinord 1	–	113	6	107
Cassa di Risparmio di Ascoli Piceno	10	–	2	8
Cassa di Risparmio di Città di Castello	2	–	–	2
Cassa di Risparmio di Foligno	16	–	2	14
Cassa di Risparmio di Rieti	5	–	–	5
Cassa di Risparmio di Spoleto	13	–	2	11
Cassa di Risparmio di Terni e Narni	18	37	6	49
Epsilon Associati Sgr	–	4	–	4
Medimurska Banka	3	–	1	2
Mediofactoring	3	–	–	3
Privredna Banka	112	21	16	117
Vseobecna Uverova Banka	–	196	19	177
Total	**481**	**389**	**137**	**733**

Breakdown and changes in caption 100 of Assets "Goodwill arising on application of the equity method"

	Balance as at 31/12/2001	Additions in the period	Amortisation charges	Balance as at 31/12/2002
Agos Itafinco	3	31	1	33
Carivita	20	–	2	18
Charta	3	–	1	2
Po Vita	1	–	–	1
Total	**27**	**31**	**4**	**54**

Changes in caption 120 of Liabilities "Negative goodwill arising on consolidation" and in caption 130 of Liabilities "Negative goodwill arising on application of the equity method"

Negative goodwill arising on consolidation recorded a 14 million euro increase following the consolidation of Private Equity International.

Negative goodwill arising on application of the equity method is unchanged.

8.1 Consolidated capital and capital ratios

A. Total capital	
A.1 Tier 1 capital	13,494
A.2 Tier 2 capital	8,192
A.3 items to be deducted	(630)
A.4 Total capital	21,056
B. Capital requirements	
B.1 credit risks	14,611
B.2 market risks	1,173
including	
– trading portfolio risk (*)	*1,119*
– foreign exchange risk	*54*
B.3 Tier 3 subordinated loans	1,148
B.4 other capital requirements	193
B.5 Total capital requirements	15,977
C. Risk-weighted assets and capital ratios	
C.1 risk-weighted assets	199,714
C.2 Tier 1 capital/Risk-weighted assets	6.76
C.3 Total capital/Risk-weighted assets	11.12

(*) Including 63 million euro related to capital ratios calculated applying the methodologies provided for by the “Internal Model”.

Total capital used to calculate the ratio in subcaption C.3 also includes Tier 3 subordinated loans.

Subordinated liabilities

The following pages show a list of subordinated liabilities as at 31st December 2002 broken down in Tier 1 capital, hybrid capital instruments (Upper Tier 2), subordinated liabilities eligible for solvency ratio purposes (Lower Tier 2) and subordinated liabilities which may be used to cover market risks only (Tier 3). The subordination clause entails that in case of liquidation of the issuing company the rights of the subordinated creditors are subordinated to rights of depositors and other creditors which are not subordinated or which hold more senior debt.

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Amount (millions of euro) 31/12/02
BCI US Funding LLC I	8.01% fixed rate; as of 15th Jul 2008: 3-month Libor + 3.25%	yes	7th Jul 1998	perpetual	7th Jul 2008	USD	200,000,000	191
BCI US Funding LLC II	3-month Euribor + 0.160%; as of 15th Jul 2008: 3-month Libor + 2.93%	yes	15th Jul 1998	perpetual	15th Jul 2008	EUR	550,000,000	550
BCI US Funding LLC III	8.25% fixed rate; as of 15th Jul 2008: 3-month Libor + 3.20%	yes	15th Jul 1998	perpetual	15th Jul 2008	GBP	120,000,000	184
Intesa Preferred LLC I	3-month Libor + 1.75%; as of 1st Jul 2008: Libor + 3,25%	yes	30th Jun 1998	perpetual	30th Jun 2008	EUR	200,000,000	200
Intesa Preferred LLC II	6.40% fixed rate	no	30th Mar 1999	perpetual	30th Mar 2004	EUR	150,000,000	150
IntesaBci Preferred Securities Investor Trust	6.988% fixed rate; as of 13th Jul 2011: 3-month Euribor +2.60%	yes	12th Jul 2001	perpetual	30th Jul 2011	EUR	500,000,000	500
Total Preference Shares (Tier 1)								**1,775**
Intesa Bank Overseas	3-month Libor + 0.85%	no	2nd Jan 1998	2nd Jan 2008	no	ITL	200,000,000,000	103
Intesa Bank Overseas	3-month Libor + 0.85%	no	2nd Jan 1998	2nd Jan 2008	no	USD	500,000,000	458
Intesa Bank Overseas	3-month Libor + 0.625%	no	10th Apr 1998	10th Apr 2008	no	ITL	250,000,000,000	129
Intesa Bank Overseas	3-month Libor + 0.625%	no	10th Jun 1998	10th Jun 2008	no	ITL	800,000,000,000	410
IntesaBci	6-month Euribor + 0.70%	no	29th Dec 1998	30th Dec 2008	no	ITL	5,000,000,000	3
IntesaBci	5% fixed rate	no	29th Dec 1998	30th Dec 2008	no	ITL	495,000,000,000	242
Riadria Banka	12-month Euribor + 0.5%	no	10th Dec 1999	15th Dec 2005	no	KUN	30,000,000	4
Total Hybrid Instruments (Upper Tier 2)							**1,349**	
Banca di Trento e Bolzano	Until 15/10/2000: 5.25%; for the following coupon: 70% of 10-year euro swap rate with a minimum of 4.5%	no	15th Oct 1999	15th Oct 2006	no	EUR	25,000,000	25
Banca di Trento e Bolzano	70% of 10-year euro swap rate	no	1st Feb 2000	1st Feb 2007	no	EUR	15,000,000	15
Banca IntesaBci Mediocredito	6-month Euribor + 0.70%	no	28th Mar 2000	28th Mar 2010	28th Mar 2005	EUR	130,000,000	5
Banca Popolare FriulAdria	4.70% fixed rate	no	18th Oct 1999	18th Oct 2006	no	EUR	26,000,000	26
Banca Popolare FriulAdria	5.30% fixed rate	no	18th Oct 1999	18th Oct 2009	no	EUR	13,000,000	13
Banca Popolare FriulAdria	4.70% fixed rate	no	3rd Jan 2000	3rd Jan 2007	no	EUR	10,000,000	10
Banca Popolare FriulAdria	5.15% fixed rate	no	3rd Jan 2000	3rd Jan 2007	no	EUR	5,000,000	5
Banco Wiese Sudameris	9.25% fixed rate	no	26th Jun 2000	26th Jun 2010	no	USD	60,000,000	55
Banco Wiese Sudameris	8.6% fixed rate	no	19th Oct 2001	19th Oct 2011	no	USD	10,000,000	3
Bankhaus Löbbecke	7.47% fixed rate	no	5th May 1993	5th May 2003	no	DEM	10,000,000	5
Bankhaus Löbbecke	8.44% fixed rate	no		24-month notice		DEM	534,000	0
Cassa di Risparmio di Parma e Piacenza	4.6% fixed rate	no	2nd Nov 1999	2nd Nov 2006	no	EUR	29,100,000	23
Cassa di Risparmio di Parma e Piacenza	1st year: 4.5%; 2nd: 4.6%; 3rd: 4.7%; 4th: 4.9%; 5th: 5.1%; 6th: 5.4%; 7th: 5.7%	no	2nd Nov 1999	2nd Nov 2006	no	EUR	50,000,000	50
Cassa di Risparmio di Parma e Piacenza	1st year: 4.8%; 2nd:5.3%; for the following coupons: 70% of 10-year euro swap rate with a minimum of 4.5%	no	2nd Nov 1999	2nd Nov 2006	no	EUR	50,000,000	50
Cassa di Risparmio di Parma e Piacenza	1st year: 4.5%; 2nd: 4.6%; 3rd: 4.7%; 4th: 4.9%; 5th: 5.1%; 6th: 5.4%; 7th: 5.7%	no	15th Nov 1999	15th Nov 2006	no	EUR	10,400,000	10
Cassa di Risparmio di Parma e Piacenza	1st year: 4.8%; 2nd: 5.3%; for the following coupons: 70% of 10-year euro swap rate with a minimum of 4.5%	no	15th Nov 1999	15th Nov 2006	no	EUR	15,500,000	16
Cassa di Risparmio di Parma e Piacenza	1st year: 4.40%; 2nd: 4.55%; 3rd: 4.70%; 4th: 4.90%; 5th: 5.10%; 6th: 5.35%; 7th: 5.60%	no	3rd Jan 2000	3rd Jan 2007	no	EUR	26,000,000	26
Cassa di Risparmio di Parma e Piacenza	1st year: 4.90%; 2nd: 5.00%; 3rd: 5.10%; 4th: 5.20%; 5th: 5.35%; 6th: 5.60%; 7th: 6.00%	no	4th Feb 2000	4th Feb 2007	no	EUR	26,000,000	26
IntesaBci	8.25% fixed rate	no	15th Jul 1992	15th Jul 2007	no	USD	200,000,000	191
IntesaBci	3-month Libor + 0.25%	no	1st Feb 1996	1st Feb 2006	1st Feb 2001	ITL	400,000,000,000	165
IntesaBci	3-month Euribor – 0.25%	no	1st Oct 1996	1st Oct 2003	1st Apr 1998	ITL	300,000,000,000	31

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Amount (millions of euro) 31/12/02
IntesaBci	3-month Libor + 0.20%	no	1st Dec 1997	1st Dec 2007	1st Dec 2002	ITL	800,000,000,000	413
IntesaBci	6-month Libor (min 1.25%)	no	1st Jan 1998	1st Jan 2003	(1) (3)	ITL	878,254,800,500	1
IntesaBci	6-month Libor (min 1.75%)	no	1st Jan 1998	1st Jan 2003	(2) (3)	ITL	246,311,524,800	0
IntesaBci	6-month Euribor	no	1st Jan 1998	1st Jan 2005	1st Jul 1999	ITL	1,200,000,000,000	366
IntesaBci	3-month Libor	no	1st Feb 1998	1st Feb 2008	1st Feb 2003	ITL	700,000,000,000	361
IntesaBci	3-month Libor	no	1st Jun 1998	1st Jun 2008	1st Jun 2003	ITL	362,430,000,000	187
IntesaBci	5.15% fixed rate	no	9th Jun 1998	10th Jun 2008	no	ITL	100,000,000,000	52
IntesaBci	1st coupon: 8%; 2nd and 3rd: 6.375%; for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3% - min 4.5%)	no	16th Jun 1998	17th Jun 2013	no	ITL	500,000,000,000	258
IntesaBci	Premium at maturity equal to the average variation of a number of indices and currency with a minimum 16%	no	30th Jun 1998	31st Jul 2006	no	ITL	300,000,000,000	155
IntesaBci	1st coupon: 8%; 2nd and 3rd: 6.375%; for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3% - min 4.5%)	no	30th Jun 1998	1st Jul 2013	no	ITL	200,000,000,000	103
IntesaBci	4.40% fixed rate	no	16th Nov 1998	17th Nov 2008	no	ITL	300,000,000,000	155
IntesaBci	4.40% fixed rate	no	9th Dec 1998	10th Dec 2008	no	ITL	200,000,000,000	103
IntesaBci	1st coupon: 8%; 2nd: 5% and 3rd: 4%; for the following coupon: 70% of 10-year euro swap rate	no	9th Mar 1999	9th Mar 2014	no	ITL	480,000,000,000	248
IntesaBci	1st coupon: 8%, 2nd: 5.5% and 3rd: 4%, for the following coupons: 65% of 10-year euro swap rate with a minimum of 4%	no	15th Jul 1999	15th Jul 2014	no	EUR	250,000,000	250
IntesaBci	5.30% fixed rate	no	22nd Oct 1999	1st Jan 2010	no	EUR	150,000,000	150
IntesaBci	4.70% fixed rate	no	15th Nov 1999	15th Nov 2006	no	EUR	104,000,000	104
IntesaBci	5.10% fixed rate	no	17th Nov 1999	17th Nov 2009	no	EUR	350,000,000	350
IntesaBci	4.90% fixed rate	no	23rd Nov 1999	1st Jan 2007	no	EUR	95,000,000	95
IntesaBci	5.20% fixed rate	no	7th Dec 1999	1st Jan 2010	no	EUR	90,000,000	90
IntesaBci	4.40% fixed rate	no	14th Dec 1999	14th Dec 2004	no	EUR	52,000,000	52
IntesaBci	12-month Euribor + 0.01%	no	29th Dec 1999	29th Dec 2006	no	EUR	65,000,000	65
IntesaBci	5.30% fixed rate	no	21st Jan 2000	1st Jan 2010	no	EUR	100,000,000	100
IntesaBci	5.00% fixed rate	no	25th Jan 2000	1st Jan 2007	no	EUR	90,000,000	90
IntesaBci	4.70% fixed rate	no	11th Feb 2000	11th Feb 2007	no	EUR	104,000,000	104
IntesaBci	5.50% fixed rate	no	16th Feb 2000	1st Jan 2010	no	EUR	41,000,000	41
IntesaBci	5.20% fixed rate	no	18th Feb 2000	1st Jan 2007	no	EUR	59,000,000	59
IntesaBci	6.11% fixed rate; as of 23rd Feb 2005: 97% of 30-year euro swap mid rate	no	23rd Feb 2000	23rd Feb 2015	no	EUR	65,000,000	65
IntesaBci	12-month Euribor + 0.01%	no	23rd Mar 2000	23rd Mar 2007	no	EUR	41,000,000	41
IntesaBci	3-month Euribor + 0.65%; as of 8th Aug 2005: 3-month Euribor +1.25%	yes	8th Aug 2000	8th Aug 2010	8th Aug 2005	EUR	150,000,000	150
IntesaBci	1st year 4.9% fixed rate; as of 5th Jan 2002: 2.10% HCPI Euro Area with 2.10 % minimum limit	no	5th Jan 2001	5th Jan 2011	5th Jan 2006	EUR	8,904,000	9
IntesaBci	4.9% fixed rate; as of 5th Jan 2006: 12-month Euribor	no	5th Jan 2001	5th Jan 2011	5th Jan 2006	EUR	33,358,000	33
IntesaBci	92% of 30-year euro swap mid rate; never lower than the preceding	no	12th Mar 2001	23rd Feb 2015	no	EUR	50,000,000	50
IntesaBci	5% fixed rate	no	9th Apr 2001	9th Apr 2007	no	EUR	991,225,000	991
IntesaBci	5.35% fixed rate	no	9th Apr 2001	9th Apr 2011	no	EUR	125,478,000	126
IntesaBci	5.20% fixed rate	no	15th Jan 2002	15th Jan 2012	no	EUR	265,771,000	266
IntesaBci	5.50% fixed rate	no	12th Apr 2002	12th Apr 2012	no	EUR	93,038,000	126

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Amount (millions of euro) 31/12/02
IntesaBci	5.85% fixed rate; as of 7th Apr 2009: 3-month Euribor + 1.25%	yes	8th May 2002	8th May 2014	8th May 2009	EUR	500,000,000	465
IntesaBci Bank Ireland	Cdor - 0.30% (min 6.875% – max 9.00%)	no	10th Nov 1993	10th Nov 2003	no	CAD	100,000,000	60
IntesaBci Bank Ireland	Libor - 0.25% (min 5.375% – max 8.25%)	no	30th Nov 1993	30th Nov 2005	no	USD	97,000,000	93
IntesaBci Bank Ireland	Libor – 0.125% (min 5%)	no	18th Mar 1994	18th Mar 2004	no	USD	105,000,000	100
IntesaBci Bank Ireland	Libor + 0.50%	no	26th Jun 1994	26th Jun 2004	no	ITL	150,000,000,000	77
Sudameris Montevideo	Libor + 1.75%	yes	23rd Dec 2002	23rd Dec 2009	23rd Dec 2007	USD	5,000,000	5
Total Subordinated Liabilities included (Lower Tier 2)								**7,359**
IntesaBci	6-month Euribor + 0.50%	no	28th Apr 2000	30th Apr 2003	no	EUR	200,000,000	200
IntesaBci	5.35% fixed rate	no	1st Dec 2000	1st Dec 2003	no	EUR	200,000,000	200
IntesaBci	5.20% fixed rate	no	22nd Dec 2000	22nd Dec 2003	no	EUR	100,000,000	100
IntesaBci	6-month Euribor + 0.53%	no	10th Aug 2001	10th Aug 2004	no	EUR	200,000,000	200
IntesaBci	4.20% fixed rate	no	10th Oct 2001	10th Oct 2004	no	EUR	50,000,000	50
IntesaBci	4.00% fixed rate	no	10th Oct 2001	10th Oct 2004	no	EUR	78,771,000	79
IntesaBci	3.75% fixed rate	no	25th Oct 2001	25th Oct 2004	no	EUR	55,079,000	55
IntesaBci	3.80% fixed rate	no	27th Nov 2001	27th Nov 2004	no	EUR	264,387,000	264
Total Subordinated Liabilities not included (Tier 3)								**1,148**
Total								**11,631**

Subordinated loan convertible (1) in the issuer's ordinary shares; (2) in the issuer's saving shares.
Ordinary conversion period: (3) 1st to 31st May of the years included in the 1998-2002 period.

SECTION 9 - OTHER LIABILITIES

9.1 Breakdown of caption 50 “Other liabilities”

Subcaptions	
Write-down of off-balance sheet transactions	16,261
Due to suppliers	1,263
Other creditors	2,385
Options sold	1,901
Liabilities connected to tax collection activities	764
Amounts due to third parties	1,813
Transit items	552
Due to tax authorities	389
Liabilities connected to securities transactions	316
Outstanding items with the clearing house	307
Adjustments for portfolio items to be settled	266
Items under processing	190
Personnel expenses	103
Due to social security entities	94
Other amounts due for foreign exchange transactions	31
Amounts due for coupons	5
Other	2,478
Total	**29,118**

9.2 Breakdown of caption 60 “Accrued expenses and deferred income”

Accrued expenses	
Differentials on off-balance sheet transactions	2,371
Interest expense and similar charges on securities issued	1,209
Interest expense and similar charges on amounts due to banks	425
Interest expense and similar charges on amounts due to customers	126
Charges for repurchase agreements on securities	131
Other	70
Total	**4,332**

Deferred income	
Differentials on off-balance sheet transactions	97
Interest on discounted securities portfolio	151
Interest income and similar revenues on loans to customers	50
Commissions on guarantees and acceptances	25
Other	142
Total	**465**

9.3 Adjustments for accrued income and prepaid expenses

As already mentioned above, the 2002 financial statements were prepared without applying the allowed treatment (Art. 12, par. 2 of Legislative Decree 87/92) of recording, where technically appropriate, accrued income and prepaid expenses directly to adjust related assets and liabilities. The sole exception is on zero-coupon bonds and certificates of deposit (or in any case bonds with one coupon paid at maturity) where accruals increase related liabilities.

SECTION 10 - GUARANTEES, COMMITMENTS AND CREDIT DERIVATIVES

10.1 Breakdown of caption 10 "Guarantees given"

a) Commercial guarantees	
– acceptances	*365*
– endorsements and sureties	*15,663*
– documentary credits	*1,467*
– other commitments	*691*
Total a)	18,186
b) Financial guarantees	
– endorsements and sureties	*7,150*
– acceptances	*50*
– other commitments	*228*
Total b)	7,428
c) Assets given as guarantee	1
Total	25,615

10.2 Breakdown of caption 20 "Commitments"

a) Commitments to lend funds, of certain use	
– securities to be collected	*4,540*
– margins on irrevocably granted credit lines	*711*
– loans and deposits to be carried out with customers and banks	*1,324*
– other commitments	*624*
Total a)	7,199
b) Commitments to lend funds, of uncertain use	
– margins on irrevocably granted credit lines	*31,727*
– sales of put options on securities	*1,037*
– membership of Interbank Deposit Guarantee Fund	*38*
– other commitments	*15,064*
Total b)	47,866
Total	55,065

Breakdown of caption 30 "Credit derivatives"

a) Protection sales in the "banking book"	2,242
– with exchange of underlying asset	*1,798*
– without exchange of underlying asset	*444*
b) Protection sales in the "trading book"	34,792
– with exchange of underlying asset	*25,206*
– without exchange of underlying asset	*9,586*
Total	37,034

10.3 Assets given as collateral of own debts

Securities in portfolio given as collateral of funding repurchase agreements	11,760
Securities given as collateral for Treasury and other services	298
Securities given as collateral with the Bank of Italy to cover cheques	176
Securities given as collateral for operations on the “BI-REL” settlement system	26
Securities given as collateral – MIF (Italian Futures Market)	3
Total	12,263

10.4 Undrawn credit lines

a) Central banks	1,067
b) Other banks	837
Total	1,904

10.5 Forward transactions

Type of transaction	Hedging	Trading	Other
1. Unsettled transactions	5,982	80,912	–
1.1 securities	–	6,266	–
– purchases	–	*4,540*	–
– sales	–	*1,726*	–
1.2 currencies	5,982	74,646	–
– currency against currency	*4,721*	*27,751*	–
– purchases against euro	*723*	*23,421*	–
– sales against euro	*538*	*23,474*	–
2. Deposits and loans	–	–	3,467
– outflows	–	–	*1,324*
– inflows	–	–	*2,143*
3. Derivative contracts	50,049	1,648,065	24,109
3.1 with exchange of underlying asset	2,995	20,029	300
a) securities	509	7,092	300
– purchases	*3*	*3,399*	*150*
– sales	*506*	*3,693*	*150*
b) currency	2,486	10,317	–
– currency against currency	*669*	*1,556*	–
– purchases against euro	*1,427*	*4,786*	–
– sales against euro	*390*	*3,975*	–
c) other instruments	–	2,620	–
– purchases	–	*1,287*	–
– sales	–	*1,333*	–
3.2 without exchange of underlying asset	47,054	1,628,036	23,809
a) currency	80	1,120	–
– currency against currency	–	*80*	–
– purchases against euro	*15*	*695*	–
– sales against euro	*65*	*345*	–
b) other instruments	46,974	1,626,916	23,809
– purchases	*28,134*	*794,269*	*9,369*
– sales	*18,840*	*832,647*	*14,440*
Total	56,031	1,728,977	27,576

Section 3.2 b) includes purchases/sales of contracts that entail the exchange of indexed flows (so-called basis swaps) for 4,755 million euro (hedging) and 22,593 million euro (trading).

Off-balance sheet hedges as at 31st December 2002 presented unaccounted capital losses of 1,449 million euro and unaccounted capital gains of 842 million euro.

Internal deals

Categories	Hedging		Trading	
	purchases	sales	purchases	sales
Purchases/sales of currency	5,963	4,719	4,719	5,963
Derivative contracts with exchange of underlying asset	18	75	75	18
Derivative contracts without exchange of underlying asset	46,481	49,985	49,985	46,481
Total	52,462	54,779	54,779	52,462

Breakdown of forward transactions by instrument type and market risk

	Interest rate	Foreign exchange	Equity	Other	Total
Over the counter trading contracts (OTC)					
Forwards	9,249	72,966	2,878	–	85,093
Swaps	1,267,443	7,524	221	795	1,275,983
Options bought	100,141	2,053	3,886	–	106,080
Options sold	109,742	2,277	5,098	–	117,117
Trading contracts listed on regulated markets					
Futures bought	17,386	98	37	–	17,521
Futures sold	72,864	244	66	–	73,174
Options bought	13,171	–	1,221	–	14,392
Options sold	13,620	–	1,827	–	15,447
Total trading contracts	1,603,616	85,162	15,234	795	1,704,807
Total non-trading contracts	18,741	8,858	6,347	26,421	60,367
Total	1,622,357	94,020	21,581	27,216	1,765,174

Notional amount of over the counter (OTC) derivatives and corresponding market value

	Interest rate	Foreign exchange	Equity	Other	Total
Notional amount	1,501,758	93,721	18,438	2,064	1,615,981
Market value					
Trading contracts					
a) positive market value	6,595	2,569	131	–	9,295
b) negative market value	(5,760)	(2,476)	(113)	–	(8,349)
Non-trading contracts					
a) positive market value	584	64	3	2	653
b) negative market value	(331)	(338)	–	–	(669)
Positive market value	7,179	2,633	134	2	9,948
Negative market value	(6,091)	(2,814)	(113)	–	(9,018)

Notional amount of over the counter (OTC) derivatives by residual life

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
a) Interest rate contracts	1,047,229	294,255	160,274	1,501,758
b) Foreign exchange contracts	86,982	6,415	324	93,721
c) Equity linked contracts	4,526	13,376	536	18,438
d) Other	2,064	1	–	2,064
Total	1,140,801	314,046	161,134	1,615,981

10.6 Credit derivatives outstanding

Type of transaction	Trading	Banking
1. Protection purchases	30,064	7,188
1.1 physical settlement	9,529	1,349
– credit default swaps	*9,516*	*1,245*
– credit default options	–	–
– credit linked notes	*13*	*104*
1.2 cash settlement	20,535	5,839
– credit default swaps	*19,121*	*5,570*
– credit spread options	*100*	–
– credit linked notes	–	*245*
– total return swaps	*1,314*	*24*
2. Protection sales	34,792	2,242
2.1 physical settlement	9,586	1,798
– credit default swaps	*9,410*	*1,197*
– credit default options	–	*119*
– credit linked notes	*176*	*482*
2.2 cash settlement	25,206	444
– credit default swaps	*25,124*	*85*
– credit default options	–	–
– credit linked notes	*82*	*341*
– total return swaps	–	*18*
Total	64,856	9,430

Notional amount and market value of credit derivatives (trading book)

Notional amount	64,856
Market value	(9)
Positive market value	241
Negative market value	(250)

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 Large credit risks

a) Amount	9,847
b) Number	3

Credit derivatives: distribution of guarantees received by principal sector of counterparty

	Trading transactions	Other transactions
a) Governments	–	–
b) Other public agencies	–	–
c) Banks	8,164	1,744
d) Non-financial companies	–	114
e) Financial institutions	21,900	5,330
f) Family-run businesses	–	–
g) Other	–	–
Total	30,064	7,188

11.2 Breakdown of loans to customers by borrower’s economic sector

a) Governments	2,805
b) Other public agencies	4,203
c) Non-financial companies	98,652
d) Financial institutions	14,234
e) Family-run businesses	9,767
f) Other	38,871
Total	168,532

11.3 Breakdown of loans to resident non-financial companies and family-run businesses

a) Other services	19,424
b) Wholesale and retail trade, recovery and repairs	15,271
c) Construction and public works	9,265
d) Textiles, leather and footwear, clothing	4,067
e) Metal products, excluding cars and means of transport	4,005
f) Other sectors	37,503
Total	89,535

11.4 Breakdown of guarantees given by counterparty sector

a) Governments	47
b) Other public agencies	61
c) Banks	2,715
d) Non-financial companies	19,440
e) Financial institutions	1,725
f) Family-run businesses	325
g) Other	1,302
Total	25,615

Credit derivatives: breakdown of guarantees given by category of “reference entity” (banking book)

a) Governments	143
b) Other public agencies	–
c) Banks	286
d) Non-financial companies	1,490
e) Financial institutions	323
f) Family-run businesses	–
g) Other	–
Total	2,242

11.5 Assets and liabilities: breakdown by Country

Captions/Countries	Italy	Other EU Countries	Other Countries	Total
1. Assets				
1.1 due from banks	7,546	19,097	3,792	30,435
1.2 loans to customers	138,060	10,678	19,794	168,532
1.3 securities	15,563	7,727	11,995	35,285
Total	161,169	37,502	35,581	234,252
2. Liabilities				
2.1 due to banks	13,385	13,620	17,585	44,590
2.2 due to customers	87,264	9,032	17,347	113,643
2.3 securities issued	49,212	2,980	4,479	56,671
2.4 other	9,014	343	2,362	11,719
Total	158,875	25,975	41,773	226,623
3. Guarantees, commitments and credit derivatives	53,729	32,989	30,996	117,714

11.6 Assets and liabilities: breakdown by maturity

Captions/Residual life	Specified maturity							Unspecified maturity	Total
	on demand	up to 3 months	between 3 and 12 months	between 1 and 5 years		over 5 years			
				fixed rate	floating rate	fixed rate	floating rate		
1. Assets									
1.1 treasury bills eligible for refinancing	–	16	973	533	151	735	65	–	2,473
1.2 due from banks	2,719	19,921	4,734	82	891	–	183	1,905	30,435
1.3 loans to customers	36,952	27,952	17,877	14,401	31,482	6,690	24,553	8,625	168,532
1.4 bonds and other debt securities	660	3,314	7,487	5,144	5,871	3,052	4,472	359	30,359
1.5 off-balance sheet transactions	128,489	593,521	427,095	210,726	21,753	118,780	1,250	–	1,501,614
Total	**168,820**	**644,724**	**458,166**	**230,886**	**60,148**	**129,257**	**30,523**	**10,889**	**1,733,413**
2. Liabilities									
2.1 due to banks	5,560	29,956	5,828	358	1,657	235	938	58	44,590
2.2 due to customers	83,610	23,744	2,193	194	1,502	55	78	2,267	113,643
2.3 securities issued									
– bonds	1,957	871	7,419	12,872	13,955	2,484	5,362	–	44,920
– certificates of deposit	277	6,231	1,995	856	662	28	281	–	10,330
– other securities	1,316	105	–	–	–	–	–	–	1,421
2.4 subordinated liabilities	129	51	603	2,641	1,969	1,767	4,471	–	11,631
2.5 off-balance sheet transactions	141,887	587,810	417,768	214,263	21,390	114,881	1,122	–	1,499,121
Total	**234,736**	**648,768**	**435,806**	**231,184**	**41,135**	**119,450**	**12,252**	**2,325**	**1,725,656**

11.7 Assets and liabilities denominated in foreign currencies

a) **Assets**	
1. due from banks	6,566
2. loans to customers	23,072
3. securities	12,363
4. equity investments	233
5. other	495
Total	42,729
b) **Liabilities**	
1. due to banks	17,291
2. due to customers	18,769
3. securities issued	6,434
4. other	1,338
Total	43,832

11.8 Securitisations

Securities portfolio deriving from securitisations

	Book value	**Market value**
Investment portfolio	496	492
Senior	–	–
Mezzanine	437	433
Junior	59	59
Trading portfolio	1,982	1,980
Senior	1,396	1,393
Mezzanine	509	509
Junior	77	78
Total	2,478	2,472
Senior	1,396	1,393
Mezzanine	946	942
Junior	136	137

Breakdown of securitised assets by type of underlying asset

	Securities portfolio - Book value			
	Senior	Mezzanine	Junior	Total
Loans	362	240	86	688
Land, industrial and public entities mortgages	432	–	–	432
Credit card loans	–	239	–	239
Mortgages	64	160	32	256
Securities	285	38	5	328
Personal loans	11	3	–	14
Real estate	81	31	–	112
Games and bets	23	–	–	23
Interest credits	24	17	–	41
Loans and revolving credit facilities	–	65	–	65
Various assets	58	4	6	68
Leasing	35	25	–	60
Social security benefits	10	–	–	10
Credit derivatives	–	116	5	121
Off-balance sheet loans	6	5	–	11
Other	5	3	2	10
Total	1,396	946	136	2,478

Breakdown of securitised assets by quality of underlying asset

	Securities portfolio - Book value			
	Senior	Mezzanine	Junior	Total
a) Originated underlying assets	243	408	35	686
doubtful loans	111	214	24	349
performing loans	11	80	8	99
other	121	114	3	238
b) Third party underlying assets	1,153	538	101	1,792
doubtful loans	46	30	–	76
performing loans	702	350	88	1,140
other	405	158	13	576
Total	1,396	946	136	2,478

Adjustments to securities portfolio deriving from securitisations

Senior	106
Mezzanine	4
Junior	42
Total	152

Write-back of adjustments to securities portfolio deriving from securitisations

Senior	–
Mezzanine	–
Junior	–
Total	–

The figures in the previous tables include 23 bonds related to securitisations originated by the Group which are listed in detail below:

Securities/Underlying assets	Senior			Mezzanine			Junior		
	book value	market value	adjustments/ write-backs	book value	market value	adjustments/ write-backs	book value	market value	adjustments/ write-backs
Mortgages									
IntesaBci Sec. Class A1	4	4							
IntesaBci Sec. Class C							8	8	
Doubtful mortgages									
IntesaBci Sec. Npl Class A	20	20							
IntesaBci Sec. Npl Class B				5	5				
IntesaBci Sec. Npl Class C				5	5				
IntesaBci Sec. Npl Class D				118	118				
IntesaBci Sec. Npl Class E							24	24	(17)
Doubtful and substandard loans and other assets									
Patrimonio Banco Wiese 1999-01	193	193	(46)						
Patrimonio Banco Wiese 1999-01				187	187				
Patrimonio Banco Wiese 1999-02	19	19	(54)						
Loans and revolving credit facilities									
Verdi Synthetic Class A1				11	11				
Verdi Synthetic Class B1				14	14				
Verdi Synthetic Class C1				11	11				
Verdi Synthetic Class D1				21	21				
Verdi Synthetic Class D2				5	5				
Verdi Synthetic Class E4				3	3				
Credit derivatives									
Leonardo Synthetic Class A	7	7							
Leonardo Synthetic Class B				9	9				
Scala Synthetic 2 Class A				6	6	(1)			
Scala Synthetic 2 Class B							2	2	(1)
Scala Synthetic 2 Class C							1	1	(1)
Scala Synthetic 3 Class B				3	3				
Scala Synthetic 3 Class C				10	10				
Total	243	243	(100)	408	408	(1)	35	35	(19)

The most significant securities held as investor refer to the following issues:

Securities/Underlying assets	Senior			Mezzanine			Junior		
	book value	market value	adjustments/ write-backs	book value	market value	adjustments/ write-backs	book value	market value	adjustments/ write-backs
Land, industrial and public entities mortgages									
Augusto Class A1	40	40	(1)						
Augusto Class A2	82	82	(3)						
Diocleziano Class A2	310	310							
Credit card loans									
Citibank Credit Card Class C1				95	94				
Loans									
Costantinus Eaton Vance							27	27	(2)
Deutsche Bank Globe Class E							45	45	
Loans and securities									
Duchess I Class A2	179	179							
Securities									
Callidus Debt Partners Class A	64	64							
Total	675	675	(4)	95	94	–	72	72	(2)

With the exclusion of securities listed above, the rest of the securities portfolio related to securitisations amounted to 950 million euro broken down in 119 securities.

Equity stakes in special purpose vehicles

Name	Registered office	Stake
Wiese Sudameris Sociedad Titulizadora	Lima	100%
IntesaBci Sec.	Milano	60%
IntesaBci Sec. 2	Milano	60%
IntesaBci Sec. Npl	Milano	60%
Augusto	Milano	5%
Colombo	Milano	5%
Diocleziano	Milano	5%

Servicer activities - Collections in the year

Servicer	Special purpose vehicles	Securitised assets	Amount
Banco Wiese Sudameris	Wiese Sudameris Sociedad Titulizadora BWS1	Various assets	38
Banco Wiese Sudameris	Wiese Sudameris Sociedad Titulizadora BWS2	Various assets	13
IntesaBci	IntesaBci Sec.	Performing mortgages	102
IntesaBci	IntesaBci Sec. 2	Performing mortgages	69
IntesaBci Gestione Crediti	IntesaBci Sec. Npl	Doubtful mortgages	101
Total			323

In 2002 securitisations were originated only by the Parent Company, as described below.

SECURITISATIONS ORIGINATED IN 2002

Verdi Synthetic Plc

Banca Intesa, for the purpose of liberating credit lines for the Bank's main customers and decreasing risk-weighted assets, launched a synthetic securitisation, named "Verdi", on a portfolio of loans for a total nominal amount of 4 billion euro (the positions referred to Banca Intesa's foreign and domestic branches and certain foreign subsidiaries).

The portfolio which was securitised was made up of 170 term loans, revolving credit facilities and letters of credit to companies, all endowed with an investment-grade rating assigned by *Moody's* and/or *Standard & Poor's*, located in Western Europe (49.8%) and North America (50.2%).

According to the structure, Banca Intesa bought protection on the entire risk of the portfolio from Merrill Lynch International Ltd (guaranteed by Merrill Lynch & Co.). To cover the losses which exceed the first 2.25% of the risk of the portfolio, Merrill Lynch, in turn, covers the risk corresponding to the mezzanine issue for a total amount of 299,750,000 euro (equal to 7.49% of the portfolio) with a credit default swap with Verdi Synthetic Plc, a special purpose vehicle, based in Ireland and completely separate from both Banca Intesa and Merrill Lynch.

In detail the issued securities – listed by increasing subordination – currently have the following characteristics:

Class	Amount	Rating Moody's/S&P/Fitch	Return
A1	106 million euro	AAA/Aaa/AAA	Euribor + 65 b.p.
A2	30 million USD	AA/Aaa/AAA	Euribor + 65 b.p.
B1	76 million euro	AA+/Aa1/AA	Euribor + 110 b.p.
C1	26 million euro	A+/A1/A+	Euribor + 200 b.p.
C2	10 million USD	A+/A1/A+	Euribor + 200 b.p.
D1	30 million euro	BBB+/Baa1/BBB+	Euribor + 375 b.p.
D2	10 million USD	BBB+/Baa1/BBB+	Euribor + 375 b.p.
E1	2.3 million euro	BB+/Ba1/BBB-	Euribor + 800 b.p.
E2	5 million USD	BB+/Ba1/BBB-	Euribor + 800 b.p.
E3	1.45 million USD	BB+/Ba1/BBB-	Euribor + 800 b.p.
E4	3 million USD	BB+/Ba1/BBB-	Euribor + 800 b.p.

The legal expiry of the operation is 2010, but it may be terminated in advance:

(i) starting from the third year in case of any changes in the treatment of regulatory capital or changes in the legal or fiscal framework of the operation (in case laws or regulations lead to additional charges which could not be envisaged at the time of the close of the operation);

(ii) when the portfolio's outstanding notional decreases to 400 million euro (equal to 10% of the initial notional amount);

(iii) unconditionally at the fourth anniversary from the date of the closing of the operations and at every subsequent quarter.

Banca Intesa, during the replenishment period, has the possibility of reusing the capacity liberated by the assets which have been cancelled, prepaid or amortised (the average maturity of the initial portfolio is approximately 3 years) with new assets and, furthermore, it may substitute at its discretion the assets in the portfolio for up to a maximum equal to 20% of the initial portfolio. The substitution right expires after the first four years of the operation.

Verdi used the proceeds of the securities issue to purchase Italian Government securities and open a deposit with Banca Intesa, which will be collateral for the protection that Verdi sold to Banca Intesa to cover the second realised loss.

For the purpose of guaranteeing the return of the issued securities, Merrill Lynch pays Verdi, in advance, a premium which enables the vehicle to honour its payment obligations.

Banca Intesa acted as *originator* and *sole arranger*, Caboto IntesaBci was *joint bookrunner*, Merrill Lynch was both *joint bookrunner* and *intermediary bank*.

IntesaBci Sec. 2 Srl

Banca Intesa structured, again as *sole arranger*, a synthetic securitisation on a portfolio made up of approximately 67,000 performing residential mortgages to individuals, granted mostly in Northern Italy (approximately 76%), guaranteed by first level mortgages, for a book value of 2,026 million euro. The price totalled approximately 2,136 million euro and was made up of two components: a portion equal to book value of the loans, paid at the time of the sale, and a portion of approximately 110 million euro with deferred payment.

The operation is essentially aimed at reducing the liquidity gap between medium-term lending and short-term funding, and was realised through the sale of the aforementioned portfolio to a special purpose vehicle – incorporated under the Italian Law 130/99 – called IntesaBci Sec. 2 Srl and in which Banca Intesa has a 60% stake.

This first phase of the operation – which was concluded in the current year with the sale pro soluto (without recourse) of the aforementioned portfolio at a price of 2,136 million euro – was followed in February 2003 by the second phase, made up of the issue by IntesaBci Sec. 2 of mortgage-backed securities listed at the Luxembourg stock exchange and placed with institutional investors by Caboto IntesaBci, Crédit Agricole and Morgan Stanley (*lead managers* and *bookrunners*).

The issued securities have the following characteristics:

Class	Amount	Rating Moody's/S&P/Fitch	Return [1]
A1	405,500,000	Aaa/AAA/AAA	3/m Euribor + 17 b.p.
A2	1,519,600,000	Aaa/AAA/AAA	3/m Euribor + 28 b.p.
B	40,600,000	Aa2/AA/AA	3/m Euribor + 51 b.p.
C	60,800,000	Baa2/BBB/BBB	3/m Euribor + 145 b.p.

[1] The financial structure of the operation entails the payment of quarterly interest to the securities holders.

The securities have a legal expiry in 2023 and expected maturity of approximately 1.5 years for class A1, approximately 4.6 years for class A2 and approximately 8.5 years for classes B and C.

The issuer has the faculty of fully, but not partly, reimbursing the capital of securities issued at every payment date (28th February, 28th May, 28th August and 28th November of each year), provided that the total capital reimbursed is lower than or equal to 10% of the original nominal amount of securities.

For the purpose of hedging the vehicle from interest rate risk two swaps were stipulated with Crédit Agricole Indosuez. The credit enhancement of the operation is structured as a cash reserve initially set up as a subordinated loan granted by Banca Intesa to the special purpose vehicle paid at the time of the issue of the securities. The cash reserve equalled approximately 18 million euro, corresponding to 0.9% of issued securities; the cash reserve will be increased to 1.1% thanks to the flows of the operation until 28th May 2003.

Payment collection and management of the loans sold, on behalf of the special purpose vehicle, is carried out by Banca Intesa, servicer of the operation, which uses the IT systems of IntesaBci Sistemi e Servizi. For this purpose Banca Intesa signed a servicing contract.

All the payments collected on the portfolio are credited to the accounts in the name of the vehicle IntesaBci Sec. 2 Srl opened with Banca Intesa (*account bank*), with the exception of the payments received in the 18 months after the issue, in relation to the capital of the loans sold. Due to minimum rating considerations, these amounts will be paid on an account opened with Crédit Agricole Indosuez. Furthermore, again due to minimum rating considerations, collections of the vehicle company deposited on the accounts opened with Banca Intesa are assisted by a guarantee given by Crédit Agricole Indosuez for a maximum of 190 million euro (*bank account guarantee*).

IntesaBci Gestione Crediti has been given mandate for the recovery of any doubtful loans which emerge after the sale.

The representative of the noteholders is KPMG - Fides Fiduciaria Spa while the calculation agent is Giustidata Srl. The paying agent is Banca Intesa and the listing agent is Société Européenne de Banque SA.

SECTION 12 - MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES

12.1 Dealing in securities

a) **Purchases**	78,843
– securities	
1. settled	*37,594*
2. to be settled	*14*
– financial derivatives	41,235
b) **Sales**	76,584
– securities	
1. settled	*33,746*
2. to be settled	*10*
– financial derivatives	42,828

12.2 Portfolio management

Portfolio management	52,649

"Hedge" individual portfolio management schemes, amounting to 350 million euro, have been placed by the subsidiary Cassa di Risparmio di Parma e Piacenza. These schemes entail a contract in which the bank covers the risk of capital losses on the capital initially invested by the customer. However, risk is transferred to a third party which will reimburse any charges related to this commitment.

12.3 Custody and administration of securities

a) Third parties securities held in deposit (excluding individual portfolio management schemes)	413,799
b) Third parties securities deposited with third parties	297,704
c) Portfolio securities deposited with third parties	28,745

12.4 Collection of receivables on behalf of third parties: adjustments to assets and liabilities

a) **Debit**	28,890
1. current accounts	*533*
2. non-matured loan portfolio	*20,900*
3. cash	*22*
4. other accounts	*7,435*
b) **Credit**	29,263
1. current accounts	*870*
2. third party bills and documents	*28,103*
3. other accounts	*290*

12.5 Other transactions

Other banks' participation in syndicated loans	20,233
– cash loans	17,804
– guarantees and commitments	2,429
Trading on behalf of third parties	15,310
Tax collection activities	52,068
– tax collection mandates received	14,120
– amounts received to be paid	37,948

12.6 Information regarding securitisations

IntesaBci Sec.
Securitisation of performing mortgages

A.	**Securitised assets**			**302**
A1.	loans		297	
	loans outstanding	296		
	overdue loans	1		
A2.	securities		–	
A3.	other assets		5	
	accrued income on IRS	5		
B.	**Investments of the funds collected from loan management**			**49**
B1.	debt securities		–	
B2.	shares, quotas and other forms of capital		–	
B3.	liquidity		49	
C.	**Securities issued**			**335**
C1.	rating A1		101	
C2.	rating A2		205	
C3.	rating B		21	
C4.	rating C		8	
D.	**Financing received**			**–**
E.	**Other liabilities**			**14**
E1.	due to Parent Company		1	
E2.	accrued expenses – interest on securities issued		5	
E3.	accrued expenses on IRS		6	
E4.	allowance for “additional return”		2	
F.	**Interest expense on securities issued**			**14**
G.	**Commissions and fees**			**1**
G1.	servicing		1	
G2.	other services		–	
H.	**Other expenses**			**21**
H1.	interest expenses		17	
H2.	provisions to the allowance for "additional return"		4	
I.	**Interest income on securitised assets**			**20**
L.	**Other revenues**			**16**
L1.	interest income		16	

IntesaBci Sec. Npl
Securitisation of doubtful mortgages

A.	**Securitised assets**			**376**
A1.	loans		366	
	loans outstanding	77		
	overdue loans	243		
	overdue interest	46		
A2.	securities		–	
A3.	other assets		10	
	cap premium paid	10		
B.	**Investments of the funds collected from loan management**			**129**
B1.	debt securities		–	
B2.	shares, quotas and other forms of capital		–	
B3.	liquidity		129	
B4.	time deposits		–	
C.	**Securities issued**			**525**
C1.	rating A		274	
C2.	rating B		72	
C3.	rating C		20	
C4.	rating D		118	
C5.	rating E		41	
D.	**Financing received**			**–**
E.	**Other liabilities**			**43**
E1.	amounts due for services rendered		11	
E2.	accrued expenses – interest on securities issued		29	
E3.	other accrued expenses		1	
E4.	floor option premium		2	
F.	**Interest expense on securities issued**			**30**
G.	**Commissions and fees**			**10**
G1.	servicing		10	
G2.	other services		–	
H.	**Other expenses**			**72**
H1.	other expenses		8	
H2.	losses on overdue interest		11	
H3.	losses on loans		6	
H4.	forecasted losses on loans		47	
I.	**Interest income on securitised assets**			**46**
L.	**Other revenues**			**21**
L1.	interest income		3	
L2.	recovery of legal expenses		1	
L3.	write-backs		17	

IntesaBci Sec. 2
Securitisation of performing residential mortgages

A.	**Securitised assets**			**2,088**
A1.	loans		1,978	
	loans outstanding	1,947		
	overdue loans	31		
A2.	securities		–	
A3.	other assets		110	
	other accrued income/prepaid expenses	–		
	other loans	110		
B.	**Investments of the funds collected from loan management**			**69**
B1.	debt securities		–	
B2.	shares, quotas and other forms of capital		–	
B3.	liquidity		69	
B4.	time deposits		–	
C.	**Securities issued**			**–**
C1.	rating A		–	
C2.	rating B		–	
C3.	rating C		–	
C4.	rating D		–	
C5.	rating E		–	
D.	**Financing received**			**–**
E.	**Other liabilities**			**2,146**
E1.	due to Parent Company		2,026	
E2.	other liabilities DPP		110	
E3.	other accrued expenses		10	
F.	**Interest expense on securities issued**			**–**
G.	**Commissions and fees**			**–**
G1.	servicing		–	
G2.	other services		–	
H.	**Other expenses**			**10**
H1.	interest expenses		10	
I.	**Interest income on securitised assets**			**20**
L.	**Other revenues**			**–**
L1.	interest income		–	

Wiese Sudameris Sociedad Titulizadora SA
Securitisation of various assets Banco Wiese Sudameris 1

A. Securitised assets		**191**
A1. loans	172	
A2. securities	1	
A3. real estate	18	
A4. other assets	–	
B. Investments of the funds collected from loan management		**9**
B1. debt securities	–	
B2. shares, quotas and other forms of capital	–	
B3. cash and banks	9	
B4. other assets	–	
C. Securities issued		**679**
including Equity tranche		*202*
D. Financing received		**1**
D1. due to banks	1	
E. Other liabilities		**47**
E1. accrued expenses	41	
E2. other liabilities	6	
F. Interest expense on securities issued		**18**
G. Commissions and fees		**–**
G1. servicing	–	
G2. other services	–	
H. Other expenses		**642**
H1. adjustments to loans	358	
H2. foreign exchange differences	148	
H3. extraordinary charges	70	
H4. other expenses from securitised assets	54	
H5. losses on sales of securitised assets	12	
I. Interest income on securitised assets		**256**
L. Other revenues		**345**
L1. extraordinary income	148	
L2. foreign exchange differences	137	
L3. income from securitised assets	53	
L4. revenues on sales of securitised assets	7	

Wiese Sudameris Sociedad Titulizadora SA
Securitisation of various assets Banco Wiese Sudameris 2

A.	**Securitised assets**		**16**
A1.	loans	5	
A2.	securities	5	
A3.	real estate	6	
B.	**Investments of the funds collected from loan management**		**4**
B1.	debt securities	–	
B2.	shares, quotas and other forms of capital	–	
B3.	cash and banks	4	
C.	**Securities issued**		**400**
	including Equity tranche		*320*
D.	**Financing received**		**2**
D1.	due to banks	2	
E.	**Other liabilities**		**–**
F.	**Interest expense on securities issued**		**6**
G.	**Commissions and fees**		**–**
G1.	servicing	–	
G2.	other services	–	
H.	**Other expenses**		**1,587**
H1.	adjustments to loans	1,138	
H2.	extraordinary charges	353	
H3.	foreign exchange differences	80	
H4.	other expenses from securitised assets	14	
H5.	losses on sales of securitised assets	2	
I.	**Interest income on securitised assets**		**1,021**
L.	**Other revenues**		**494**
L1.	extraordinary income	403	
L2.	foreign exchange differences	76	
L3.	other income from securitised assets	13	
L4.	revenues on sales of securitised assets	2	

Wiese Sudameris Sociedad Titulizadora SA
Securitisation of loans Administradora Jockey Plaza Shopping Center

A.	**Securitised assets**		**10**
A1.	loans	10	
A2.	securities	–	
A3.	other assets	–	
B.	**Investments of the funds collected from loan management**		**–**
B1.	debt securities	–	
B2.	shares, quotas and other forms of capital	–	
B3.	cash and banks	–	
C.	**Securities issued**		**11**
D.	**Financing received**		**–**
E.	**Other liabilities**		**–**
F.	**Interest expense on securities issued**		**1**
G.	**Commissions and fees**		**–**
G1.	servicing	–	
G2.	other services	–	
H.	**Other expenses**		**1**
H1.	foreign exchange differences	1	
I.	**Interest income on securitised assets**		**1**
L.	**Other revenues**		**1**
L1.	foreign exchange differences	1	

Part C - Information regarding the consolidated statement of income

SECTION 1 - INTEREST

1.1 Breakdown of caption 10 “Interest income and similar revenues”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
a) On amounts due from banks	1,456	2,414	(958)	(39.7)	2,336
including					
– deposits with central banks	*111*	*127*	*(16)*	*(12.6)*	*122*
b) On loans to customers	9,861	11,826	(1,965)	(16.6)	11,883
including					
– loans using public funds under administration	–	–	–	–	–
c) On debt securities	1,988	3,146	(1,158)	(36.8)	3,052
d) Other interest income	37	32	5	15.6	32
e) Positive differentials on hedge transactions	–	–	–	–	–
Total caption 10 Statement of income	13,342	17,418	(4,076)	(23.4)	17,303

1.2 Breakdown of caption 20 “Interest expense and similar charges”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
a) On amounts due to banks	1,913	4,485	(2,572)	(57.3)	4,482
b) On amounts due to customers	2,384	3,075	(691)	(22.5)	2,892
c) On securities issued	2,320	2,933	(613)	(20.9)	3,030
including					
– on certificates of deposit	*533*	*987*	*(454)*	*(46.0)*	*1,086*
d) On public funds under administration	1	1	–	–	1
e) On subordinated liabilities	638	611	27	4.4	610
f) Negative differentials on hedge transactions	427	394	33	8.4	395
Total caption 20 Statement of income	7,683	11,499	(3,816)	(33.2)	11,410
Amounts reclassified in caption 30 with economically-related income and charges	(94)	(105)	(11)	(10.5)	(105)
Total caption 20 Reclassified statement of income	7,589	11,394	(3,805)	(33.4)	11,305

1.3 Analysis of caption 10 “Interest income and similar revenues”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
a) On foreign currency assets	3,109	5,137	(2,028)	(39.5)	5,341

1.4 Analysis of caption 20 “Interest expense and similar charges”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
a) On foreign currency liabilities	1,956	4,451	(2,495)	(56.1)	4,582

Net interest: reconciliation with the reclassified statement of income

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Total interest income	13,342	17,418	(4,076)	(23.4)	17,303
Total interest expense	(7,683)	(11,499)	(3,816)	(33.2)	(11,410)
Net interest	5,659	5,919	(260)	(4.4)	5,893
Amounts related to interest expense reclassified in caption 30 with economically-related income and charges	94	105	(11)	(10.5)	105
Net interest income Reclassified statement of income	5,753	6,024	(271)	(4.5)	5,998

Breakdown of caption 30 “Dividends and other revenues”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
a) On shares, quotas and other forms of capital	623	447	176	39.4	459
b) On equity investments	90	157	(67)	(42.7)	157
c) On investments in Group companies	2	438	(436)	(99.5)	438
Total caption 30 Statement of income	715	1,042	(327)	(31.4)	1,054
Differentials on economically-related hedge transactions connected to revenues on shares in the trading portfolio (transfer to caption 20)	(94)	(105)	(11)	(10.5)	(105)
Dividends on structured share portfolio (transfer to caption 60)	(488)	(280)	208	74.3	(212)
Reclassification of dividends Neuf SA and Investitori Associati (transfer to caption 190)	–	(521)	(521)	–	–
Total caption 30 Reclassified statement of income	133	136	(3)	(2.2)	737

SECTION 2 - COMMISSIONS

2.1 Breakdown of caption 40 “Commission income”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
a) Guarantees given	176	202	(26)	(12.9)	205
b) Credit derivatives	26	18	8	44.4	19
c) Management, dealing and consultancy services	1,654	1,976	(322)	(16.3)	1,975
1. dealing in securities	*58*	*99*	*(41)*	*(41.4)*	*99*
2. dealing in currencies	*63*	*79*	*(16)*	*(20.3)*	*80*
3. portfolio management	*1,132*	*1,333*	*(201)*	*(15.1)*	*1,331*
3.1 individual	*186*	*227*	*(41)*	*(18.1)*	*225*
3.2 collective	*946*	*1,106*	*(160)*	*(14.5)*	*1,106*
4. custody and administration of securities	*79*	*81*	*(2)*	*(2.5)*	*82*
5. depositary bank	*72*	*84*	*(12)*	*(14.3)*	*84*
6. placement of securities	*49*	*96*	*(47)*	*(49.0)*	*93*
7. acceptance of trading instructions	*85*	*77*	*8*	*10.4*	*77*
8. consultancy services	*8*	*13*	*(5)*	*(38.5)*	*13*
9. distribution of third party services	*108*	*114*	*(6)*	*(5.3)*	*116*
9.1 portfolio management	*4*	*10*	*(6)*	*(60.0)*	*10*
9.1.1 individual	*1*	*5*	*(4)*	*(80.0)*	*5*
9.1.2 collective	*3*	*5*	*(2)*	*(40.0)*	*5*
9.2 insurance products	*103*	*99*	*4*	*4.0*	*102*
9.3 other products	*1*	*5*	*(4)*	*(80.0)*	*4*
d) Collection and payment services	416	362	54	14.9	360
e) Servicing related to securitisations	11	10	1	10.0	10
f) Tax collection services	212	244	(32)	(13.1)	245
g) Other services	1,475	1,493	(18)	(1.2)	1,576
– fees on current accounts	*744*	*764*	*(20)*	*(2.6)*	*783*
– medium- and long-term lending and project financing transactions	*92*	*44*	*48*		*38*
– fees on credit card distribution and POS services	*291*	*254*	*37*	*14.6*	*281*
– commissions on factoring	*78*	*75*	*3*	*4.0*	*74*
– other	*270*	*356*	*(86)*	*(24.2)*	*400*
Total	3,970	4,305	(335)	(7.8)	4,390

2.2 Analysis of caption 40 “Commission income” “Distribution channels of products and services offered”

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
a) Group branches	1,270	1,517	(247)	(16.3)	1,514
1. portfolio management	*1,132*	*1,333*	*(201)*	*(15.1)*	*1,330*
2. placement of securities	*49*	*95*	*(46)*	*(48.4)*	*92*
3. third party services and products	*89*	*89*	*–*		*92*
b) “Door-to-door” sales	19	26	(7)	(26.9)	26
1. portfolio management	*–*	*–*	*–*	*–*	*–*
2. placement of securities	*–*	*1*	*(1)*		*1*
3. third party services and products	*19*	*25*	*(6)*	*(24.0)*	*25*
Total	1,289	1,543	(254)	(16.5)	1,540

2.3 Breakdown of caption 50 “Commission expense”

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
a) Guarantees received	6	7	(1)	(14.3)	7
b) Credit derivatives	37	26	11	42.3	27
c) Management, dealing and consultancy services	268	294	(26)	(8.8)	282
1. dealing in securities	*31*	*32*	*(1)*	*(3.1)*	*32*
2. dealing in currencies	*6*	*8*	*(2)*	*(25.0)*	*8*
3. portfolio management	*12*	*10*	*2*	*20.0*	*10*
3.1 own customers	*–*	*–*	*–*	*–*	*–*
3.2 delegated	*12*	*10*	*2*	*20.0*	*10*
4. custody and administration of securities	*25*	*24*	*1*	*4.2*	*24*
5. placement of securities	*19*	*13*	*6*	*46.2*	*13*
6. “door-to-door” sale of securities, financial products and services	*175*	*207*	*(32)*	*(15.5)*	*195*
d) Collection and payment services	144	102	42	41.2	103
e) Other services	180	199	(19)	(9.5)	240
– commissions for placement of products	*5*	*4*	*1*	*25.0*	*4*
– other services received from banks	*27*	*44*	*(17)*	*(38.6)*	*40*
– tax collection services	*6*	*6*	*–*	*–*	*5*
– commissions paid to credit card and international circuits	*86*	*73*	*13*	*17.8*	*64*
– other	*56*	*72*	*(16)*	*(22.2)*	*127*
Total	635	628	7	1.1	659

SECTION 3 - PROFITS AND LOSSES ON FINANCIAL TRANSACTIONS

3.1 Breakdown of caption 60 "Profits (Losses) on financial transactions"

Captions/Transactions	2002			
	Securities	Currencies	Other	Total
A.1 Revaluations	519	xxx	1,098	1,617
A.2 Write-downs	(416)	xxx	(1,103)	(1,519)
B. Other profits (losses)	(308)	242	(108)	(174)
Total caption 60 - Statement of income	(205)	242	(113)	(76)
Dividends on structured share portfolio (transfer from caption 30)	488	–	–	488
Reclassification of transactions on securities (transfer to caption 190)	(350)	–	–	(350)
Reclassification of writedowns (transfer to caption 200)	127	–	–	127
Total caption 60 Reclassified statement of income	60	242	(113)	189

Captions/Transactions	2001 pro forma			
	Securities	Currencies	Other	Total
A.1 Revaluations	177	xxx	1,134	1,311
A.2 Write-downs	(721)	xxx	(1,241)	(1,962)
B. Other profits (losses)	280	233	109	622
Total caption 60 - Statement of income	(264)	233	2	(29)
Dividends on structured share portfolio (transfer from caption 30)	280	–	–	280
Reclassification of gains on securities (transfer to caption 120)	(57)	–	–	(57)
Total caption 60 Reclassified statement of income	(41)	233	2	194

Captions/Transactions	2001 not restated			
	Securities	Currencies	Other	Total
A.1 Revaluations	167	xxx	1,133	1,300
A.2 Write-downs	(719)	xxx	(1,240)	(1,959)
B. Other profits (losses)	283	222	116	621
Total caption 60 - Statement of income	(269)	222	9	(38)
Dividends on structured share portfolio (transfer from caption 30)	212	–	–	212
Reclassification of gains on securities (transfer to caption 120)	(57)	–	–	(57)
Total caption 60 Reclassified statement of income	(114)	222	9	117

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
1. Government bonds	(18)	63	(81)		65
2. Other debt securities	42	1	41		(13)
3. Shares, quotas and other forms of capital	25	(114)	139		(175)
4. Security derivatives	11	9	2	22.2	9
Total	60	(41)	101		(114)

SECTION 4 - ADMINISTRATIVE COSTS

4.1 Average number of employees by categories

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
a) Managers	1,013	996	17	1.7	986
b) 3rd and 4th level clerks	13,358	13,047	311	2.4	13,195
c) Other employees	58,312	60,604	(2,292)	(3.8)	56,837
Total	72,683	74,647	(1,964)	(2.6)	71,018

Number of employees by categories (figures as at 31st December)

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
a) Managers	1,010	1,016	(6)	(0.6)	1,005
b) 3rd and 4th level clerks	13,297	13,418	(121)	(0.9)	13,575
c) Other employees	57,194	59,430	(2,236)	(3.8)	55,602
Total	71,501	73,864	(2,363)	(3.2)	70,182

Breakdown of caption 80 “Administrative costs”

a) Payroll

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
Payroll					
– wages and salaries	*2,573*	*2,843*	*(270)*	*(9.5)*	*2,839*
– social security charges	*714*	*831*	*(117)*	*(14.1)*	*823*
– other	*112*	*118*	*(6)*	*(5.1)*	*121*
– termination indemnities	*178*	*183*	*(5)*	*(2.7)*	*183*
– pensions and similar commitments	*115*	*81*	*34*	*42.0*	*80*
Total	3,692	4,056	(364)	(9.0)	4,046

b) Other

Subcaptions	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Indirect taxes and duties	386	415	(29)	(7.0)	422
IT, processing and data processing services	254	274	(20)	(7.3)	272
Rentals and service charges - real estate	224	221	3	1.4	222
Expenses for consultancy fees	215	218	(3)	(1.4)	218
Postal, telegraphic and delivery services	129	143	(14)	(9.8)	144
Telephonic, teletransmission and transmission expenses	113	118	(5)	(4.2)	119
Legal expenses	105	117	(12)	(10.3)	118
Expenses for maintenance	105	141	(36)	(25.5)	142
Advertising and promotional expenses	93	132	(39)	(29.5)	127
Transport services	73	67	6	9.0	68
Lighting, central heating and air conditioning	69	74	(5)	(6.8)	73
Printing, stationery and consumables	69	72	(3)	(4.2)	71
Training expenses and reimbursements to personnel	75	89	(14)	(15.7)	87
Security services	59	56	3	5.4	60
Information expenses	55	41	14	34.1	43
Insurance premiums	54	53	1	1.9	54
Cleaning services	45	51	(6)	(11.8)	52
Rentals of other fixed assets	27	64	(37)	(57.8)	59
Data storage and document processing	22	19	3	15.8	19
Other costs	217	225	(8)	(3.6)	242
Total caption 80 b) Statement of income	2,389	2,590	(201)	(7.8)	2,612
Recovery of costs related to allowance for pensions and similar commitments	–	(3)	(3)		(3)
Total caption 80 b) Reclassified statement of income	2,389	2,587	(198)	(7.7)	2,609

SECTION 5 - ADJUSTMENTS, WRITE-BACKS AND PROVISIONS

Breakdown of caption 90 "Adjustments to fixed assets and intangibles"

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
a) Intangibles					
– start-up costs	*13*	*12*	*1*	*8.3*	*12*
– goodwill	*22*	*24*	*(2)*	*(8.3)*	*24*
– improvement to rented assets	*38*	*41*	*(3)*	*(7.3)*	*42*
– software	*252*	*247*	*5*	*2.0*	*252*
– other	*24*	*28*	*(4)*	*(14.3)*	*20*
	349	352	(3)	(0.9)	350
b) Fixed assets					
– real estate	*168*	*181*	*(13)*	*(7.2)*	*166*
– furniture	*36*	*40*	*(4)*	*(10.0)*	*41*
– machines and equipment	*182*	*172*	*10*	*5.8*	*180*
	386	393	(7)	(1.8)	387
Total caption 90 Reclassified statement of income	735	745	(10)	(1.3)	737
Amortisation of goodwill arising on consolidation and on application of the equity method	141	125	16	12.8	179
Total caption 90 Statement of income	876	870	6	0.7	916

Breakdown of caption 100 "Provisions for risks and charges"

	2002	2001 pro forma	Changes		2001 not restated
			amount	%	
Equity investments	203	213	(10)	(4.7)	213
Legal disputes and amounts reclaimed	47	207	(160)	(77.3)	199
Commitments with the pension fund	7	17	(10)	(58.8)	17
Counterparty risk in financial derivatives	–	26	(26)		26
Tax litigations	23	28	(5)	(17.9)	28
Fidelity programmes	–	21	(21)		21
Other future charges	74	128	(54)	(42.2)	72
Total	354	640	(286)	(44.7)	576

5.1 Breakdown of caption 120 "Adjustments to loans and provisions for guarantees and commitments"

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
a) Adjustments to loans	3,300	3,383	(83)	(2.5)	3,080
including					
– adjustments to doubtful loans	*1,890*	*2,249*	*(359)*	*(16.0)*	*2,000*
– adjustments to substandard loans	*994*	*811*	*183*	*22.6*	*685*
– adjustments to restructured loans and loans under restructuring	*111*	*27*	*84*		*27*
– lump-sum adjustments for Country risk	*20*	*78*	*(58)*	*(74.4)*	*78*
– other lump-sum adjustments	*285*	*218*	*67*	*30.7*	*290*
b) Provisions for guarantees and commitments	178	159	19	11.9	134
Total caption 120 Statement of income	3,478	3,542	(64)	(1.8)	3,214
Reclassification of gains on securities (transfer from caption 60)	–	(57)	(57)		(57)
Reclassification of income on options (transfer from caption 70)	(16)	–	16		–
Reclassification related to adjustments to restructured loans (transfer from caption 130)	(81)	–	81		–
Total caption 120 Reclassified statement of income	3,381	3,485	(104)	(3.0)	3,157

Breakdown of caption 130 "Write-back of adjustments to loans and provisions for guarantees and commitments"

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Write-back of adjustments to loans	1,038	1,026	12	1.2	528
including					
– write-back of adjustments to doubtful loans	*763*	*653*	*110*	*16.8*	*343*
– write-back of adjustments to substandard loans	*141*	*192*	*(51)*	*(26.6)*	*60*
– write-back of adjustments to restructured loans and loans under restructuring	*20*	*10*	*10*		*10*
– lump-sum write-back for Country risk	*32*	*70*	*(38)*	*(54.3)*	*70*
– other lump-sum write-backs	*82*	*101*	*(19)*	*(18.8)*	*45*
Provisions for guarantees and commitments	46	69	(23)	(33.3)	38
Total caption 130 Statement of income	1,084	1,095	(11)	(1.0)	566
Reclassification related to adjustments to restructured loans (transfer to caption 120)	(81)		81		
Total caption 130 Reclassified statement of income	1,003	1,095	(92)	(8.4)	566

Breakdown of caption 140 “Provisions for possible loan losses”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Provisions in the period					
– principal	5	1	4		1
– overdue interest	1	34	(33)	(97.1)	33
Total	6	35	(29)	(82.9)	34

Breakdown of caption 150 “Adjustments to financial fixed assets”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Adjustments to					
– equity investments in Group companies	5	4	1	25.0	4
– other equity investments	250	85	165		85
– investment portfolio	39	15	24		15
Total	294	104	190		104

Breakdown of caption 160 “Write-back of financial fixed assets”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Write-backs on					
– equity investments in Group companies	2	–	2		–
– other equity investments	1	2	(1)	(50.0)	2
– investment portfolio	3	9	(6)	(66.7)	9
Total	6	11	(5)	(45.5)	11

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

6.1 Breakdown of caption 70 “Other operating income”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Capital gains on disposal of merchant banking equity investments	7	36	(29)	(80.6)	36
Capital gains on sale of leased goods	41	74	(33)	(44.6)	73
Rentals and recovery of expenses	29	27	2	7.4	28
Income on securitisations	85	–	85		–
Recovery of costs for seconded personnel	9	12	(3)	(25.0)	11
Recovery of taxes and duties	235	236	(1)	(0.4)	238
Recovery of legal expenses	33	31	2	6.5	32
Indexation of bonds and certificates of deposit	4	50	(46)	(92.0)	50
Recovery of insurance costs	12	12	–	–	11
Recovery of other expenses	22	26	(4)	(15.4)	25
Monetary correction	8	12	(4)	(33.3)	12
Other operating income	133	135	(2)	(1.5)	120
Total	618	651	(33)	(5.1)	636
Reclassification of income on options (transfer to caption 120)	(16)	–	16		–
Total caption 70 Reclassified statement of income	602	651	(49)	(7.5)	636

6.2 Breakdown of caption 110 “Other operating expenses”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Expenses related to leasing contracts	39	26	13	50.0	25
Monetary correction	19	2	17		2
Indexation of bonds and certificates of deposit	4	49	(45)	(91.8)	50
Charges on securitisation of mortgaged loans	12	–	12		–
Other operating expenses	74	89	(15)	(16.9)	96
Total	148	166	(18)	(10.8)	173

6.3 Breakdown of caption 190 "Extraordinary income"

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Valuation of commitment for the sale of equity investments	280	–	280		–
Capital gains on the sale of equity investments	395	1,328	(933)	(70.3)	1,322
Out-of-period income and amounts not payable					
– adjustments to commissions/charges	*51*	*23*	*28*		*22*
– adjustments to other captions of previous periods	*45*	*18*	*27*		*18*
– deferred tax assets generated in previous periods	*35*	*82*	*(47)*	*(57.3)*	*82*
– reversal of the allowance for possible loan losses	*24*	*37*	*(13)*	*(35.1)*	*36*
– bank cashiers' cheques prescribed	*5*	*6*	*(1)*	*(16.7)*	*6*
– other	*211*	*124*	*87*	*70.2*	*111*
	371	290	81	27.9	275
Capital gains on sale of other assets					
– branches	*–*	*566*	*(566)*		*566*
– real estate assets	*253*	*38*	*215*		*35*
– other assets	*9*	*27*	*(18)*	*(66.7)*	*27*
	262	631	(369)	(58.5)	628
Non-recurring income on Fonspa operation	–	82	(82)		82
Capitalised intragroup services	31	25	6	24.0	25
Reversal of excess allowances	55	17	38		17
Capital gains on the sale of investment securities	13	7	6	85.7	3
Income on formerly-consolidated companies	–	12	(12)		–
Total	1,407	2,392	(985)	(41.2)	2,352
Reclassification dividend Neuf SA and Investitori Associati (transfer from caption 30)	–	521	(521)		–
Reclassification securities transactions (transfer from caption 60)	350	–	350		–
Total caption 190 Reclassified statement of income	1,757	2,913	(1,156)	(39.7)	2,352

6.4 Breakdown of caption 200 “Extraordinary charges”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
Valuation of own shares/*Warrants Put IntesaBci*	437	1,158	(721)	(62.3)	1,158
Solidarity allowance *ex* Ministerial Decree 158/2000	437	–	437		–
Out-of-period expense and amounts not collectable					
– adjustments to commission expense/charges	*34*	*20*	*14*	*70.0*	*19*
– transfer of dividend paid by Banca Carime	*–*	*13*	*(13)*		*13*
– adjustments to other captions of previous periods	*36*	*19*	*17*	*89.5*	*19*
– previous periods social security benefits	*3*	*2*	*1*	*50.0*	*2*
– burglaries and robberies	*7*	*12*	*(5)*	*(41.7)*	*10*
– other	*142*	*186*	*(44)*	*(23.7)*	*193*
	222	252	(30)	(11.9)	256
Non-recurring charges on Fonspa operation	–	78	(78)		78
Integration charges	201	48	153		47
Losses on sale of assets	17	18	(1)	(5.6)	12
Losses on sale of equity investments	1	5	(4)	(80.0)	4
Provisions for future charges on sales of equity investments	–	9	(9)		9
Losses on sale of investment securities	29	8	21		3
Losses on formerly-consolidated companies	–	141	(141)		–
Total	1,344	1,717	(373)	(21.7)	1,567
Reclassification (transfer from caption 60)	127	–	127		–
Total caption 200 Reclassified statement of income	1,471	1,717	(246)	(14.3)	1,567

Breakdown of caption 240 “Income taxes”

	2002	2001 pro forma	Changes amount	Changes %	2001 not restated
1. Current taxes (–)	(289)	(629)	(340)	(54.1)	(625)
2. Changes in deferred tax assets (+/–)	212	327	(115)	(35.2)	325
3. Changes in deferred tax liabilities (–/+)	126	107	19	17.8	105
4. Income taxes for the period (–1+/–2/+3)	49	(195)	244		(195)

SECTION 7 - OTHER INFORMATION REGARDING THE STATEMENT OF INCOME

7.1 Geographic breakdown of revenues

Revenues	Italy	Other EU Counties	Other Countries	Total
10. Interest income and similar revenues	9,583	1,562	2,197	13,342
30. Dividends and other revenues	552	157	6	715
40. Commission income	3,403	115	452	3,970
60. Profits (Losses) on financial transactions	82	(130)	(28)	(76)
70. Other operating income	486	8	124	618
Total	14,106	1,712	2,751	18,569

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

1.1 Compensation

a) Directors	11
b) Statutory Auditors	1

1.2 Loans and guarantees given

a) Directors	176
b) Statutory Auditors	–

Attachments
to the consolidated financial statements

ATTACHMENTS

Gruppo Intesa

1. Consolidated financial statements as at 31st December 2002
   compared to as at 31st December 2001 - not restated
   – Consolidated balance sheet
   – Consolidated statement of income

Banca Intesa

2. Parent Company's financial statements as at 31st December 2002
   compared to as at 31st December 2001 - not restated
   – Balance sheet
   – Statement of income
3. Parent Company's financial statements as at 31st December 2002
   compared to as at 31st December 2001 - pro forma
   – Balance sheet
   – Statement of income

Gruppo Intesa
Consolidated financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Consolidated balance sheet

(in millions of euro)

	Assets	31/12/2002	31/12/2001	Changes	
				amount	%
10.	Cash and deposits with central banks and post offices	1,672	1,949	(277)	(14.2)
20.	Treasury bills and similar bills eligible for refinancing with central banks	2,473	5,341	(2,868)	(53.7)
30.	Due from banks	30,435	40,169	(9,734)	(24.2)
	a) repayable on demand	*2,612*	*3,658*	*(1,046)*	*(28.6)*
	b) other	*27,823*	*36,511*	*(8,688)*	*(23.8)*
40.	Loans to customers	168,532	183,356	(14,824)	(8.1)
	including				
	– with public funds under administration	*48*	*47*	*1*	*2.1*
50.	Bonds and other debt securities	30,359	41,835	(11,476)	(27.4)
	a) public entities	*12,936*	*19,443*	*(6,507)*	*(33.5)*
	b) banks	*8,177*	*11,497*	*(3,320)*	*(28.9)*
	including				
	– own bonds	*1,728*	*1,031*	*697*	*67.6*
	c) financial institutions	*6,261*	*6,802*	*(541)*	*(8.0)*
	including				
	– own bonds	*11*	*3*	*8*	
	d) other issuers	*2,985*	*4,093*	*(1,108)*	*(27.1)*
60.	Shares, quotas and other forms of capital	2,453	1,719	734	42.7
70.	Equity investments	3,248	3,801	(553)	(14.5)
	a) carried at equity	*427*	*611*	*(184)*	*(30.1)*
	b) other	*2,821*	*3,190*	*(369)*	*(11.6)*
80.	Investments in Group companies	372	794	(422)	(53.1)
	a) carried at equity	*172*	*183*	*(11)*	*(6.0)*
	b) other	*200*	*611*	*(411)*	*(67.3)*
90.	Goodwill arising on consolidation	733	463	270	58.3
100.	Goodwill arising on application of the equity method	54	45	9	20.0
110.	Intangibles	718	735	(17)	(2.3)
	including				
	– start-up costs	*26*	*46*	*(20)*	*(43.5)*
	– goodwill	*12*	*24*	*(12)*	*(50.0)*
120.	Fixed assets	4,251	4,451	(200)	(4.5)
140.	Own shares or quotas *(nominal value 249 million euro)*	981	6	975	
150.	Other assets	30,259	25,721	4,538	17.6
160.	Accrued income and prepaid expenses	4,193	4,512	(319)	(7.1)
	a) accrued income	*3,894*	*4,044*	*(150)*	*(3.7)*
	b) prepaid expenses	*299*	*468*	*(169)*	*(36.1)*
	including				
	– discounts on securities issued	*54*	*80*	*(26)*	*(32.5)*
	Total Assets	**280,733**	**314,897**	**(34,164)**	**(10.8)**

Gruppo Intesa
Consolidated financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Consolidated balance sheet

(in millions of euro)

	Liabilities and Shareholders' Equity	31/12/2002	31/12/2001	Changes	
				amount	%
10.	Due to banks	44,590	77,304	(32,714)	(42.3)
	a) repayable on demand	*5,281*	*11,595*	*(6,314)*	*(54.5)*
	b) time deposits or with notice period	*39,309*	*65,709*	*(26,400)*	*(40.2)*
20.	Due to customers	113,643	112,516	1,127	1.0
	a) repayable on demand	*82,698*	*78,008*	*4,690*	*6.0*
	b) time deposits or with notice period	*30,945*	*34,508*	*(3,563)*	*(10.3)*
30.	Securities issued	56,671	60,814	(4,143)	(6.8)
	a) bonds	*44,920*	*40,561*	*4,359*	*10.7*
	b) certificates of deposit	*10,330*	*17,470*	*(7,140)*	*(40.9)*
	c) other	*1,421*	*2,783*	*(1,362)*	*(48.9)*
40.	Public funds under administration	88	87	1	1.1
50.	Other liabilities	29,118	27,022	2,096	7.8
60.	Accrued expenses and deferred income	4,797	4,896	(99)	(2.0)
	a) accrued expenses	*4,332*	*4,264*	*68*	*1.6*
	b) deferred income	*465*	*632*	*(167)*	*(26.4)*
70.	Allowance for employee termination indemnities	1,375	1,410	(35)	(2.5)
80.	Allowances for risks and charges	4,043	4,021	22	0.5
	a) pensions and similar commitments	*317*	*336*	*(19)*	*(5.7)*
	b) taxation	*1,503*	*1,808*	*(305)*	*(16.9)*
	c) risks and charges arising on consolidation	*75*	*78*	*(3)*	*(3.8)*
	d) other	*2,148*	*1,799*	*349*	*19.4*
90.	Allowances for possible loan losses	50	143	(93)	(65.0)
100.	Reserve for general banking risks	115	93	22	23.7
110.	Subordinated and perpetual liabilities	11,631	11,687	(56)	(0.5)
120.	Negative goodwill arising on consolidation	29	15	14	93.3
130.	Negative goodwill arising on application of the equity method	1	1	–	–
140.	Minority interests	776	825	(49)	(5.9)
150.	Share capital	3,561	3,489	72	2.1
160.	Share premium reserve	5,764	4,075	1,689	41.4
170.	Reserves	3,923	5,185	(1,262)	(24.3)
	a) legal reserve	*773*	*773*	*–*	*–*
	b) reserve for own shares	*981*	*6*	*975*	
	c) statutory reserves	*155*	*151*	*4*	*2.6*
	d) other reserves	*2,014*	*4,255*	*(2,241)*	*(52.7)*
180.	Revaluation reserves	358	386	(28)	(7.3)
200.	Net income for the period	200	928	(728)	(78.4)
	Total Liabilities and Shareholders' Equity	**280,733**	**314,897**	**(34,164)**	**(10.8)**

Gruppo Intesa
Consolidated financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Consolidated balance sheet

(in millions of euro)

	Guarantees and Commitments	**31/12/2002**	**31/12/2001**	**Changes**	
				amount	**%**
10.	Guarantees given	25,615	32,094	(6,479)	(20.2)
	including				
	– acceptances	*415*	*743*	*(328)*	*(44.1)*
	– other guarantees	*25,200*	*31,351*	*(6,151)*	*(19.6)*
20.	Commitments	55,065	64,753	(9,688)	(15.0)
	including				
	– for sales with commitment to repurchase	*130*	*15*	*115*	
30.	Credit derivatives	37,034	44,435	(7,401)	(16.7)
	Total Guarantees and Commitments	**117,714**	**141,282**	**(23,568)**	**(16.7)**

Gruppo Intesa
Consolidated financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Consolidated statement of income

(in millions of euro)

		31/12/2002	31/12/2001	Changes	
				amount	%
10.	Interest income and similar revenues *including from* *– loans to customers* *– debt securities*	13,342 *9,861* *1,988*	17,303 *11,883* *3,052*	(3,961) *(2,022)* *(1,064)*	(22.9) *(17.0)* *(34.9)*
20.	Interest expense and similar charges *including on* *– deposits from customers* *– securities issued*	(7,683) *(2,384)* *(2,958)*	(11,410) *(2,892)* *(3,556)*	(3,727) *(508)* *(598)*	(32.7) *(17.6)* *(16.8)*
30.	Dividends and other revenues *a) from shares, quotas and other forms of capital* *b) from equity investments* *c) from investments in Group companies*	715 *623* *90* *2*	1,054 *459* *157* *438*	(339) *164* *(67)* *(436)*	(32.2) *35.7* *(42.7)* *(99.5)*
40.	Commission income	3,970	4,390	(420)	(9.6)
50.	Commission expense	(635)	(659)	(24)	(3.6)
60.	Profits (Losses) on financial transactions	(76)	(38)	38	
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	(1)	23	(24)	
70.	Other operating income	618	636	(18)	(2.8)
80.	Administrative costs *a) payroll* *including* *– wages and salaries* *– social security charges* *– termination indemnities* *– pensions and similar commitments* *b) other*	(6,081) *(3,692)* *(2,573)* *(714)* *(178)* *(115)* *(2,389)*	(6,658) *(4,046)* *(2,839)* *(823)* *(183)* *(80)* *(2,612)*	(577) *(354)* *(266)* *(109)* *(5)* *35* *(223)*	(8.7) *(8.7)* *(9.4)* *(13.2)* *(2.7)* *43.8* *(8.5)*
85.	Allocation (use) of net returns (losses) on investment of the allowances for pensions and similar commitments	1	(20)	21	
90.	Adjustments to fixed assets and intangibles	(876)	(916)	(40)	(4.4)
100.	Provisions for risks and charges	(354)	(576)	(222)	(38.5)
110.	Other operating expenses	(148)	(173)	(25)	(14.5)
120.	Adjustments to loans and provisions for guarantees and commitments	(3,478)	(3,214)	264	8.2
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	1,084	566	518	91.5
140.	Provisions for possible loan losses	(6)	(34)	(28)	(82.4)
150.	Adjustments to financial fixed assets	(294)	(104)	190	
160.	Write-back of financial fixed assets	6	11	(5)	(45.5)
170.	Income (Loss) from investments carried at equity	60	79	(19)	(24.1)
180.	**Income (Loss) from operating activities**	**164**	**260**	**(96)**	**(36.9)**
190.	Extraordinary income	1,407	2,352	(945)	(40.2)
200.	Extraordinary charges	(1,344)	(1,567)	(223)	(14.2)
210.	**Extraordinary income (loss), net**	**63**	**785**	**(722)**	**(92.0)**
220.	Use of allowance for risks and charges arising on consolidation	2	11	(9)	(81.8)
230.	Change in the reserve for general banking risks	(22)	14	(36)	
240.	Income taxes	49	(195)	244	
250.	Minority interests	(56)	53	(109)	
	Net income for the period	**200**	**928**	**(728)**	**(78.4)**

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Balance sheet

(in euro)

	Assets	31/12/2002	31/12/2001	Changes	
				amount	%
10.	Cash and deposits with central banks and post offices	863,577,470	828,958,260	34,619,210	4.2
20.	Treasury bills and similar bills eligible for refinancing with central banks	1,055,994,412	3,760,400,142	(2,704,405,730)	(71.9)
30.	Due from banks	33,891,020,220	44,964,249,370	(11,073,229,150)	(24.6)
	a) repayable on demand	*2,107,565,636*	*4,034,712,894*	*(1,927,147,258)*	*(47.8)*
	b) other	*31,783,454,584*	*40,929,536,476*	*(9,146,081,892)*	*(22.3)*
40.	Loans to customers	122,513,166,005	132,055,202,569	(9,542,036,564)	(7.2)
	including				
	– with public funds under administration	*28,540,561*	*27,432,944*	*1,107,617*	*4.0*
50.	Bonds and other debt securities	17,119,421,874	20,973,752,833	(3,854,330,959)	(18.4)
	a) public entities	*5,711,484,066*	*7,284,109,764*	*(1,572,625,698)*	*(21.6)*
	b) banks	*6,487,164,422*	*8,104,726,630*	*(1,617,562,208)*	*(20.0)*
	including				
	– own bonds	*1,364,680,811*	*545,972,234*	*818,708,577*	
	c) financial institutions	*3,423,198,590*	*3,539,691,985*	*(116,493,395)*	*(3.3)*
	d) other issuers	*1,497,574,796*	*2,045,224,454*	*(547,649,658)*	*(26.8)*
60.	Shares, quotas and other forms of capital	1,775,119,387	1,171,560,434	603,558,953	51.5
70.	Equity investments	2,394,407,916	3,156,512,800	(762,104,884)	(24.1)
80.	Investments in Group companies	9,708,155,586	8,667,943,735	1,040,211,851	12.0
90.	Intangibles	79,949,990	93,848,654	(13,898,664)	(14.8)
	including				
	– start-up costs	*5,086,588*	*15,234,414*	*(10,147,826)*	*(66.6)*
	– goodwill	*35,384,476*	*9,869,141*	*25,515,335*	
100.	Fixed assets	2,427,588,987	2,918,558,152	(490,969,165)	(16.8)
	including				
	– leased assets	*980,997,091*	*1,204,340,118*	*(223,343,027)*	*(18.5)*
120.	Own shares or quotas *(nominal value 248,798,283)*	980,360,926	–	980,360,926	
130.	Other assets	17,937,390,535	16,500,538,513	1,436,852,022	8.7
140.	Accrued income and prepaid expenses	3,318,232,394	3,589,763,641	(271,531,247)	(7.6)
	a) accrued income	*3,147,452,373*	*3,283,707,191*	*(136,254,818)*	*(4.1)*
	b) prepaid expenses	*170,780,021*	*306,056,450*	*(135,276,429)*	*(44.2)*
	including				
	– discounts on securities issued	*46,842,539*	*71,412,382*	*(24,569,843)*	*(34.4)*
	Total Assets	**214,064,385,702**	**238,681,289,103**	**(24,616,903,401)**	**(10.3)**

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Balance sheet

(in euro)

	Liabilities and Shareholders' Equity	31/12/2002	31/12/2001	Changes	
				amount	%
10.	Due to banks	38,161,449,360	64,571,626,079	(26,410,176,719)	(40.9)
	a) repayable on demand	*5,857,245,138*	*13,606,245,067*	*(7,748,999,929)*	*(57.0)*
	b) time deposits or with notice period	*32,304,204,222*	*50,965,381,012*	*(18,661,176,790)*	*(36.6)*
20.	Due to customers	79,609,591,181	77,098,329,987	2,511,261,194	3.3
	a) repayable on demand	*63,309,563,851*	*58,630,645,096*	*4,678,918,755*	*8.0*
	b) time deposits or with notice period	*16,300,027,330*	*18,467,684,891*	*(2,167,657,561)*	*(11.7)*
30.	Securities issued	47,086,742,032	46,368,790,913	717,951,119	1.5
	a) bonds	*39,502,912,757*	*31,936,830,637*	*7,566,082,120*	*23.7*
	b) certificates of deposit	*6,412,825,587*	*12,999,315,189*	*(6,586,489,602)*	*(50.7)*
	c) other	*1,171,003,688*	*1,432,645,087*	*(261,641,399)*	*(18.3)*
40.	Public funds under administration	39,641,253	38,917,859	723,394	1.9
50.	Other liabilities	16,690,950,510	17,940,537,874	(1,249,587,364)	(7.0)
60.	Accrued expenses and deferred income	3,946,844,782	3,909,758,112	37,086,670	0.9
	a) accrued expenses	*3,784,402,954*	*3,599,705,872*	*184,697,082*	*5.1*
	b) deferred income	*162,441,828*	*310,052,240*	*(147,610,412)*	*(47.6)*
70.	Allowance for employee termination indemnities	985,246,765	1,012,038,259	(26,791,494)	(2.6)
80.	Allowances for risks and charges	2,416,020,308	2,333,409,580	82,610,728	3.5
	a) pensions and similar commitments	*100,644,533*	*109,074,715*	*(8,430,182)*	*(7.7)*
	b) taxation	*852,823,388*	*1,032,223,684*	*(179,400,296)*	*(17.4)*
	c) other	*1,462,552,387*	*1,192,111,181*	*270,441,206*	*22.7*
90.	Allowances for possible loan losses	–	88,448,848	(88,448,848)	
100.	Reserve for general banking risks	–	–	–	
110.	Subordinated and perpetual liabilities	11,307,819,432	11,341,540,787	(33,721,355)	(0.3)
120.	Share capital	3,561,062,849	3,488,995,259	72,067,590	2.1
130.	Share premium reserve	5,763,535,348	4,075,129,410	1,688,405,938	41.4
140.	Reserves	3,496,190,259	5,089,479,706	(1,593,289,447)	(31.3)
	a) legal reserve	*772,872,374*	*772,872,374*	*–*	*–*
	b) reserve for own shares	*980,360,926*	*–*	*980,360,926*	
	c) statutory reserves	*154,537,188*	*151,050,994*	*3,486,194*	*2.3*
	d) other reserves	*1,588,419,771*	*4,165,556,338*	*(2,577,136,567)*	*(61.9)*
150.	Revaluation reserves	986,905,154	986,905,154	–	–
170.	Net income for the period	12,386,469	337,381,276	(324,994,807)	(96.3)
	Total Liabilities and Shareholders' Equity	**214,064,385,702**	**238,681,289,103**	**(24,616,903,401)**	**(10.3)**

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Balance sheet

(in euro)

	Guarantees and Commitments	31/12/2002	31/12/2001	Changes	
				amount	%
10.	Guarantees given	23,285,152,981	28,910,073,307	(5,624,920,326)	(19.5)
	including				
	– acceptances	*376,948,863*	*609,920,154*	*(232,971,291)*	*(38.2)*
	– other guarantees	*22,908,204,118*	*28,300,153,153*	*(5,391,949,035)*	*(19.1)*
20.	Commitments	28,439,927,146	40,112,741,974	(11,672,814,828)	(29.1)
30.	Credit derivatives	36,536,927,736	42,852,897,089	(6,315,969,353)	(14.7)
	Total Guarantees and Commitments	**88,262,007,863**	**111,875,712,370**	**(23,613,704,507)**	**(21.1)**

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - not restated
Statement of income

(in euro)

		31/12/2002	31/12/2001	Changes	
				amount	%
10.	Interest income and similar revenues	8,793,983,295	11,959,310,880	(3,165,327,585)	(26.5)
	including from				
	– loans to customers	*6,331,714,236*	*8,060,464,113*	*(1,728,749,877)*	*(21.4)*
	– debt securities	*952,353,921*	*1,595,505,447*	*(643,151,526)*	*(40.3)*
20.	Interest expense and similar charges	(5,476,932,877)	(8,444,032,305)	(2,967,099,428)	(35.1)
	including on				
	– deposits from customers	*(1,391,525,329)*	*(1,905,146,558)*	*(513,621,229)*	*(27.0)*
	– securities issued	*(2,222,508,183)*	*(2,594,084,554)*	*(371,576,371)*	*(14.3)*
30.	Dividends and other revenues	1,271,182,981	1,643,126,105	(371,943,124)	(22.6)
	a) from shares, quotas and other forms of capital	*518,409,017*	*402,140,177*	*116,268,840*	*28.9*
	b) from equity investments	*106,482,847*	*164,920,859*	*(58,438,012)*	*(35.4)*
	c) from investments in Group companies	*646,291,117*	*1,076,065,069*	*(429,773,952)*	*(39.9)*
40.	Commission income	2,202,650,939	2,377,756,017	(175,105,078)	(7.4)
50.	Commission expense	(315,863,678)	(291,239,012)	24,624,666	8.5
60.	Profits (Losses) on financial transactions	(80,935,302)	(219,968,073)	(139,032,771)	(63.2)
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	2,052,651	19,638,354	(17,585,703)	(89.5)
70.	Other operating income	700,407,572	748,106,700	(47,699,128)	(6.4)
80.	Administrative costs	(3,946,866,161)	(4,296,172,196)	(349,306,035)	(8.1)
	a) payroll	*(2,172,858,702)*	*(2,463,644,398)*	*(290,785,696)*	*(11.8)*
	including				
	– wages and salaries	*(1,511,667,891)*	*(1,716,897,074)*	*(205,229,183)*	*(12.0)*
	– social security charges	*(402,996,052)*	*(510,804,775)*	*(107,808,723)*	*(21.1)*
	– termination indemnities	*(122,121,343)*	*(129,756,238)*	*(7,634,895)*	*(5.9)*
	– pensions and similar commitments	*(73,838,878)*	*(44,378,280)*	*29,460,598*	*66.4*
	b) other	*(1,774,007,459)*	*(1,832,527,798)*	*(58,520,339)*	*(3.2)*
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(2,052,651)	(19,011,273)	(16,958,622)	(89.2)
90.	Adjustments to fixed assets and intangibles	(403,067,698)	(496,564,444)	(93,496,746)	(18.8)
100.	Provisions for risks and charges	(124,239,622)	(233,758,624)	(109,519,002)	(46.9)
110.	Other operating expenses	(24,719,539)	(35,577,208)	(10,857,669)	(30.5)
120.	Adjustments to loans and provisions for guarantees and commitments	(1,788,360,334)	(1,706,935,821)	81,424,513	4.8
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	388,062,883	126,525,018	261,537,865	
140.	Provisions for possible loan losses	–	(34,178,479)	(34,178,479)	
150.	Adjustments to financial fixed assets	(1,231,110,177)	(1,001,298,116)	229,812,061	23.0
160.	Write-back of financial fixed assets	21,505,181	19,589,554	1,915,627	9.8
170.	**Income (Loss) from operating activities**	**(14,302,537)**	**115,317,077**	**(129,619,614)**	
180.	Extraordinary income	973,727,236	1,327,152,862	(353,425,626)	(26.6)
190.	Extraordinary charges	(1,088,038,230)	(1,404,815,158)	(316,776,928)	(22.5)
200.	**Extraordinary income (loss), net**	**(114,310,994)**	**(77,662,296)**	**36,648,698**	**47.2**
210.	Change in the reserve for general banking risks	–	153,726,495	(153,726,495)	
220.	Income taxes	141,000,000	146,000,000	(5,000,000)	(3.4)
230.	**Net income for the period**	**12,386,469**	**337,381,276**	**(324,994,807)**	**(96.3)**

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - pro forma
Balance sheet

(in euro)

	Assets	31/12/2002	31/12/2001 pro forma [1]	Changes	
				amount	%
10.	Cash and deposits with central banks and post offices	863,577,470	828,958,260	34,619,210	4.2
20.	Treasury bills and similar bills eligible for refinancing with central banks	1,055,994,412	3,760,400,142	(2,704,405,730)	(71.9)
30.	Due from banks	33,891,020,220	44,964,249,370	(11,073,229,150)	(24.6)
	a) repayable on demand	*2,107,565,636*	*4,034,712,894*	*(1,927,147,258)*	*(47.8)*
	b) other	*31,783,454,584*	*40,929,536,476*	*(9,146,081,892)*	*(22.3)*
40.	Loans to customers	122,513,166,005	132,055,202,569	(9,542,036,564)	(7.2)
	including				
	– with public funds under administration	*28,540,561*	*27,432,944*	*1,107,617*	*4.0*
50.	Bonds and other debt securities	17,119,421,874	20,973,752,833	(3,854,330,959)	(18.4)
	a) public entities	*5,711,484,066*	*7,284,109,764*	*(1,572,625,698)*	*(21.6)*
	b) banks	*6,487,164,422*	*8,104,726,630*	*(1,617,562,208)*	*(20.0)*
	including				
	– own bonds	*1,364,680,811*	*545,972,234*	*818,708,577*	
	c) financial institutions	*3,423,198,590*	*3,539,691,985*	*(116,493,395)*	*(3.3)*
	d) other issuers	*1,497,574,796*	*2,045,224,454*	*(547,649,658)*	*(26.8)*
60.	Shares, quotas and other forms of capital	1,775,119,387	1,171,560,434	603,558,953	51.5
70.	Equity investments	2,394,407,916	3,156,512,800	(762,104,884)	(24.1)
80.	Investments in Group companies	9,708,155,586	8,667,943,735	1,040,211,851	12.0
90.	Intangibles	79,949,990	93,848,654	(13,898,664)	(14.8)
	including				
	– start-up costs	*5,086,588*	*15,234,414*	*(10,147,826)*	*(66.6)*
	– goodwill	*35,384,476*	*9,869,141*	*25,515,335*	
100.	Fixed assets	2,427,588,987	2,918,558,152	(490,969,165)	(16.8)
	including				
	– leased assets	*980,997,091*	*1,204,340,118*	*(223,343,027)*	*(18.5)*
120.	Own shares or quotas *(nominal value 248,798,283)*	980,360,926	–	980,360,926	
130.	Other assets	17,937,390,535	16,536,057,989	1,401,332,546	8.5
140.	Accrued income and prepaid expenses	3,318,232,394	3,589,763,641	(271,531,247)	(7.6)
	a) accrued income	*3,147,452,373*	*3,283,707,191*	*(136,254,818)*	*(4.1)*
	b) prepaid expenses	*170,780,021*	*306,056,450*	*(135,276,429)*	*(44.2)*
	including				
	– discounts on securities issued	*46,842,539*	*71,412,382*	*(24,569,843)*	*(34.4)*
	Total Assets	**214,064,385,702**	**238,716,808,579**	**(24,652,422,877)**	**(10.3)**

[1] Figures restated on a consistent basis.

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - pro forma
Balance sheet

(in euro)

	Liabilities and Shareholders' Equity	31/12/2002	31/12/2001 pro forma [1]	Changes amount	Changes %
10.	Due to banks	38,161,449,360	64,571,626,079	(26,410,176,719)	(40.9)
	a) repayable on demand	*5,857,245,138*	*13,606,245,067*	*(7,748,999,929)*	*(57.0)*
	b) time deposits or with notice period	*32,304,204,222*	*50,965,381,012*	*(18,661,176,790)*	*(36.6)*
20.	Due to customers	79,609,591,181	77,098,329,987	2,511,261,194	3.3
	a) repayable on demand	*63,309,563,851*	*58,630,645,096*	*4,678,918,755*	*8.0*
	b) time deposits or with notice period	*16,300,027,330*	*18,467,684,891*	*(2,167,657,561)*	*(11.7)*
30.	Securities issued	47,086,742,032	46,368,790,913	717,951,119	1.5
	a) bonds	*39,502,912,757*	*31,936,830,637*	*7,566,082,120*	*23.7*
	b) certificates of deposit	*6,412,825,587*	*12,999,315,189*	*(6,586,489,602)*	*(50.7)*
	c) other	*1,171,003,688*	*1,432,645,087*	*(261,641,399)*	*(18.3)*
40.	Public funds under administration	39,641,253	38,917,859	723,394	1.9
50.	Other liabilities	16,690,950,510	17,963,270,339	(1,272,319,829)	(7.1)
60.	Accrued expenses and deferred income	3,946,844,782	3,909,758,112	37,086,670	0.9
	a) accrued expenses	*3,784,402,954*	*3,599,705,872*	*184,697,082*	*5.1*
	b) deferred income	*162,441,828*	*310,052,240*	*(147,610,412)*	*(47.6)*
70.	Allowance for employee termination indemnities	985,246,765	1,012,038,259	(26,791,494)	(2.6)
80.	Allowances for risks and charges	2,416,020,308	2,346,196,591	69,823,717	3.0
	a) pensions and similar commitments	*100,644,533*	*109,074,715*	*(8,430,182)*	*(7.7)*
	b) taxation	*852,823,388*	*1,045,010,695*	*(192,187,307)*	*(18.4)*
	c) other	*1,462,552,387*	*1,192,111,181*	*270,441,206*	*22.7*
90.	Allowances for possible loan losses	–	88,448,848	(88,448,848)	
100.	Reserve for general banking risks	–	–	–	
110.	Subordinated and perpetual liabilities	11,307,819,432	11,341,540,787	(33,721,355)	(0.3)
120.	Share capital	3,561,062,849	3,488,995,259	72,067,590	2.1
130.	Share premium reserve	5,763,535,348	4,075,129,410	1,688,405,938	41.4
140.	Reserves	3,496,190,259	5,089,479,706	(1,593,289,447)	(31.3)
	a) legal reserve	*772,872,374*	*772,872,374*	*–*	
	b) reserve for own shares	*980,360,926*	*–*	*980,360,926*	
	c) statutory reserves	*154,537,188*	*151,050,994*	*3,486,194*	*2.3*
	d) other reserves	*1,588,419,771*	*4,165,556,338*	*(2,577,136,567)*	*(61.9)*
150.	Revaluation reserves	986,905,154	986,905,154	–	
170.	Net income for the period	12,386,469	337,381,276	(324,994,807)	(96.3)
	Total Liabilities and Shareholders' Equity	**214,064,385,702**	**238,716,808,579**	**(24,652,422,877)**	**(10.3)**

[1] Figures restated on a consistent basis.

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - pro forma
Balance sheet

(in euro)

	Guarantees and Commitments	**31/12/2002**	**31/12/2001 pro forma (1)**	**Changes**	
				amount	**%**
10.	Guarantees given	23,285,152,981	28,910,073,307	(5,624,920,326)	(19.5)
	including				
	– acceptances	*376,948,863*	*609,920,154*	*(232,971,291)*	*(38.2)*
	– other guarantees	*22,908,204,118*	*28,300,153,153*	*(5,391,949,035)*	*(19.1)*
20.	Commitments	28,439,927,146	40,112,741,974	(11,672,814,828)	(29.1)
30.	Credit derivatives	36,536,927,736	42,852,897,089	(6,315,969,353)	(14.7)
	Total Guarantees and Commitments	**88,262,007,863**	**111,875,712,370**	**(23,613,704,507)**	**(21.1)**

(1) Figures restated on a consistent basis.

Banca Intesa
Parent Company's financial statements as at 31st December 2002 compared to as at 31st December 2001 - pro forma
Statement of income

(in euro)

		31/12/2002	31/12/2001 pro forma (1)	Changes	
				amount	%
10.	Interest income and similar revenues	8,793,983,295	11,588,111,993	(2,794,128,698)	(24.1)
	including from				
	– loans to customers	*6,331,714,236*	*8,060,464,113*	*(1,728,749,877)*	*(21.4)*
	– debt securities	*952,353,921*	*1,595,505,447*	*(643,151,526)*	*(40.3)*
20.	Interest expense and similar charges	(5,476,932,877)	(8,160,702,393)	(2,683,769,516)	(32.9)
	including on				
	– deposits from customers	*(1,391,525,329)*	*(1,876,237,737)*	*(484,712,408)*	*(25.8)*
	– securities issued	*(2,222,508,183)*	*(2,622,993,374)*	*(400,485,191)*	*(15.3)*
30.	Dividends and other revenues	1,271,182,981	1,678,645,580	(407,462,599)	(24.3)
	a) from shares, quotas and other forms of capital	*518,409,017*	*402,140,176*	*116,268,841*	*28.9*
	b) from equity investments	*106,482,847*	*164,920,859*	*(58,438,012)*	*(35.4)*
	c) from investments in Group companies	*646,291,117*	*1,111,584,545*	*(465,293,428)*	*(41.9)*
40.	Commission income	2,202,650,939	2,375,429,320	(172,778,381)	(7.3)
50.	Commission expense	(315,863,678)	(289,510,392)	26,353,286	9.1
60.	Profits (Losses) on financial transactions	(80,935,302)	(218,317,710)	(137,382,408)	(62.9)
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	2,052,651	19,638,354	(17,585,703)	(89.5)
70.	Other operating income	700,407,572	727,147,872	(26,740,300)	(3.7)
80.	Administrative costs	(3,946,866,161)	(4,276,909,186)	(330,043,025)	(7.7)
	a) payroll	*(2,172,858,702)*	*(2,456,695,999)*	*(283,837,297)*	*(11.6)*
	including				
	– wages and salaries	*(1,511,667,891)*	*(1,721,774,945)*	*(210,107,054)*	*(12.2)*
	– social security charges	*(402,996,052)*	*(512,168,837)*	*(109,172,785)*	*(21.3)*
	– termination indemnities	*(122,121,343)*	*(130,202,673)*	*(8,081,330)*	*(6.2)*
	– pensions and similar commitments	*(73,838,878)*	*(46,159,041)*	*27,679,837*	*60.0*
	b) other	*(1,774,007,459)*	*(1,820,213,187)*	*(46,205,728)*	*(2.5)*
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(2,052,651)	(19,011,273)	(16,958,622)	(89.2)
90.	Adjustments to fixed assets and intangibles	(403,067,698)	(496,530,866)	(93,463,168)	(18.8)
100.	Provisions for risks and charges	(124,239,622)	(233,758,624)	(109,519,002)	(46.9)
110.	Other operating expenses	(24,719,539)	(18,346,879)	6,372,660	34.7
120.	Adjustments to loans and provisions for guarantees and commitments	(1,788,360,334)	(1,663,210,198)	125,150,136	7.5
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	388,062,883	109,516,832	278,546,051	
140.	Provisions for possible loan losses	–	(25,258,177)	(25,258,177)	
150.	Adjustments to financial fixed assets	(1,231,110,177)	(1,001,298,116)	229,812,061	23.0
160.	Write-back of financial fixed assets	21,505,181	19,589,554	1,915,627	9.8
170.	**Income (Loss) from operating activities**	**(14,302,537)**	**115,225,691**	**(129,528,228)**	
180.	Extraordinary income	973,727,236	1,319,851,968	(346,124,732)	(26.2)
190.	Extraordinary charges	(1,088,038,230)	(1,397,422,878)	(309,384,648)	(22.1)
200.	**Extraordinary income (loss), net**	**(114,310,994)**	**(77,570,910)**	**36,740,084**	**47.4**
210.	Change in the reserve for general banking risks	–	153,726,495	(153,726,495)	
220.	Income taxes	141,000,000	146,000,000	(5,000,000)	(3.4)
230.	**Net income for the period**	**12,386,469**	**337,381,276**	**(324,994,807)**	**(96.3)**

(1) Figures restated on a consistent basis.

Methodological notes
on the preparation of the pro forma financial statements of Banca Intesa Spa as at 31st December 2001

Banca Intesa’s financial statements as at 31st December 2002 again required the restatement of figures for the previous year on a consistent basis.
More specifically, Banca Intesa’s 2001 financial statements included the results of Mediocredito Lombardo which had been merged in Banca Intesa at the end of 2000. However, Mediocredito Lombardo’s operations, which mainly refer to medium- and long-term lending, were subsequently (1st July 2001) contributed to IntesaBci Mediocredito, and are therefore not included in the Parent Company’s 2002 figures.
Pro forma figures as at 31st December 2001 are restated to consider this operation. Statement of income effects generated by the former-Mediocredito Lombardo network on the contributed assets and liabilities in the first half of 2001 have been reversed; the reversed net income, inclusive of the tax credit, has been accounted for in the caption Dividends.

Gruppo Intesa network

Branches in Italy broken down by Bank and by Region

(Updated as at December 2002)

	Banca Intesa				Group Banks [2]
	Retail network [1]	Private centres	Enterprise centres	Corporate centres	
Piemonte	177	7	9	4	104
Valle d'Aosta	4				
Lombardia	790	17	35	15	116
Liguria	93	4	4	2	
Trentino-Alto Adige	11	1	2	1	62
Veneto	266	6	12	5	43
Friuli-Venezia Giulia	25	2	3	1	124
Emilia Romagna	67	5	8	3	171
Toscana	67	3	8	2	10
Umbria	9	1	1	1	107
Marche	11	1	2	1	55
Lazio	176	2	4	3	94
Abruzzo	19	1	1	1	10
Molise	2				
Campania	117	3	3	2	1
Puglia	98	2	4	2	1
Basilicata	4				1
Calabria	34	1	2	1	2
Sicilia	121	2	2	2	2
Sardegna	61	1	2	2	13
Total	**2,152**	**59**	**102**	**48**	**916**

[1] *Including 109 branches inside public entities and companies.*
[2] *FriulAdria, Cariparma, Banca di Trento e Bolzano, C.R. Viterbo, C.R. Rieti, C.R. Città di Castello, Intesa Mediocredito, C.R. Ascoli, C.R. Biella e Vercelli, Banca Cis, C.R. Spoleto, C.R. Terni e Narni, Banca Primavera, Intesa Gestione Crediti, C.R. Foligno.*

Branches and Representative Offices abroad

(Updated as at December 2002)

Europe

Belgium
Representative Office in Bruxelles

Federal Republic of Yugoslavia
Representative Office in Beograd

Germany
Branch of Frankfurt am Main

Greece
Representative Office in Athens

Poland
Representative Office in Warsaw

Russia
Representative Office in Moscow

Spain
Branch of Barcelona
Branch of Madrid
Valencia Loan Production Office

Turkey
Representative Office in Ankara

United Kingdom
Branch of London

Asia

India
Representative Office in Mumbai

Iran
Representative Office in Teheran

Japan
Branch of Tokyo

Lebanon
Representative Office in Beirut

People's Republic of China
Branch of Hong Kong
Branch of Shanghai
Representative Office in Beijing

Republic of Korea
Representative Office in Seoul

Singapore
Branch of Singapore

United Arab Emirates
Branch of Abu Dhabi

Latin and North America

Argentina
Representative Office in Buenos Aires

Cayman Islands
Branch of George Town

USA
Branch of Los Angeles
Branch of New York

Africa

Egypt
Representative Office in Cairo

Oceania

Australia
Representative Office in Sydney

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