Banca Intesa

Half-year report 2004

This is an English translation of the Italian original "Relazione consolidata al 30 giugno 2004" and has been prepared
solely for the convenience of the reader.

The version in Italian takes precedence and will be made available to interested readers upon written request to
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Banca Intesa

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Half-year report 2004

Banca Intesa S.p.A.
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

Contents

Board of Directors, Board of Statutory Auditors, General Management and Independent Auditors

Board of Directors

Chairman	* Giovanni Bazoli
Deputy Chairmen	* Giampio Bracchi René Carron
Managing Director Chief Executive Officer	* Corrado Passera
Directors	Giovanni Ancarani Francesco Arcucci Benito Benedini Antoine Bernheim Jean Frédéric De Leusse Alfonso Desiata * Ariberto Fassati * Giancarlo Forestieri Paolo Fumagalli Jorge M. Jardim Gonçalves Jean Laurent Michel Le Masson Giangiacomo Nardozzi Eugenio Pavarani Giovanni Perissinotto * Mariano Riestra Sandro Salvati Eric Strutz Gino Trombi

* *Members of the Executive Committee*

General Management

General Manager	Corrado Passera

Board of Statutory Auditors

Chairman	Gianluca Ponzellini
Auditors	Paolo Andrea Colombo Franco Dalla Sega Bruno Rinaldi Carlo Sarasso

Independent Auditors	Reconta Ernst & Young S.p.A.

Financial highlights

	30/06/2004 (A)	31/12/2003 pro forma [1] (B)	30/06/2003 pro forma [1] (C)	% change	
				(A/B)	(A/C)
Statement of income (in millions of euro)					
Net interest income	2,450	4,936	2,491		(1.6)
Interest margin	2,570	5,103	2,627		(2.2)
Net commissions	1,676	3,322	1,603		4.6
Net interest and other banking income	4,866	9,514	4,765		2.1
Operating costs	(2,900)	(6,080)	(3,002)		(3.4)
including Payroll	*(1,593)*	*(3,295)*	*(1,662)*		*(4.2)*
Operating margin	1,966	3,434	1,763		11.5
Net adjustments to loans and provisions for possible loan losses	(471)	(1,180)	(495)		(4.8)
Income from operating activities	1,341	1,721	1,030		30.2
Extraordinary income (loss)	(9)	131	97		
Net income for the period	876	1,214	710		23.4
Balance sheet (in millions of euro)					
Loans to customers	154,124	154,544	160,534	(0.3)	(4.0)
Securities [2]	41,178	29,432	37,835	39.9	8.8
including Investment portfolio	*5,237*	*5,316*	*5,967*	*(1.5)*	*(12.2)*
Equity investments	4,815	4,908	5,167	(1.9)	(6.8)
Total assets	267,088	259,527	279,216	2.9	(4.3)
Direct customer deposits	178,541	171,799	179,039	3.9	(0.3)
including Subordinated and perpetual liabilities	*10,182*	*10,603*	*11,248*	*(4.0)*	*(9.5)*
Indirect customer deposits	287,867	286,373	288,741	0.5	(0.3)
including Managed funds	*117,530*	*120,836*	*122,370*	*(2.7)*	*(4.0)*
Customer deposits under administration	466,408	458,172	467,780	1.8	(0.3)
Net interbank position	(4,682)	(3,177)	(7,899)	47.4	(40.7)
Shareholders' equity [3]	14,658	15,093	14,216	(2.9)	3.1
Operating structure					
Staff (number)	57,412	59,399	61,136	(1,987)	(3,724)
Branches (number)	3,720	3,709	3,835	11	(115)
including Italy	*3,091*	*3,087*	*3,206*	*4*	*(115)*
Abroad	*629*	*622*	*629*	*7*	*–*

[1] Figures restated on a consistent basis.
[2] Including own shares amounting to 11 million euro as at 30th June 2004, 1,017 million euro as at 31st December 2003 and 891 million euro as at 30th June 2003.
[3] Including net income for the period.

GRUPPO INTESA

Financial ratios

	30/06/2004	31/12/2003 pro forma [1]	30/06/2003 pro forma [1]
Balance sheet ratios (%)			
Loans to customers/Total assets	57.7	59.5	57.5
Securities/Total assets	15.4	11.3	13.6
Direct customer deposits/Total assets	66.8	66.2	64.1
Managed funds/Indirect customer deposits	40.8	42.2	42.4
Statement of income ratios (%)			
Interest margin/Net interest and other banking income	52.8	53.6	55.1
Net commissions/Net interest and other banking income	34.4	34.9	33.6
Operating costs/Net interest and other banking income	59.6	63.9	63.0
Net income for the period/Average total assets (ROA) [2] [3]	0.7	0.4	0.5
Net income for the period/Average shareholders' equity (ROE) [3] [4]	12.4	9.3	10.9
Risk ratios (%)			
Net doubtful loans/Total loans to customers	2.8	3.0	3.0
Cumulated adjustments on doubtful loans/Gross doubtful loans to customers	67.3	65.2	63.8
Capital ratios (%)			
Tier 1 capital/Risk-weighted assets [5]	8.3	7.8	6.9
Total capital/Risk-weighted assets [5]	11.7	11.7	10.9
Risk-weighted assets (in millions of euro) [5]	181,878	182,344	196,187
EPS - Earning per share – euro [3]	0.26	0.19	0.22

[1] Figures restated on a consistent basis.

[2] Based upon the arithmetical average of total assets at the end of the reference periods.

[3] Figures for the period have been annualised.

[4] 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, negative goodwill arising on consolidation and on application of the equity method and the reserve for general banking risks.

[5] Figures for 2003 and as at 30th June 2003 have not been restated.

Gruppo Intesa in the first half of 2004

EXECUTIVE SUMMARY

Economic results

After the positive results generated in 2003 by the Group's strategic repositioning and restructuring actions, which enabled it to reach the statement of income and balance sheet targets set out in the Business Plan, 2004 manifested itself, already from the first quarter, as the year in which to consolidate the progress made and start the phase aimed at pursuing growth. Operations development in the second quarter, which generated stronger profitability, confirms the possibility of reaching the growth targets for 2004 set by the Business Plan.

With respect to the figures of the first half of 2003, all statement of income macroaggregates recorded rises: net interest and other banking income registered an increase exceeding 2%, operating margin rose by over 11% and income from operating activities recorded a 30.2% growth rate, enabling to close the period with a net income of 876 million euro (+23.4%), despite the higher tax burden determined by the recent tax amendments.

The results appear appreciable considering that they were achieved in an economic situation which, especially on the domestic market, still showed many uncertainties and only timid signs of recovery. This was mostly reflected in the decrease in the contribution from net interest income (–1.6%), which was in any case absorbed by the rise in net commissions (+4.6%) and higher net profits from financial transactions, which recorded an even more robust increase (+8.6%).

Operating cost containment continued, with a percentage saving of 3.4%, especially as a result of lower payroll (–4.2%), while other administrative costs showed very contained increases, despite the considerable number of projects under way for the development and launch of new products, for the improvement of customer service and for personnel training.

A further contribution to stronger profitability in the semester came from the lower balance of provisions and adjustments of various kinds (approximately –15%) mostly due to the lower need for provisions for risks and charges and on financial fixed assets. The net extraordinary result was negative and amounted to 9 million euro, and the higher tax burden for the period (+13.2%) led to the aforementioned net income of 876 million euro and a growth rate exceeding 23% compared to the same period of 2003.

Also in their quarterly development the main intermediate margins, namely net interest and other banking income and operating margin, showed – over the last twelve months – a progressively increasing trend, which is confirmed by the net income generated in the single quarters and that, in the second quarter, reached 458 million euro.

Balance sheet figures

Loans to customers exceeded 154 billion euro and basically confirmed the figure of December 2003, as a result of both the prudent loan granting policy, justified by the general economic situation and also the effect of the securitisation of leasing contracts which was completed in the first months of the year.

Direct customer deposits showed an approximately 4% progress; growth was more or less intense for almost all the contract types and led total funding from customers to almost 179 billion euro. Instead indirect customer deposits almost reached 288 billion euro and, despite the unfavourable market situation, confirmed previous levels. This situation is the result of a moderate decline in managed funds

(–2.7%) which was completely offset by a similar increase in assets under administration and in custody (+2.9%).

On aggregate, customer deposits under administration recorded a 1.8% growth rate compared to the figure registered at the end of the previous year and reached 466 billion euro (from 458 billion euro).

The Business Plan

Asset quality and risk profile. The shift of risk-weighted assets towards the retail business and the Italian market (from 53% of December 2001 to 71%) continued in the first half of 2004 as the downsizing of operations in the large corporate and foreign market areas may now be considered complete.

Capital ratios. At the end of June 2004 capital ratios were at the levels set out in the forecasts contained in the Business Plan. In fact, the Tier 1 ratio totalled 8.26% with an approximately 20 b.p. rise, while the Core tier 1 ratio, that is the ratio between Tier 1 capital net of preference shares and risk-weighted assets, reached 7.30%. The positive trend recorded by capitalisation enabled the Group to improve the rating given by Standard & Poor's, from the former A- to the current A for long-term debt and from A-2 to A-1 for short-term debt, while again during the second quarter of 2004 Banca Intesa achieved an improvement in the outlook given by Moody's, which passed from stable to positive.

Rationalisation of the foreign network and of the equity investment portfolio. As part of the disposal of non-strategic assets set out in the 2003-2005 Business Plan, in the first half Banca Intesa signed a contract for the sale to HSBC Bank Canada of Intesa Bank Canada, the Canadian subsidiary wholly-owned by Gruppo Intesa. The closing of the operation occurred on 31st May, at a price in line with carrying value.
Finally, noteworthy are the stipulation of sales contracts for Caridata and for a business branch of Magazzini Generali Fiduciari Cariplo.

Sale of the assets of Banque Sudameris. During the first half of 2004 Banca Intesa and BNP Paribas signed the agreement for the sale of the assets of the branch in Miami (USA) of Banque Sudameris. The execution of the sale, which is forecasted for the third quarter is in any case conditional on the receipt of the necessary authorisations. Based on the agreement, Banque Sudameris will receive a consideration which depends on the verified amount of customer assets transferred to BNP Paribas Investment Services, up to a maximum consideration of 14 million dollars.

In the second part of the semester, the assets and liabilities of the branches of Banque Sudameris in Panama and Grand Cayman were also sold, while the sale of Banco Sudameris Paraguay Saeca to the Abbeyfield & Co. Ltd. group was signed on 28th June 2004.

As already described in the consolidated report as at 31st March 2004, Banca Intesa closed the sale to Banco ACAC of the activities of Banque Sudameris in Uruguay in April 2004.

New strategic initiatives. To strengthen the presence of Banca Intesa in the Central-Eastern European area ***ZAO Banca Intesa Moscow*** started operations in December. It is the only Italian bank with an operating licence in Russia and assists Italian companies already present in the area and those interested in operating in this important market, by favouring trade and investments between the two Countries.

In line with the objective set out in the Business Plan of creating a Private Banking Department, Banca Intesa signed the agreement for the acquisition of ***Crédit Agricole Indosuez Private Banking Italia*** on 1st July. The relative activities will therefore be added to those which were already present within the Group, thus creating a structure which may count on approximately 375 private bankers, 23,600 customers and 70 branches. The Private Banking Department will be a legally independent entity which will however be part of the Retail Division of Banca Intesa. This organisational model will enable to seize all the advantages of focus and flexibility, typical of a specialised structure, at the same time exploiting the synergies with the over 2,000 branches of the Retail Division. The Private Banking Department will focus its activities on consulting services, which include asset management, hedge funds, private equity, corporate finance, fiscal and legal issues regarding financial products, real estate and art markets. As regards traditional banking services the customers of the Private Banking Department will have access to Banca Intesa branches through a preferred channel.

Instead, at the end of June, Banca Intesa and Dogus Holding ceased negotiations for the acquisition by Banca Intesa from Dogus Holding of a controlling interest in ***Garanti Bank***, one of the largest Turkish banks, due to their differences over the share purchase agreement to be executed. Consequently, on 20th July 2004 the parties executed a termination agreement which resolved the preliminary contract of last 29th March, whereby Banca Intesa would have acquired 40.05% of Garanti Bank's voting share capital with an option to acquire further shares up to a maximum of 9.96%.

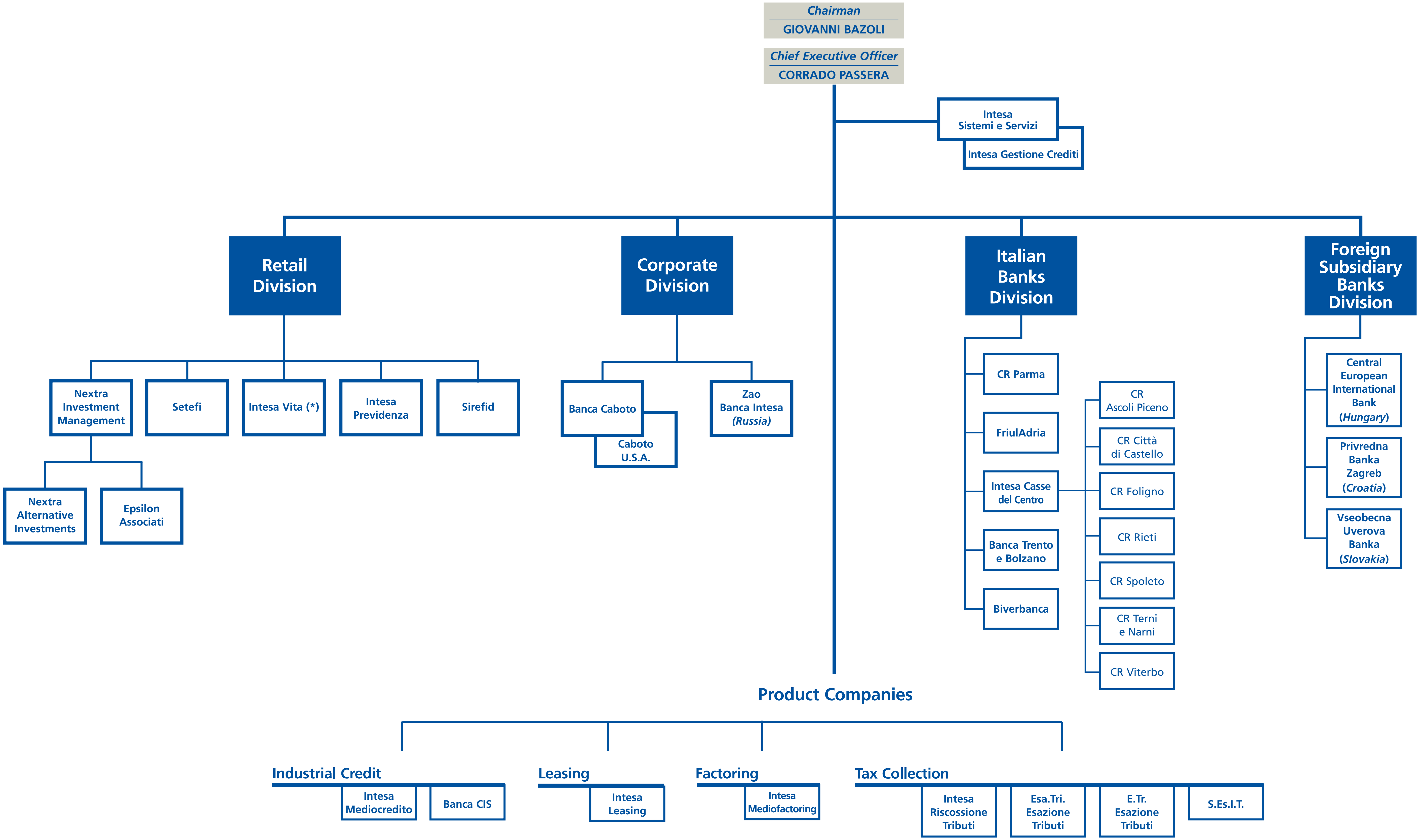
For the purpose of further extending agreements to support Italian companies in their import-export activities in other continents, important ***collaboration agreements*** with the Asian Development Bank and the African Export-Import Bank were signed last May.
Furthermore, the already-intense collaboration relations between our Group and the Generali group have been developed further with a new joint venture which will operate in the pension funds market that is emerging in Slovakia and was set up by the respective subsidiaries in that Country, each with a 50% stake.

Projects for growth

Among the projects aimed at pursuing the growth objectives set out in the Business Plan, noteworthy were the interventions for the rationalisation and innovation of the product portfolio and the improvement of the effectiveness of production processes. Based on such guidelines, Progetto Arcobaleno (the Rainbow project) – a new sales platform which has already enabled to improve the sales effectiveness of branches – was rolled out to all the network.
The objective of improving service quality is also pursued via a project for renovating the structure of the branches. A new test branch lay-out has been designed. It is consistent with the "service for customer segment" model, and simplifies customer access and use of the bank.
In the second quarter of 2004 the communication campaign for two of the new key products targeted to the household segment was launched on all medias: the first, *Conto Intesa*, is a new current account easy-to-use, transparent, safe and advantageous, and permits the use of quality bank and near-bank services, with a cost that is stable over time and decreases as the number of Banca Intesa products held by the account-holder increases. *Prestintesa* is an innovative personal loan which combines speed and simplicity of granting, extreme transparency in terms and the safety offered by the possibility of combining it with an insurance coverage. Other products, which are expected to be greatly appreciated by customers are *Carta di debito* the debit card with on-line checking of payments and *Mutuo protetto*, the "capped" floating rate mortgage.
A new range of individual portfolio management schemes is dedicated to the "premium" segment and includes *Fondo Intesa Premium*, which is proposed as part of a diversified portfolio as the ideal solution for those searching for the regular growth of their capital and for an alternative to Government securities.

Personnel management and the training plan. Approximately 8,800 people had exited the Group as at 30th June 2004 with respect to December 2001, considering a consistent consolidation area. Of these, over 5,700 benefited from the "Fondo di accompagnamento all'esodo", the Solidarity Allowance, which was set up as provided for by Ministerial Decree 158 of 2000, as forecasted in the Business Plan. As part of personnel qualification activities, in the first half of 2004, approximately 220,000 man-days of training were performed, of which approximately 35% in the Retail Division. Approximately 60% of the total 800,000 man-days indicated in the aforementioned Business Plan had therefore already been performed as at 30th June 2004.

Main Group Companies



(*) Company not subject to full consideration, but carried at equity.

Gruppo Intesa
Half-year report on operations and consolidated financial statements

Report on operations

The macroeconomic scenario

International economy

The first half of 2004 was characterised by a progressive diffusion of economic recovery, which spread from the United States and Asia to the rest of the world. At the same time a generalised improvement in the confidence climate among companies was observed in many parts of the world. The acceleration in economic activities however put pressure on raw materials, leading to strong price rises in international markets. Oil prices rose to exceptionally high levels, generating a progressive increase in inflation and in forecasted consumer prices.

More in particular, in the United States growth favoured an expansion in employment and an acceleration in inflation over 3%. The Federal Reserve implemented a first increase in official rates at the end of June, increasing the target rate on fed funds from 1% to 1.25%. This intervention marked the beginning of a gradual monetary restriction, that, according to market expectations, should take interest rates to 2% by the end of the year and to over 3% at the end of 2005.

The economy in the Euro Area registered modest but constant growth rates, not far from the forecasts of monetary authorities. Although inflation exceeded 2%, the probability of a rise in official rates remains contained, considering that the acceleration in prices is linked to manoeuvres on tariffs and to increases in fuel prices, while economic growth is still below its potential.
Central-Eastern European Countries, where Gruppo Intesa is actively present, continue to register sustained economic growth rates. The exchange rate to the euro strengthened for the local currencies of Slovakia and Hungary, that entered the European Union last May, and of Croatia.

The Italian economy benefited from the improved international environment and showed certain signs of recovery, mainly driven by a rebound in household and company domestic demand. On the contrary, exports recorded a worrying trend, although signs of improvement recently appeared and growth rates for exports returned to be positive. Notwithstanding low activities, inflation is not decreasing.

Financial markets

At the beginning of the year bond markets were characterised by declining yields, while in the second quarter expectations of a turnaround in American monetary policy generated a significant increase in interest rates on the dollar curve, that was later downsized by a sharp correction occurred in the last days of June. The turning point in the interest rate cycle however did not penalise yields on corporate bonds, thanks to widespread improvements in corporate financial statements, whilst it reduced interest in bonds issued by emerging Countries.

In the first half the Italian stock market registered a positive performance which however faced two main setbacks: the first in March, the second in May, following the inversion in American monetary policy. Nevertheless, the Italian market outperformed other world markets.

The Italian banking system

Bank interest rates and interest rate spreads

In the first half of 2004 bank interest rates were characterised by variegated trends. In the first quarter widespread drops were recorded, while in the second quarter a stable trend was registered, more pronounced for funding rates – that remained virtually constant – and with contained fluctuations for lending rates. The stable profile of interest rates that started in April is likely to continue for some time, even if the current moderately upward trend in the market curve is probably leading to a gradual rise in lending rates.

Considering as a whole the first half, yields on household loans were lower than those on company loans: in fact, interest rates on household loans decreased by 19 basis points, while loans to non-financial companies recorded a drop 8 basis points lower.
With regard to interest rates on new financing operations, between December and June the cost of household mortgages granted for purchasing residential properties decreased by 11 basis points and the cost of consumer loans dropped by 34 basis points. At the same time, the cost of money for non-financial companies decreased by 6 basis points for under-one million euro loans and by 23 basis points for over-one million euro loans.
In the same period, funding rates registered very contained declines compared to the end of 2003, with interest rates applied to household and company deposits down by 3 basis points and those applied to bonds down by 12 basis points. The gradual weakening of the downward trend in interest rates led to a contained reduction, from 4.60% to 4.56%, in spreads between rates on household and company loans with maturity under one year, and rates on customer deposits.

Loans

In the first six months of 2004, growth rates in bank loans decreased compared to the previous months, recording however signs of recovery during the second quarter. Long-term loans rose (+13.8%) whereas short-term loans recorded a significant decrease (–4.1%). The strong expansion in the medium- and long-term component was determined by i) low interest rates, ii) the continued growth of the real estate market, and from a more structural standpoint, iii) the rising propensity of households towards borrowing and of companies towards the prolongation of maturities on liabilities. By contrast, the persisting contraction in short-term loans continued to be affected not only by the poor economic environment but also by banks' more prudent attitude in granting loans to mid and large corporates.

With regard to sector breakdown, loan demand in the retail segment continued to record growth rates higher than for non-financial companies, even if growth rates of the latter remained at still satisfactory levels. Lending activities towards companies were negatively affected by the extreme weakness of industrial loans (40% of total corporate loans) that registered the fourth consecutive contraction last May.

Direct customer deposits

The evolution of customer deposits within the Italian banking system registered fairly normal growth rates (approximately 5%). This trend reflected the gradual slowdown in the growth of the "on demand" component and the concurrent strong development of bond issues: in June, against a 6.5% increase in deposits in current accounts over the twelve months, bond issues recorded a 10% rise. The trend of each component of the system's customer deposits confirms low household propensity towards stock market investments and rising appreciation for bank bonds, that offer yields slightly higher than Government securities with a very limited risk.

Indirect customer deposits

In the first part of 2004 the still sustained trend of direct customer deposits dissolved expectations of a significant increase in the asset management industry, that recorded a disappointing performance also due to savers' persisting aversion for high risk investments. In May volumes under management decreased by 5.9% in terms of market value, confirming the inversion in the growth trend which had already been registered in April, after many months of moderate recovery.

Operating results

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

(in millions of euro)

Captions	First half 2004	First half 2003 pro forma [1]	Changes	
			amount	%
Net interest income	**2,450**	2,491	(41)	(1.6)
Dividends and other revenues	**51**	62	(11)	(17.7)
Income from investments carried at equity	**69**	74	(5)	(6.8
Interest margin	**2,570**	2,627	(57)	(2.2)
Net commissions	**1,676**	1,603	73	4.6
Profits on financial transactions	**429**	395	34	8.6
Other operating income, net	**191**	140	51	36.4
Net interest and other banking income	**4,866**	4,765	101	2.1
Administrative costs	**(2,629)**	(2,685)	(56)	(2.1)
including Payroll	***(1,593)***	*(1,662)*	*(69)*	*(4.2)*
Other	***(1,036)***	*(1,023)*	*13*	*1.3*
Adjustments to fixed assets and intangibles	**(271)**	(317)	(46)	(14.5)
Operating costs	**(2,900)**	(3,002)	(102)	(3.4)
Operating margin	**1,966**	1,763	203	11.5
Adjustments to goodwill arising on consolidation and on application of the equity method	**(64)**	(64)	–	
Provisions for risks and charges	**(95)**	(135)	(40)	(29.6)
Net adjustments to loans and provisions for possible loan losses	**(471)**	(495)	(24)	(4.8)
Net adjustments to financial fixed assets	**5**	(39)	44	
Income from operating activities	**1,341**	1,030	311	30.2
Extraordinary income (loss)	**(9)**	97	(106)	
Income taxes for the period	**(430)**	(380)	50	13.2
Change in the reserve for general banking risks and other reserves	**15**	8	7	87.5
Minority interests	**(41)**	(45)	(4)	(8.9)
Net income for the period	**876**	**710**	**166**	**23.4**

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

Captions	2004		2003 [1]			
	Second quarter	First quarter [1]	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,205	1,245	1,210	1,235	1,225	1,266
Dividends and income from investments carried at equity	82	38	22	9	94	42
Interest margin	**1,287**	**1,283**	**1,232**	**1,244**	**1,319**	**1,308**
Net commissions	856	820	888	831	825	778
Profits on financial transactions	209	220	136	186	204	191
Other operating income, net	102	89	116	116	70	70
Net interest and other banking income	**2,454**	**2,412**	**2,372**	**2,377**	**2,418**	**2,347**
Administrative costs	(1,330)	(1,299)	(1,386)	(1,320)	(1,354)	(1,331)
including Payroll	*(791)*	*(802)*	*(820)*	*(813)*	*(822)*	*(840)*
Other	*(539)*	*(497)*	*(566)*	*(507)*	*(532)*	*(491)*
Adjustments to fixed assets and intangibles	(138)	(133)	(202)	(170)	(164)	(153)
Operating costs	(1,468)	(1,432)	(1,588)	(1,490)	(1,518)	(1,484)
Operating margin	**986**	**980**	**784**	**887**	**900**	**863**
Adjustments to goodwill arising on consolidation and on application of the equity method	(32)	(32)	(36)	(30)	(32)	(32)
Provisions for risks and charges	(56)	(39)	(43)	(21)	(102)	(33)
Net adjustments to loans and provisions for possible loan losses	(258)	(213)	(452)	(233)	(243)	(252)
Net adjustments to financial fixed assets	13	(8)	(177)	12	(7)	(32)
Income from operating activities	**653**	**688**	**76**	**615**	**516**	**514**
Extraordinary income (loss)	(13)	4	53	(19)	57	40
Income taxes for the period	(176)	(254)	46	(246)	(156)	(224)
Change in the reserve for general banking risks and other reserves	14	1	16	2	6	2
Minority interests	(20)	(21)	(15)	(24)	(26)	(19)
Net income for the period	**458**	**418**	**176**	**328**	**397**	**313**

[1] Figures restated on a consistent basis.

The growth in profitability which had already commenced in the first period of the year strengthened in the second quarter of 2004, as a natural continuation of the turnaround and relaunch actions implemented successfully in 2003. This enabled the first half of 2004 to close with a consolidated net income of 876 million euro, with a 23.4% increase compared to the same figure of June 2003.

Gruppo Intesa achieved this result thanks to higher income from services and profits on financial transactions, which represented the most dynamic component of operations and, also quantitatively, are close to representing approximately 50% of net interest and other banking income, while interest margin showed a virtual stability. The decline with respect to the first quarter is mostly attributable to the cost of funding in equity swap transactions typical of the second quarter of the year and, marginally, to the effects of the securitisation of lease receivables. Another important element in profitability is the constant attention reserved to cost control and containment via resource and process optimisation. This led to an operating margin of 1,966 million euro, corresponding to an 11.5% growth rate. Total provisions and adjustments of various type, lower than in the same period of 2003, contributed to strengthen the improvement which drove to +30.2% the rise recorded by income from operating activities (1,341 million euro). The aforementioned net income for the period reflected the deduction of net extraordinary charges of 28 million euro and taxes and minority interests. Immaterial for the overall result were the changes in the reserve for general banking risks and in the allowance for risks and charges arising on consolidation.

Interest margin

Interest margin (2,570 million euro) recorded a modest 2.2% decline, as a result of a 1.6% contraction in net interest income and lower dividends and income from investments carried at equity.
The decrease in net interest income (2,450 million euro in the semester) was influenced by various factors – among which the macroeconomic trends and the diverse market situations in the various areas in which the Group operates – that affected both the development potential of intermediated volumes and interest rates and, consequently, of spreads.

(in millions of euro)

Captions	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Net interest income with customers				
• interest income	**3,573**	4,027	(454)	(11.3)
• interest expense	**(608)**	(845)	(237)	(28.0)
• interest expense on securities issued	**(886)**	(957)	(71)	(7.4)
• interest expense on subordinated liabilities	**(232)**	(300)	(68)	(22.7)
	1,847	1,925	(78)	(4.1)
Interest income on securities	**650**	655	(5)	(0.8)
Net interest income with banks				
• interest income	**470**	602	(132)	(21.9)
• interest expense	**(413)**	(556)	(143)	(25.7)
	57	46	11	23.9
Differentials on hedge contracts	**(125)**	(151)	(26)	(17.2)
Other net interest income	**21**	16	5	31.3
Total net interest income	**2,450**	2,491	(41)	(1.6)
Dividends and other revenues	**51**	62	(11)	(17.7)
Income from investments carried at equity	**69**	74	(5)	(6.8)
Interest margin	**2,570**	**2,627**	**(57)**	**(2.2)**

Moreover, the comparison of these figures with the first half of 2003 still partly reflected the effects of the recomposition of credit exposure, that is the shift from the large corporate segment, especially foreign, in favour of the retail component, with some sacrifices in terms of volumes and a greater balance in counterparties financed.
As mentioned above, the decrease is also attributable to the cost of funding relative to increased financial transactions in the second quarter of the year, the benefits of which are recorded in the specific caption in the statement of income (profits on financial transactions), and, especially, in the more contained tax burden.

Again with reference to interest margin, net interest income with customers decreased to 1,847 million euro (–4.1%), while interest income on securities practically maintained unaltered its contribution to the margin (650 million euro, –0.8%).
Conversely, an improvement occurred as concerns the contribution of activities on the interbank market which – also considering the connected hedges, mostly referred to such operations – reduced their negative contribution by 35% to 68 million euro.

The contribution of dividends to interest margin (51 million euro) was, as already mentioned, 17.7% lower compared to that of the corresponding semester of 2003, while the decrease was less marked for income from investments carried at equity (69 million euro, –6.8%).

Consolidated interest margin was attributable for approximately 52% to the Parent Company, while the rest was generated by Italian (approximately 36%) and foreign subsidiaries (approximately 12%).

Net interest and other banking income

Net interest and other banking income reached 4,866 million euro, with a 2.1% increase with respect to June 2003, which is all the more appreciable considering that this result was achieved starting from a 2.2% decline in interest margin. There was a strong recovery in profitability with a generalised increase in all revenues from financial transactions and services. In particular, net commissions recorded a 4.6% growth rate with respect to the corresponding period of the previous year and net profits on financial transactions, even though on lower levels, showed an even higher percentage increase (+8.6%). Lastly also other net operating income rose.

The quarterly development of the margin highlighted that net interest and other banking income for the second quarter not only was higher than that of the same period of the previous year but was also higher than all the quarters of 2003.

Consolidated net interest and other banking income was generated as follows: Banca Intesa approximately 50%, Italian subsidiaries approximately 40% and foreign subsidiaries almost 10%.

Net commissions

(in millions of euro)

Captions	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Commercial banking activities				
• guarantees given	**72**	76	(4)	(5.3)
• collection and payment services	**130**	132	(2)	(1.5)
• current accounts	**376**	354	22	6.2
• fees on credit and debit cards	**126**	116	10	8.6
	704	678	26	3.8
Management, dealing and consultancy				
• dealing and placement of securities	**101**	72	29	40.3
• dealing in currencies	**20**	26	(6)	(23.1)
• portfolio management	**419**	398	21	5.3
• distribution of insurance products	**84**	65	19	29.2
• other	**80**	80	–	–
	704	641	63	9.8
Tax collection	**128**	130	(2)	(1.5)
Other net commissions	**140**	154	(14)	(9.1)
Total net commissions	**1,676**	**1,603**	**73**	**4.6**

Net commissions recorded a total flow of 1,676 million euro, with a 4.6% increase with respect to June 2003 and a quarterly development which shows that the second quarter of the year is only second to the fourth period of 2003 that had benefited from the registration of *ex lege* compensation on tax collection activities and significant commissions connected to structured finance transactions.

The improvement occurred in both main commission-generating operating areas; in particular, commissions on commercial banking activities recorded a 3.8% rise to 704 million euro and those generated on management, dealing and consultancy, that also totalled 704 million euro, showed a 9.8% growth rate.

With reference to the former, the highest progress derived from fees on credit and debit cards (+8.6%) and current account management (+6.2%), while in the latter area the development of dealing and placement of securities (+40.3%) and distribution of insurance products (+29.2%) were particularly dynamic. Particular importance must also be attributed to commissions on portfolio management which, despite the unfavourable moment of asset management, in any case recorded a 5.3% increase.

Consolidated net commissions referred for approximately 45% to the Parent Company, while 47% was generated by Italian subsidiaries and the remaining 8% by foreign subsidiaries.

(in millions of euro)

Captions	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Interest rates	**199**	180	19	10.6
Equity	**163**	110	53	48.2
Foreign exchange	**54**	85	(31)	(36.5)
Credit derivatives (trading book)	**13**	20	(7)	(35.0)
Profits on financial transactions	**429**	**395**	**34**	**8.6**

Profits on financial transactions

A considerable contribution to overall profitability also came from net profits on financial transactions which equalled 429 million euro with an 8.6% increase on the figure for June 2003.
Quarterly development shows that the figure for the second quarter was lower than that generated in the first quarter of the year, but was far higher than the results recorded in the second part of last year.

All operating areas recorded positive results, with increases in the most important areas and declines in the captions which contribute less to overall net profit.
In particular, profits on interest rate activities – which include transactions in the bond market, in interest rate derivatives and in debt securities derivatives – registered an approximately 11% rise to 199 million euro and was ascribable for 57% to the Parent Company, which increased its contribution to the consolidated figure, and for 33% to Banca Caboto, while the rest was generated by the Group's other subsidiaries.
Certainly improved, in terms of growth, was the performance of activities on equities, which recorded net income of 163 million euro, with a 48.2% rise. This area includes equity swap operations, on which gross income (dividends) is subject to a specific tax regime. In activities on equities the contributions of the Parent Company and Banca Caboto (respectively 58% and 40%) almost completely cover the entire result, with a marked rise in Banca Caboto's contribution.
As concerns currencies, there was a decrease exceeding one third which is attributable to lower net profits generated by the Parent Company and by Banca Caboto, while the Group's Eastern-European subsidiaries, which originate most of the profits from this activity practically achieved the same results as in June 2003.
Lastly, credit derivatives in the trading book, which are entirely attributable to the Parent Company, recorded profits of 13 million euro compared to 20 million euro of the first half of the previous year.
The overall result was also significantly influenced by considerable income connected to trading of the option component of structured bond issues.

Other net operating income

Other net operating income of 191 million euro (140 million euro in June 2003) also contributed to net interest and other banking income. Operating income was represented mostly by recoveries of expenses and, to a lesser extent, by rentals; operating costs by charges connected to leasing contracts. Other net operating income was attributable to the Parent Company for approximately 59% and for 40% to the Italian subsidiaries, while foreign subsidiaries made a marginal percentage contribution.

Operating margin

Operating margin generated by the Group in the first half of 2004 recorded an 11.5% improvement with respect to the figure for June 2003 and reached 1,966 million euro. Quarterly development shows that the second period of 2004 basically confirmed the appreciable result of the first quarter, on significantly higher levels than those realised in all the single periods of the previous year.

In terms of breakdown of consolidated results, the Parent Company contributed to the formation of operating margin for approximately 46%, Italian subsidiaries for approximately 47% and foreign subsidiaries for the remaining 7%.

Operating costs

The improvement in operating margin reflected not only higher income on ordinary operations but also an effective containment of operating costs, that in this first half summed up to 2,900 million euro (–3.4% compared to the figure of June 2003).

In particular, the total drop reflected lower payroll (–4.2%) and a containment in the rise of other administrative costs (+1.3%) to the minimum level compatible with the numerous development projects under way in the Group's network.

For this purpose, it must be highlighted that, aside immaterial seasonal effects, the reduction in the number of employees and the rationalisation of operating structures and processes enabled to achieve a considerable decrease in general costs, which was one of the priority objectives of the Business Plan.

(in millions of euro)

Captions	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Payroll	**1,593**	1,662	(69)	(4.2)
Administrative costs				
• general structure costs	**284**	267	17	6.4
• IT expenses	**193**	192	1	0.5
• indirect taxes and duties	**156**	164	(8)	(4.9)
• management of real estate assets	**156**	175	(19)	(10.9)
• legal and professional expenses	**100**	109	(9)	(8.3)
• advertising and promotional expenses	**54**	30	24	80.0
• indirect personnel costs	**37**	26	11	42.3
• other costs	**56**	60	(4)	(6.7)
	1,036	1,023	13	1.3
Adjustments to				
• intangibles	**130**	152	(22)	(14.5)
• fixed assets	**141**	165	(24)	(14.5)
Operating costs	**2,900**	**3,002**	**(102)**	**(3.4)**

As concerns payroll, lower costs again benefited from the progressive reduction in staff carried out according to the guidelines agreed upon with Trade unions in January 2003, via the activation of the Solidarity Allowance, "Fondo di accompagnamento all'esodo". The number of Group employees at the end of June 2004 showed a 3,724 unit decrease compared to the same period of the previous year. This reduction reflected both the aforementioned incentive-driven exit plan and normal personnel turnover.

The trend recorded by administrative costs – that, as already mentioned, must balance the need to pursue every possible saving with the requirements related to the Group's growth – showed on aggregate a moderate rise which derives from quite diverse trends. In fact, the contractions in legal and professional expenses and costs of management of real estate assets were accompanied by higher charges related to the start of advertising campaigns for the launch of new products, higher expenses connected to the personnel training programme aimed at continuously enhancing customer service, in addition to a moderate rise in general structure costs.

The adjustments to intangibles and fixed assets, decreased by 14.5% due to both the extinguishing of the normal depreciation process of certain multiannual costs and the lower amortisation on real estate assets following the spin-off carried out at the end of the 2003.

The positive trend recorded by income and focus on cost containment allowed to further improve the consolidated cost/income ratio, from 63.9% of December 2003 to 59.6% of June 2004.

Income from operating activities

Income from operating activities reached 1,341 million euro, with a 30.2% increase with respect to June 2003, after the registration of net adjustments and provisions for possible loan losses for a total of 471 million euro (–4.8%), provisions for risks and charges for 95 million euro (–29.6%) and unchanged net adjustments to goodwill for 64 million euro. Lastly also the effects of marking to market financial fixed assets were positive, since adjustments were more than offset by write-backs; the figure compares with a negative contribution in June 2003.

Adjustments, write-backs and provisions

(in millions of euro)

Captions	First half 2004	First half 2003 pro forma	Changes amount	Changes %
Net adjustments to loans				
• doubtful loans	**(165)**	(112)	53	47.3
• substandard loans	**(273)**	(282)	(9)	(3.2)
• restructured loans and loans under restructuring	**9**	(7)	16	
• loans subject to Country risk	**13**	(23)	36	
• other	**(49)**	(78)	(29)	(37.2)
Net provisions for guarantees and commitments	**(5)**	11	(16)	
	(470)	(491)	(21)	(4.3)
Provisions for possible loan losses	**(1)**	(4)	(3)	(75.0)
	(471)	(495)	(24)	(4.8)
Provisions for risks and charges	**(95)**	(135)	(40)	(29.6)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(64)**	(64)	–	–
Adjustments to financial fixed assets	**(13)**	(49)	(36)	(73.5)
Write-back of financial fixed assets	**18**	10	8	80.0
	5	(39)	44	
Total, net	**(625)**	**(733)**	**(108)**	**(14.7)**

Lower net charges to cover credit risk stemmed from lower adjustments for 63 million euro, only partly eroded by lower write-backs for 42 million euro.

It must be highlighted that adjustments for exposure to the Tanzi/Parmalat group recorded a further, approximately 28 million euro increase in the semester, to consider the indications which emerged from the plan prepared by the Commissioner. Adjustments on such positions are on average slightly under 90% of gross loan amount. Net of this increase, net adjustments to loans were in line with the average figure recorded in 2003.

More specifically, with regard to the various types of non-performing loans, lower charges were the result of higher net adjustments to doubtful loans – which referred to the Parmalat group and showed a parallel trend at the Parent Company – that were more than offset by the combined effect of a moderate contraction in net adjustments to substandard loans and, especially, net write-backs on restructured loans and loans under restructuring and, even more significantly, on loans subject to Country risk.

Net adjustments for 49 million euro to cover the intrinsic risk of performing loans are deemed to be sufficient to also adequately cover potential risk of the industrial sectors, in particular automotive production, which more than others were negatively affected by the unfavourable economic and market situation.

Provisions for risks and charges totalled 95 million euro, 40 million euro lower with respect to June 2003, and mostly referred to risks connected to legal disputes and amounts reclaimed.

Unchanged with respect to the first half of the previous year at 64 million euro, adjustments to goodwill arising on consolidation and on application of the equity method which continue the normal amortisation process applied to goodwill recorded on equity investments that are fully consolidated or carried at equity.

Adjustments to and write-back of financial fixed assets, as already mentioned, almost exactly cancel out. The most significant amounts referred to adjustments to the carrying value of the equity investments in: Commerzbank (+9.9 million euro), Immobiliare Lombarda (+5.5 million euro), Bayerische Hypo-und Vereinsbank (–3 million euro), Istituto Europeo di Oncologia (–2.2 million euro) and certain private equity investments (–3.4 million euro).

Result from extraordinary activities and net income

Extraordinary activities recorded a net result of –9 million euro, which was the imbalance of extraordinary income for 175 million euro and extraordinary charges for 184 million euro. The most significant items referred to events which typically lead to normal out-of-period income (adjustments of profits/losses, amounts not payable, etc.) which amounted to 121 million euro (net of reclassifications of 26 million euro) and normal out-of-period expenses (adjustments of profits/losses, amounts not collectable, etc.) that equalled 101 million euro. Other sources of significant extraordinary income were capital gains on the sale of real estate (30 million euro) and equity investments (9 million euro). As concerns expenses, other items referred to integration and reorganisation charges for 27 million euro. As at 30th June 2003 there was a net extraordinary income of 97 million euro mostly attributable to 229 million euro of extraordinary income from the marking to market of treasury shares and 138 million euro of extraordinary charges due to provisions for the already-ascertained charges relative to the disengagement from South-American subsidiaries.
Net income for the first half totalled 876 million euro and, as already mentioned, highlighted a 23.4% growth rate on the same figure as at 30th June 2003. The figure was net of income taxes for the period (430 million euro) and minority interests (41 million euro). Less significant amounts referred to the allowance for risks and charges arising on consolidation and the reserve for general banking risks.

As concerns the calculation of the tax burden, the recent Law (Law Decree 168/04 converted into Law 191/04) changed the means of determination for the banking system of taxable value of production for the purpose of IRAP, thus increasing the relevant tax burden by approximately 63 million euro, of which approximately 23 million euro for the annulment of deferred tax assets.

Conversely a considerable contribution to the containment of the tax burden came from the aforementioned equity swaps, which decrease the tax rate on dividends.

(in millions of euro)

Captions	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Income from operating activities	**1,341**	1,030	311	30.2
Extraordinary income	**175**	489	(314)	(64.2)
Extraordinary charges	**(184)**	(392)	(208)	(53.1)
Extraordinary income (loss), net	**(9)**	97	(106)	
Income taxes for the period	**(430)**	(380)	50	13.2
Use of allowance for risks and charges arising on consolidation	**4**	4	–	–
Change in the reserve for general banking risks	**11**	4	7	
Minority interests	**(41)**	(45)	(4)	(8.9)
Net income for the period	**876**	**710**	**166**	**23.4**

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in millions of euro)

Assets	30/06/2004 (A)	31/12/2003 pro forma [1] (B)	30/06/2003 pro forma [1] (C)	% change (A/B)	% change (A/C)
1. Cash and deposits with central banks and post offices	**1,229**	1,576	1,336	(22.0)	(8.0)
2. Loans					
– loans to customers	**154,124**	154,544	160,534	(0.3)	(4.0)
– due from banks	**29,718**	28,449	33,648	4.5	(11.7)
3. Trading portfolio	**35,941**	24,116	31,868	49.0	12.8
including Own shares	***11***	*1,017*	*891*	*(98.9)*	*(98.8)*
4. Fixed assets					
a) investment portfolio	**5,237**	5,316	5,967	(1.5)	(12.2)
b) equity investments	**4,815**	4,908	5,167	(1.9)	(6.8)
c) tangible and intangible	**4,060**	4,273	4,494	(5.0)	(9.7)
5. Goodwill arising on consolidation	**500**	546	594	(8.4)	(15.8)
6. Goodwill arising on application of the equity method	**270**	286	293	(5.6)	(7.8)
7. Other assets	**31,194**	35,513	35,315	(12.2)	(11.7)
Total Assets	**267,088**	**259,527**	**279,216**	**2.9**	**(4.3)**

(in millions of euro)

Liabilities and Shareholders' Equity	30/06/2004 (A)	31/12/2003 pro forma [1] (B)	30/06/2003 pro forma [1] (C)	% change (A/B)	% change (A/C)
1. Debts					
– due to customers	**108,785**	104,605	110,302	4.0	(1.4)
– securities issued	**59,574**	56,591	57,489	5.3	3.6
– due to banks	**34,400**	31,626	41,547	8.8	(17.2)
2. Allowances with specific purpose	**4,443**	5,045	5,236	(11.9)	(15.1)
3. Other liabilities	**34,354**	35,234	38,466	(2.5)	(10.7)
4. Allowances for possible loan losses	**10**	24	44	(58.3)	(77.3)
5. Subordinated and perpetual liabilities	**10,182**	10,603	11,248	(4.0)	(9.5)
6. Minority interests	**682**	706	668	(3.4)	2.1
7. Shareholders' equity					
– share capital, reserves and reserve for general banking risks	**13,751**	13,849	13,476	(0.7)	2.0
– negative goodwill arising on consolidation	**29**	29	29	–	–
– negative goodwill arising on application of the equity method	**2**	1	1		
– net income for the period	**876**	1,214	710	(27.8)	23.4
Total Liabilities and Shareholders' Equity	**267,088**	**259,527**	**279,216**	**2.9**	**(4.3)**

Guarantees, commitments and credit derivatives	**116,059**	105,274	106,378	10.2	9.1
Indirect customer deposits	**287,867**	286,373	288,741	0.5	(0.3)

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated balance sheet

(in millions of euro)

Assets	2004		2003 (1)			
	30/06	**31/03 (1)**	**31/12**	**30/09**	**30/06**	**31/03**
1. Cash and deposits with central banks and post offices	**1,229**	1,293	1,576	1,352	1,336	1,329
2. Loans						
– loans to customers	**154,124**	153,173	154,544	155,500	160,534	160,875
– due from banks	**29,718**	30,929	28,449	36,010	33,648	33,039
3. Trading portfolio	**35,941**	39,145	24,116	26,322	31,868	28,192
including Own shares	***11***	*9*	*1,017*	*894*	*891*	*664*
4. Fixed assets						
a) investment portfolio	**5,237**	5,166	5,316	5,644	5,967	6,038
b) equity investments	**4,815**	4,845	4,908	5,136	5,167	4,921
c) tangible and intangible	**4,060**	4,104	4,273	4,426	4,494	4,544
5. Goodwill arising on consolidation	**500**	522	546	570	594	590
6. Goodwill arising on application of the equity method	**270**	278	286	285	293	250
7. Other assets	**31,194**	34,286	35,513	41,207	35,315	34,924
Total Assets	**267,088**	**273,741**	**259,527**	**276,452**	**279,216**	**274,702**

(in millions of euro)

Liabilities and Shareholders' Equity	2004		2003 (1)			
	30/06	**31/03 (1)**	**31/12**	**30/09**	**30/06**	**31/03**
1. Debts						
– due to customers	**108,785**	104,180	104,605	108,285	110,302	110,913
– securities issued	**59,574**	57,931	56,591	55,782	57,489	53,965
– due to banks	**34,400**	44,636	31,626	36,998	41,547	42,778
2. Allowances with specific purpose	**4,443**	5,298	5,045	5,372	5,236	5,379
3. Other liabilities	**34,354**	36,455	35,234	43,462	38,466	35,656
4. Allowances for possible loan losses	**10**	22	24	44	44	44
5. Subordinated and perpetual liabilities	**10,182**	10,288	10,603	11,241	11,248	11,456
6. Minority interests	**682**	723	706	692	668	712
7. Shareholders' equity						
– share capital, reserves and reserve for general banking risks	**13,751**	13,759	13,849	13,508	13,476	13,456
– negative goodwill arising on consolidation	**29**	29	29	29	29	18
– negative goodwill arising on application of the equity method	**2**	2	1	1	1	12
– net income for the period	**876**	418	1,214	1,038	710	313
Total Liabilities and Shareholders' Equity	**267,088**	**273,741**	**259,527**	**276,452**	**279,216**	**274,702**

Indirect customer deposits	**287,867**	289,325	286,373	291,158	288,741	282,410

(1) Figures restated on a consistent basis.

LENDING AND DEPOSIT COLLECTING ACTIVITIES

Loans to customers

As at 30th June 2004 loans to customers equalled 154,124 million euro on similar levels as last December.
However it must be noted that the figure at the end of the first half reflected the effects of the extinguishment of the loan granted by Intesa Leasing to the vehicle company Intesa Lease Sec., for the sale – which occurred at the end of 2003 – of approximately 1,500 million euro of loans originated from leasing contracts. These were securitised in February 2004 with the issue of securities and the corresponding extinguishment of the aforementioned loan. Without this effect the change with respect to 31st December 2003 would be a 0.7% growth rate and with respect to 30th June 2003 it would be a more moderate, –3.1% reduction.

The effects of such operation were therefore one of the main reasons for decrease of total loans and in particular of advances and other loans, which equalled 59,969 million euro. As concerns other contract types, current accounts registered a moderate decline (–1.4%) and also – even though from far lower absolute levels – repurchase agreements decreased (–4.5%). Conversely, mortgages, which confirmed their strong expansion, driven especially by low interest rates, reached 65,405 million euro (+6.6%) and represented over 40% of the Group's total loans to customers.

In terms of contribution to the consolidated figure, the Parent Company was responsible for 61% of loans to customers while the Group's Italian subsidiaries represented 32% and foreign subsidiaries 7%.

(in millions of euro)

Subcaptions	30/06/2004 (A)	31/12/2003 pro forma (B)	30/06/2003 pro forma (C)	% change (A/B)	% change (A/C)
Current accounts	**21,253**	21,553	23,807	(1.4)	(10.7)
Mortgages	**65,405**	61,378	58,760	6.6	11.3
Advances and other loans	**59,969**	63,715	67,276	(5.9)	(10.9)
Repurchase agreements	**3,175**	3,325	5,815	(4.5)	(45.4)
Doubtful loans	**4,322**	4,573	4,876	(5.5)	(11.4)
Total loans	**154,124**	154,544	160,534	(0.3)	(4.0)
including with residents in Italy	***134,019***	*133,458*	*135,677*	*0.4*	*(1.2)*
with residents in other EU Countries	***10,940***	*11,397*	*13,412*	*(4.0)*	*(18.4)*
with residents in non-EU Countries	***9,165***	*9,689*	*11,445*	*(5.4)*	*(19.9)*

The table below – which details geographic breakdown of loans to customers – confirms the predominance of domestic loans which represented 87% of the total with a particular concentration in North-West Italy (44.5%). As concerns foreign counterparties, loans to customers not resident in Italy were granted for approximately 55% to EU residents, while the rest referred to non-EU borrowers.

Geographic areas	**30/06/2004**	**31/12/2003 pro forma**
North West	44.5%	44.9%
North East	17.5%	16.8%
Centre	14.0%	14.2%
South and Isles	11.0%	10.4%
Total Italy	**87.0%**	**86.3%**
France	0.8%	0.8%
Portugal	0.6%	0.8%
Germany	0.2%	0.3%
Spain	0.3%	0.3%
Holland	0.3%	0.4%
Belgium	0.1%	0.1%
Ireland	0.1%	0.2%
Luxembourg	0.4%	0.6%
United Kingdom	0.9%	1.0%
New EU Countries	3.2%	2.7%
Other EU Countries	0.2%	0.2%
Total EU Countries	**7.1%**	**7.4%**
United States of America	1.7%	1.8%
Croatia	2.1%	2.0%
Japan	0.2%	0.3%
Brazil	0.1%	0.1%
Peru	0.8%	0.8%
Other non-EU Countries	1.0%	1.3%
Total other non-EU Countries	**5.9%**	**6.3%**
Total loans to customers	**100.0%**	**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 which represented 64% of the total, and within these the most significant sectors were wholesale and retail trade and businesses offering other services for sale. The Group also pays a constant attention to consumer families and other categories which, together, absorbed approximately 23% of loans disbursed.

(in millions of euro)

Counterparties	30/06/2004	31/12/2003 pro forma
Governments	**2,235**	2,279
Other public entities	**3,988**	3,684
Financial institutions	**13,668**	16,908
Non-financial companies and family-run businesses	**98,910**	97,911
• *wholesale and retail trade, recovery and repairs*	***15,874***	*16,712*
• *construction and public works*	***9,844***	*9,567*
• *food products, beverages and tobacco-based products*	***3,947***	*4,033*
• *textiles, leather and footwear, clothing*	***4,041***	*4,026*
• *agricultural and industrial machinery*	***4,091***	*4,032*
• *metal products, excluding cars and means of transport*	***3,953***	*3,988*
• *energy products*	***2,871***	*3,189*
• *chemical products*	***2,555***	*2,718*
• *electric materials and supplies*	***2,016***	*2,275*
• *other industrial products*	***3,234***	*3,369*
• *agricultural and forestry products and fishing*	***3,222***	*3,161*
• *transport*	***2,210***	*2,272*
• *paper, paper products, printed products and publishing*	***1,984***	*1,920*
• *minerals and non-metal mineral based products*	***2,037***	*1,917*
• *rubber and plastic products*	***1,936***	*1,928*
• *other services for sale*	***23,881***	*22,074*
• *other non-financial companies*	***11,214***	*10,730*
Other	**35,323**	33,762
Total	**154,124**	**154,544**

Non-performing loans and Country risk

Breakdown of loans to customers based on credit quality shows, with respect to December 2003, a confirmation of the percentage weight of non-performing loans and loans subject to Country risk, that represented approximately 5.6% of total loans to customers. The various categories of non-performing loans recorded diverse trends.

Doubtful loans showed a 5.5% net decrease in the semester to 4,322 million euro. The variation is essentially attributable to lower net amounts registered by Intesa Gestione Crediti and led to a reduction in the doubtful loans/total loans ratio from 2.96% of December 2003 to 2.80% of June 2004. The trend recorded by doubtful loans of the other Group companies returned within physiologic parameters. Cumulated adjustments to cover doubtful loans guaranteed a 67.3% coverage, compared to 65.2% at the end of 2003.

Instead *substandard loans* totalled, net, 4,063 million euro and recorded a 15% increase over the six months. This is first of all ascribable to the Parent Company, which recorded in substandard loans certain substantial exposures. For some of these borrowers, financial and/or strategic solutions are being assessed and, in reasonable time frames, could lead such borrowers to return to financial equilibrium and therefore the positions may be reclassified in performing loans. The same occurred at Intesa Mediocredito, which recorded a considerable increase in substandard loans. Consequently, the percentage incidence of substandard loans on total loans rose from 2.29% of the end of 2003 to 2.64 of June 2004. The rise in this type of position did not compromise the degree of coverage ensured by cumulated adjustments which remained at approximately 24%.

(in millions of euro)

	30/06/2004			31/12/2003 pro forma			30/06/2003 pro forma		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
Non-performing loans	19,016	(10,271)	8,745	18,399	(9,876)	8,523	19,210	(9,943)	9,267
• *Doubtful loans*	*13,221*	*(8,899)*	*4,322*	*13,131*	*(8,558)*	*4,573*	*13,483*	*(8,607)*	*4,876*
• *Substandard loans*	*5,316*	*(1,253)*	*4,063*	*4,700*	*(1,167)*	*3,533*	*4,972*	*(1,157)*	*3,815*
• *Restructured loans and loans under restructuring*	*406*	*(105)*	*301*	*465*	*(129)*	*336*	*526*	*(133)*	*393*
• *Loans subject to Country risk*	*73*	*(14)*	*59*	*103*	*(22)*	*81*	*229*	*(46)*	*183*
Performing loans	146,419	(1,040)	145,379	147,060	(1,039)	146,021	152,312	(1,045)	151,267
Total	**165,435**	**(11,311)**	**154,124**	165,459	(10,915)	154,544	171,522	(10,988)	160,534

The table below shows breakdown of doubtful and substandard loans by borrowing counterparty. As in the case of loans to customers, non-financial companies and family-run businesses are the sectors with the highest net incidence.

(in millions of euro)

Counterparties	**30/06/2004**	**31/12/2003 pro forma**
Financial institutions	**176**	194
Non-financial companies and family-run businesses	**6,669**	6,339
• *construction and public works*	***1,265***	*1,232*
• *wholesale and retail trade, recovery and repairs*	***1,158***	*1,127*
• *textiles, leather and footwear, clothing*	***343***	*302*
• *food products, beverages and tobacco-based products*	***399***	*409*
• *agricultural and forestry products and fishing*	***275***	*307*
• *hotels and catering*	***315***	*219*
• *metal products, excluding cars and means of transport*	***214***	*218*
• *other industrial products*	***178***	*143*
• *agricultural and industrial machinery*	***150***	*176*
• *electric materials and supplies*	***177***	*126*
• *transport*	***231***	*200*
• *communication services*	***8***	*9*
• *sea and air carriers*	***127***	*149*
• *energy products*	***62***	*45*
• *minerals and non-metal mineral based products*	***101***	*108*
• *other services for sale*	***1,192***	*1,080*
• *other non-financial companies*	***474***	*489*
Other	**1,540**	1,573
Total	**8,385**	8,106

Restructured loans and loans under restructuring, which still represent in absolute terms a marginal percentage of total loans, recorded a decrease exceeding 10%.
Loans subject to Country risk – considering both on- and off-balance sheet exposures with customers and banks – recorded a considerable net reduction to 414 million euro (approximately –14%). The decrease of this type of risk is connected to the disengagement from South America.

(in millions of euro)

Countries	**30/06/2004**				**31/12/2003 pro forma**			
	Non guaranteed exposure	Value at risk	Adjust-ments	Net amount	Non guaranteed exposure	Value at risk	Adjust-ments	Net amount
Brazil	**177**	**171**	**35**	**142**	219	204	40	179
Peru	**49**	**45**	**9**	**40**	57	55	11	46
Colombia	**26**	**23**	**4**	**22**	22	22	5	17
Argentina	**59**	**59**	**35**	**24**	124	124	74	50
Dutch Antilles	**27**	**13**	**4**	**23**	33	13	4	29
Lebanon	**38**	**6**	**1**	**37**	34	6	1	33
Venezuela	**3**	**3**	**–**	**3**	2	2	–	2
Russia	**26**	**11**	**2**	**24**	23	17	3	20
Jordan	**16**	**6**	**1**	**15**	15	6	1	14
Uruguay	**11**	**7**	**2**	**9**	3	–	–	3
Indonesia	**2**	**2**	**–**	**2**	2	2	–	2
Cayman Islands	**28**	**28**	**4**	**24**	53	51	8	45
Panama	**13**	**7**	**1**	**12**	19	13	2	17
Other Countries	**41**	**16**	**4**	**37**	29	22	6	23
Total	**516**	**397**	**102**	**414**	635	537	155	480
including								
On-balance sheet loans								
– customers	***73***	***65***	***14***	***59***	*103*	*85*	*22*	*81*
– banks	***204***	***199***	***39***	***165***	*259*	*258*	*52*	*207*
– securities portfolio	***50***	***50***	***22***	***28***	*64*	*64*	*32*	*32*
Off-balance sheet loans								
– customers	***80***	***44***	***11***	***69***	*82*	*62*	*15*	*67*
– banks	***109***	***39***	***16***	***93***	*127*	*68*	*34*	*93*

Decreases were also registered by nominal non-guaranteed exposures (516 million euro, –18.7%) and value at risk (397 million euro, –26.1%). Cumulated adjustments amounted to 102 million euro and guaranteed an approximately 20% coverage, lower compared to approximately 24% as at 31st December 2003 due to lower exposure to riskier Countries.

Value at risk reflects the exclusion of loans to Bermuda for which the judgement of creditworthiness is confirmed by its positive market quotations, based on expectations of full debt repayment. Also securities held in the trading portfolio were excluded from the risk calculation as they had already been marked to market. For supervisory purposes, all these loans at risk – amounting to 692 million euro – were considered under the direct coverage of shareholders' equity, with an overall capital absorption of 106 million euro, determined, for securities held in the trading portfolio, considering the write-downs already accounted for in the financial statements. The absorption of a further 76 million euro referred to the domestic component of loans granted by Banco Wiese Sudameris (388 million euro) to Central Government and public sector entities, denominated or indexed to foreign currencies.

To cover performing loans there is a generic allowance of 1,040 million euro. The degree of coverage exceeds 0.7% of total performing loans net of repurchase agreements and is deemed to be adequate to cover the intrinsic risk of performing positions, even if in certain cases these refer to sectors which more than others have been affected by the general economic situation.

Customer funds

Direct customer deposits recorded a 3.9% increase compared to as at 31st December 2003, and reached 178,541 million euro, ascribable to the positive growth rates of both debt securities and other funding contracts.

(in millions of euro)

Subcaptions	30/06/2004 (A)	31/12/2003 pro forma (B)	30/06/2003 pro forma (C)	% change	
				(A/B)	(A/C)
Deposits	**10,623**	10,521	10,704	1.0	(0.8)
Current accounts and other	**87,124**	83,384	83,394	4.5	4.5
Bonds	**51,220**	47,908	46,556	6.9	10.0
Certificates of deposit	**6,984**	7,512	9,558	(7.0)	(26.9)
Other	**4,567**	4,314	4,685	5.9	(2.5)
Repurchase agreements	**7,841**	7,557	12,894	3.8	(39.2)
Subordinated and perpetual liabilities	**10,182**	10,603	11,248	(4.0)	(9.5)
Total direct deposits (*)	**178,541**	171,799	179,039	3.9	(0.3)
Indirect customer deposits	**287,867**	286,373	288,741	0.5	(0.3)
Customer deposits under administration	**466,408**	458,172	467,780	1.8	(0.3)
(*) including with residents in Italy	***150,484***	*145,408*	*148,299*	*3.5*	*1.5*
with residents in EU Countries	***14,533***	*13,672*	*15,949*	*6.3*	*(8.9)*
with residents in non-EU Countries	***13,524***	*12,719*	*14,791*	*6.3*	*(8.6)*

Breakdown of single components showed increases as concerns almost all contract types. Noteworthy was the considerable rise in bond issues (+6.9%), which now represents almost 29% of direct customer deposits, and the expansion of current accounts (+4.5%). Also repurchase agreements and other contract types recorded positive growth rates with percentage increases of 3.8% and 5.9% respectively.

In terms of contribution to the consolidated figure, the Parent Company represented approximately 73% of direct customer deposits, the Group's Italian subsidiaries 16% while foreign subsidiaries 11%.

Indirect customer deposits

Indirect customer deposits equalled 287,867 million euro, confirming the level as at 31st December 2003 (+0.5%). The positive performance of assets under administration and in custody (+2.9%) entirely absorbed lower managed funds (–2.7%) which however included the positive trend recorded by insurance products (+11.9%).

(in millions of euro)

Subcaptions	30/06/2004 (A)	31/12/2003 pro forma (B)	30/06/2003 pro forma (C)	% change	
				(A/B)	(A/C)
Individual portfolio management schemes	**48,610**	48,317	47,408	0.6	2.5
Assets managed by mutual funds	**79,568**	87,347	89,790	(8.9)	(11.4)
Insurance products	**20,733**	18,528	17,386	11.9	19.3
minus Funds from individual portfolios placed in mutual funds	**(31,381)**	(33,356)	(32,214)	(5.9)	(2.6)
Total managed funds	**117,530**	120,836	122,370	(2.7)	(4.0)
Assets under administration and in custody	**170,337**	165,537	166,371	2.9	2.4
Indirect customer deposits	**287,867**	286,373	288,741	0.5	(0.3)

FINANCIAL ACTIVITIES

Securities portfolio

As at 30th June 2004 securities portfolio reached, net of the remaining treasury shares, 41,167 million euro (approximately +45%). This increase is entirely ascribable to the trading portfolio (approximately +56% to 35,930 million euro) and mostly referred to bonds and equities, while the investment portfolio registered a 1.5% drop.

Even though the trading portfolio as at 30th June 2004 was at higher levels than at the end of last December, it was in any case lower than at the end of March 2004. These changes reflect the new policy aimed at optimising investments and liquidity profile. The changes in the net interbank position are also part of this policy.

Implicit capital gains in the investment portfolio were practically equal to implicit capital losses on hedge derivatives.

(in millions of euro)

Subcaptions	30/06/2004		Implicit gains/ losses	31/12/2003 pro forma		Implicit gains/ losses	30/06/2003 pro forma		Implicit gains/ losses
	Book value	Market value		Book value	Market value		Book value	Market value	
Investment portfolio	**5,237**	**5,538**	**301**	5,316	5,594	278	5,967	6,341	374
Trading portfolio									
– Government securities	**4,631**	**4,631**	**–**	3,934	3,934	–	6,084	6,084	–
– Bonds and other debt securities	**25,768**	**25,801**	**33**	17,162	17,197	35	20,324	20,360	36
• *listed*	***10,190***	***10,190***	**–**	*6,051*	*6,051*	–	*7,854*	*7,854*	–
• *unlisted*	***15,578***	***15,611***	***33***	*11,111*	*11,146*	*35*	*12,470*	*12,506*	*36*
– Shares, quotas and other forms of capital	**5,531**	**5,582**	**51**	2,003	2,058	55	4,569	4,610	41
• *listed*	***4,882***	***4,882***	**–**	*1,395*	*1,395*	–	*4,056*	*4,056*	–
• *unlisted*	***649***	***700***	***51***	*608*	*663*	*55*	*513*	*554*	*41*
Total trading portfolio	**35,930**	**36,014**	**84**	23,099	23,189	90	30,977	31,054	77
Own shares	**11**	**11**	**–**	1,017	1,017	–	891	891	–
Total	**41,178**	**41,563**	**385**	29,432	29,800	368	37,835	38,286	451

Net interbank position

After the significant decrease in the net debt position enacted in 2003, net interbank position recorded a moderate rise in funding with notice period.

(in millions of euro)

Subcaptions	30/06/2004 (A)	31/12/2003 pro forma (B)	30/06/2003 pro forma (C)	% change	
				(A/B)	(A/C)
Net interbank position repayable on demand					
• current accounts	**1,609**	(935)	766		
• deposits	**(2,000)**	(3,778)	(8,245)	(47.1)	(75.7)
• other	**224**	23	(42)		
	(167)	(4,690)	(7,521)	(96.4)	(97.8)
Net interbank position with notice period					
• compulsory reserve requirement	**3,296**	1,089	1,257		
• time deposits	**(12,353)**	(7,544)	(9,568)	63.7	29.1
• repurchase agreements	**2,771**	6,577	6,871	(57.9)	(59.7)
• other	**1,771**	1,391	1,062	27.3	66.8
	(4,515)	1,513	(378)		
Net interbank position	**(4,682)**	(3,177)	(7,899)	47.4	(40.7)

Statement of cash flows

The statement of cash flows highlights how the Group's net cash position was formed by cash generated by operations and cash generated or utilised by investing and funding activities.

In particular in the first half of 2004, accounts show that higher funding from customers, the increase in the medium-long term debt position with banks and the appreciable improvement in cash generated from operations, have not been entirely absorbed by new investments and therefore produced a positive flow of resources available for investment.
Such resources, after having entirely covered the deficit which had emerged at the close of the previous year, led to an excess of over 1,000 million euro.

(in millions of euro)

		30/06/2004
Cash from operations		
Net income	876	
Change in the reserve for general banking risks	(11)	
Change in the allowance for risks and charges arising on consolidation	(4)	
Adjustments to fixed assets and intangibles	335	
Adjustments to (write-back of) financial fixed assets, net	(5)	
Adjustments to (write-back of) loans, net	558	
Adjustments to (write-back of) securities, net	86	
Increase/(decrease) in allowances for possible loan losses	(14)	
Increase/(decrease) in allowance for employee termination indemnities	(92)	
Increase/(decrease) in allowance for pensions and similar commitments	(4)	
Increase/(decrease) in allowances for risks and charges - other	(50)	
Increase/(decrease) in allowances for risks and charges - taxation	(454)	
(Increase)/decrease in accrued income and prepaid expenses	(108)	
Increase/(decrease) in accrued expenses and deferred income	606	
Cash generated by operations		1,719
Cash from investing activities		
(Increase)/decrease in securities	(12,838)	
(Increase)/decrease in fixed assets	30	
(Increase)/decrease in intangibles	(88)	
(Increase)/decrease in goodwill arising on consolidation	(2)	
(Increase)/decrease in equity investments	98	
(Increase)/decrease in due from banks (*excluding amounts due on demand*)	233	
(Increase)/decrease in loans to customers	(138)	
(Increase)/decrease in other assets	4,427	
Cash utilised by investing activities		(8,278)
Cash from funding activities		
Increase/(decrease) in due to banks (*excluding amounts due on demand*)	5,795	
Increase/(decrease) in due to customers	4,180	
Increase/(decrease) in securities issued	2,983	
Increase/(decrease) in other liabilities	(1,484)	
Increase/(decrease) in subordinated liabilities	(421)	
Increase/(decrease) in minority interests	(24)	
Increase/(decrease) in shareholders' equity	36	
Dividends paid	(330)	
Cash generated by funding activities		10,735
Increase/(decrease) in cash, liquid funds and due from banks on demand, net		*4,176*
Cash, liquid funds and due from banks on demand, net – opening balance		*(3,114)*
Cash, liquid funds and due from banks on demand, net – closing balance		*1,062*

Changes in various balance sheet items were calculated using 2003 figures restated on a consistent basis.

SHAREHOLDERS' EQUITY AND CAPITAL RATIOS

The Group's shareholders' equity, excluding net income for the period of 876 million euro, amounted to 13,782 million euro.

The table below details the variations which occurred with respect to as at 31st December 2003.

(in millions of euro)

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve 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 2003 (*)	**3,561**	**5,404**	**773**	**3,661**	**(1)**	**95**	**356**	**30**	**1,214**	**15,093**
Allocation of consolidated net income										
– Reserves				879					(879)	–
– Dividends									(330)	(330)
– Allowances for charitable contributions									(5)	(5)
Other variations										
– Free assignment of 318,486,977 Banca Intesa ordinary shares to the Shareholders				(1,013)						(1,013)
– Changes in the consolidation area				1			1	1		3
– Changes in the reserve for general banking risks						(11)				(11)
– Changes in the reserve for foreign exchange differences					45					45
Net income for the period									876	876
Balance as at 30th June 2004 (§)	**3,561**	**5,404**	**773**	**3,528**	**44**	**84**	**357**	**31**	**876**	**14,658**

(*) Official figures not restated.
(§) The caption *Other reserves* includes 9 million euro of Reserve for own shares.

Shareholders' equity for supervisory purposes amounted to 20,649 million euro, against risk-weighted assets of 181,878 million euro. The total capital ratio equalled 11.70% (unchanged compared to December 2003) and the Tier 1 ratio 8.26%. The ratio between Tier 1 capital net of preference shares and risk-weighted assets (Core Tier 1) equalled 7.30%.

(in millions of euro)

Total capital and capital ratios	30/06/2004	31/03/2004	31/12/2003
Total capital			
Tier 1 capital	15,019	14,700	14,292
Tier 2 capital	7,001	7,234	7,585
Items to be deducted	(1,371)	(1,249)	(1,233)
Total capital	20,649	20,685	20,644
Capital requirements			
Credit risks	13,216	13,240	13,390
Market risks	1,107	1,090	970
Tier 3 subordinated loans	632	639	647
Other capital requirements	227	234	228
Total capital requirements	14,550	14,564	14,588
Risk-weighted assets	181,878	182,052	182,344
Capital ratios %			
Tier 1/Total risk-weighted assets	8.26	8.07	7.84
Total capital/Total risk-weighted assets	11.70	11.71	11.68
Excess capital	6,099	6,121	6,056

The table below details the entries which allow to reconciliate the Parent Company's shareholders' equity and net income with consolidated shareholders' equity and net income.

(in millions of euro)

Items	Shareholders' equity	including net income for the period as at 30/06/2004
Parent Company's balances as at 30th June 2004	14,266	869
Effect of full and proportional consolidation	1,019	462
Effect of consolidation of subsidiaries carried at equity	37	69
Reversal of write-downs on equity investments	(150)	(150)
Amortisation of goodwill arising on consolidation and on application of the equity method	(956)	(64)
Use of allowance for risks and charges arising on consolidation	36	4
Allocation of consolidation differences to the value of real estate assets	231	(3)
Restatement of goodwill	(5)	2
Dividends collected during the period	–	(26)
Dividends accrued, net of fiscal effects	(283)	(283)
Other changes	463	(4)
Consolidated balances as at 30th June 2004	**14,658**	**876**

The Parent Company Banca Intesa

RECLASSIFIED STATEMENT OF INCOME

(in millions of euro)

Captions	First half 2004	First half 2003	Changes amount	Changes %
Net interest income	**1,530**	1,562	(32)	(2.0)
Dividends and other revenues	**307**	369	(62)	(16.8)
Interest margin	**1,837**	1,931	(94)	(4.9)
Net commissions	**1,015**	950	65	6.8
Profits on financial transactions	**241**	198	43	21.7
Other operating income, net	**126**	103	23	22.3
Net interest and other banking income	**3,219**	3,182	37	1.2
Administrative costs	**(1,806)**	(1,861)	(55)	(3.0)
including Payroll	***(1,018)***	*(1,064)*	*(46)*	*(4.3)*
Other	***(788)***	*(797)*	*(9)*	*(1.1)*
Adjustments to fixed assets and intangibles	**(55)**	(69)	(14)	(20.3)
Operating costs	**(1,861)**	(1,930)	(69)	(3.6)
Operating margin	**1,358**	1,252	106	8.5
Provisions for risks and charges	**(59)**	(43)	16	37.2
Net adjustments to loans and provisions for possible loan losses	**(379)**	(353)	26	7.4
Net adjustments to financial fixed assets	**153**	(85)	238	
Income from operating activities	**1,073**	771	302	39.2
Extraordinary income	**5**	131	(126)	(96.2)
Income taxes for the period	**(209)**	(228)	(19)	(8.3)
Net income for the period	**869**	674	195	28.9

RECLASSIFIED BALANCE SHEET

(in millions of euro)

Assets	30/06/2004 (A)	31/12/2003 pro forma (B)	30/06/2003 pro forma (C)	% change (A/B)	% change (A/C)
1. Cash and deposits with central banks and post offices	**561**	641	595	(12.5)	(5.7)
2. Loans					
– loans to customers	**102,842**	112,016	118,239	(8.2)	(13.0)
– due from banks	**41,774**	33,522	34,411	24.6	21.4
3. Trading portfolio	**27,886**	18,705	23,495	49.1	18.7
including Own shares	***2***	*1,015*	*883*	*(99.8)*	*(99.8)*
4. Fixed assets					
a) investment portfolio	**803**	817	1,155	(1.7)	(30.5)
b) equity investments	**13,710**	13,619	13,738	0.7	(0.2)
c) tangible and intangible	**1,177**	1,176	1,476	0.1	(20.3)
5. Other assets	**17,440**	19,483	22,691	(10.5)	(23.1)
Total Assets	**206,193**	199,979	215,800	3.1	(4.5)

Liabilities and Shareholders' Equity	30/06/2004 (A)	31/12/2003 pro forma (B)	30/06/2003 pro forma (C)	% change (A/B)	% change (A/C)
1. Debts					
– due to customers	**76,651**	76,964	78,628	(0.4)	(2.5)
– securities issued	**51,957**	49,087	49,845	5.8	4.2
– due to banks	**30,845**	25,755	33,738	19.8	(8.6)
2. Allowances with specific purpose	**2,782**	2,980	3,314	(6.6)	(16.1)
3. Other liabilities	**19,562**	20,080	25,356	(2.6)	(22.9)
4. Allowances for possible loan losses	**–**	–	–	–	–
5. Subordinated and perpetual liabilities	**10,130**	10,368	10,860	(2.3)	(6.7)
6. Shareholders' equity					
– share capital, reserves and reserve for general banking risks	**13,397**	13,386	13,385	0.1	0.1
– net income for the period	**869**	1,359	674	(36.1)	28.9
Total Liabilities and Shareholders' Equity	**206,193**	199,979	215,800	3.1	(4.5)

Guarantees, commitments and credit derivatives	**87,112**	79,153	78,812	10.1	10.5
Indirect customer deposits	**215,952**	213,889	213,852	1.0	1.0

COMMENTS

The contribution of the Parent Company Banca Intesa is the most significant component of consolidated figures. The statement of income and the balance sheet therefore showed trends which are consistent with those of the Group's consolidated financial statements.

Statement of income

In the first half of 2004, **Banca Intesa** recorded a net income for the period 28.9% higher than that of the corresponding period of the previous year. This trend follows the positive results already achieved in 2003, which was a year especially dedicated to restructuring and strategic repositioning. Improved performance was achieved in the semester in all operating margins, with the exclusion of interest margin that reflected a modest 2% decline in net interest income and a more considerable –16.8% decrease in dividends. This contraction was absorbed by the increase in net commissions and profits on financial transactions, which determined a net interest and other banking income higher than in the first half of 2003. The improvement was further driven by considerable savings in costs, both as concerns personnel costs – due to the reduction in the number of employees following the application of the regulations of the Solidarity Allowance – and a favourable trend of other administrative costs. The result was an 8.5% increase in operating margin. Income from operating activities was 39.2% higher than the corresponding figure in June 2003, after the increase in the degree of coverage by means of higher adjustments and provisions and especially due to the effects of considerable net write-back of financial fixed assets. Despite the lower incidence of net extraordinary income, net income for the period also recorded a substantial 28.9% increase.

A more detailed analysis of the single intermediate margins shows that **interest margin** registered a 4.9% decrease to 1,837 million euro, mostly as a result of the lower dividends while a more contained decline was registered by net interest income. With reference to the latter, the trend is attributable to the same reasons already illustrated in the previous reports and has lasted, with some fluctuations, for some time. The negative sign especially stemmed from the trend of average intermediated volumes as well as the evolution of spreads applied. Furthermore, as more specifically concerns relationships with customers, the transformation of Caboto from "società di intermediazione mobiliare" into a bank determined a different classification (from "customers" to "interbank") of the balance sheet and statement of income relations with the subsidiary as of 1st January 2004. This different registration influenced both loans to customers and customer deposits: loans to customers presented lower average balances while customer deposits were practically stable over the twelve months despite a substantial impulse deriving from bond issues. Analysis of average intermediated volumes on the domestic market confirmed the aforementioned dynamics, with an annual decrease in loans to customers of approximately 9% and an approximately 0.5% rise in customer deposits.

As concerns interest rate trends, short-term spread on domestic operations with non-financial companies and family-run businesses, that represented a considerable portion of the Bank's intermediated volumes, showed a gradual reduction, in line with the trend recorded by the banking system, due to the further contraction in interest rates on loans and the practical stability of interest rates on deposits. Medium-long term operations showed a generalised decrease in rates with the sole exception of a recovery in interest rates on issued bonds in the second quarter.

Overall, intermediation with customers generated net interest income of 1,010 million euro, down with respect to the first half of 2003, mostly as a result of the aforementioned exclusion of relationships with Banca Caboto. Conversely both net interest income on securities and on interbank positions increased. With regard to the latter – inclusive now of Banca Caboto – it must be noted that, already starting from last year and as a result of a precise strategic decision, the Bank's traditional net debt position had been inverted. Therefore, even considering the differentials on hedges, mainly connected with operations with banking counterparties, a positive net interest income with banks emerged which contributed to contain to 2% the decline of total net interest income.

It is also important to consider that the decrease in interest margin is also attributable to the cost of funding relative to increased financial operations, in particular to equity swaps, whose benefits are recorded in a specific caption in the statement of income (Profits on financial transactions).

Dividends, which in the semester totalled 307 million euro (–16.8%), registered a marked erosion. Dividends from subsidiaries – recorded in the period in which net income is generated – totalled 238 million euro while the remaining 69 million euro referred to dividends on other equity investments and on trading shares.

Quarterly development of net interest income shows that the positive signs of recovery which emerged in the first quarter of 2004 were less marked in the subsequent period, but are in any case compatible with the expectations of a favourable evolution, since the lower contribution of the second quarter of 2004 is in line with the figure of the last period of 2003.

Net interest and other banking income reached 3,219 million euro, with a 1.2% progress with respect to June 2003 due to the positive trend recorded by commission income and profits on financial transactions, which completely surrogated the lower interest margin.
Net commissions recorded a total flow of 1,015 million euro with an almost 7% growth rate. The increase occurred in both main commission-generating operating areas: in commissions on commercial banking activities the most considerable rises referred to commissions on current accounts (+6%) and on credit and debit cards (+10.7%), while as concerns commissions on management, dealing and consultancy, the most significant contributions came from distribution of insurance products (+61.5%) and dealing and placement of securities (+9.7%).

Also the *result of financial transactions* was satisfactory and registered net profits of 241 million euro, with a 21.7% rise on June 2003.
In this area interest rate activities – which also include the effects of trading and marking to market of bonds and interest rate derivatives – led to a profit of 114 million euro, over 60% higher with respect to the 70 million euro as at June 2003. Profits from equities also increased and operations closed with a profit of 95 million euro compared with the 77 million euro of the first half of 2003, corresponding to a growth rate exceeding 23% also due to the contribution of equity swaps, on which gross income (dividends) is subject to a specific tax regime. Also activities in currencies and currency derivatives, and in credit derivatives in the trading book registered positive results, 19 million euro and 13 million euro respectively, even though lower than with respect to the previous year, mainly following lower operations by foreign branches. The overall result of profits on financial transactions also reflected the revenues connected to trading of the option component in structured bond issues.

Net interest and other banking income also benefited from *other net operating income* of 126 million euro, with a 22.3% growth rate with respect to as at 30th June 2003. The most significant items referred to the income side and in particular recoveries of expenses, taxes and duties.

Quarterly development of net interest and other banking income shows increasing contributions. In particular, the figure for the second quarter of 2004 is at the highest level compared to both the first quarter of 2004 and those of the previous year.

Operating margin reached 1,358 million euro, highlighting an 8.5% rise with respect to the corresponding period of 2003. This result was greatly influenced by the effect of the actions aimed at containing operating costs, which continues to be one of the priority objectives in the streamlining action which commenced in 2003 with the launch of the Business Plan. Total operating costs recorded a 3.6% decrease on the figure at the end of June 2003. Lower costs especially benefited from payroll (1,018 million euro, –4.3%) as a direct consequence of the reduction in the number of employees which was implemented according to the guidelines agreed upon with Trade Unions and based on the Solidarity Allowance. In the first six months of the year personnel in the books decreased by –2,130 units, which included approximately 2,000 people that left the Bank using the procedures activated by Ministerial Decree 158/2000.
Also other administrative costs registered a decrease (–1.1%) and especially referred to

legal and professional expenses and to costs for management of real estate assets, while increases were recorded by general structure costs, IT expenses and advertising and promotional expenses, the latter due to the beginning of the first advertising campaign on all medias, aimed at launching certain, particularly innovative, new products.

Adjustments to both intangibles and fixed assets also decreased, partly due to lower depreciation of real estate assets which, as is generally known, were spun off at the end of 2003.

The positive trend of operating margin is also clear on a quarterly basis. The quarter which has just ended recorded a result that, in addition to improving performance in the first quarter, was higher than in all the quarters of 2003.

Income from operating activities – 1,073 million euro, with a 39.2% rise on the figure for June 2003 – is obtained after the deduction of net adjustments to loans and provisions for possible loan losses of 379 million euro (+7.4%), provisions for risks and charges of 59 million euro (+37.2%) and recording net write-back on equity investments of 153 million euro.

Within net adjustments to loans the incidence of doubtful loans increased. It must be highlighted that adjustments for exposure to the Parmalat group recorded a further 20 million euro increase in the semester, to consider the indications which emerged from the plan prepared by the Commissioner. The need for adjustments to substandard loans instead slightly decreased. Net adjustments to doubtful and substandard loans were also affected by lower write-backs, both on the foreign and on the domestic network, which had significantly characterised the first half of 2003. Net loans subject to Country risk and also net provisions for guarantees and commitments improved.
The generic allowance, to cover the intrinsic risk of performing loans was also adequately strengthened (+41 million euro). Cumulated provisions in the generic allowance therefore reached 577 million euro, sufficient to guarantee a level of coverage of performing loans, net of intergroup positions and repurchase agreements, of 0.7%. The generic allowance, as already illustrated in previous reports, maintains an adequate coverage of exposures to the sectors which were more severely hit by the adverse economic situation.
Lastly, provisions for risks and charges mostly referred to the risks connected to legal disputes and amounts reclaimed.

Net write-back of financial fixed assets reflected the imbalance between 22 million euro of adjustments and 175 million euro of write-backs. The former included among the most important: Magazzini Generali Cariplo (–11.2 million euro) and certain private equity investments (–3.4 million euro), while write-backs mostly referred to the subsidiaries Intesa Holding International (138.9 million euro, mainly due to the contribution of dividends relative to the Eastern-European subsidiaries) and Intesa Gestione Crediti (15.7 million euro).

Extraordinary activities recorded income for 78 million euro and charges for 73 million euro, equal to a net positive contribution of 5 million euro. Extraordinary activities also included the positive effects of the "elimination of registrations for purely fiscal purposes" – provided for by the reform of company law – relative to accelerated amortisation (44 million euro) net of the relevant deferred tax effects (17 million euro) for a positive balance of 27 million euro. The comparison with net extraordinary components as at 30th June 2003 must consider that the result for that period (+131 million euro) essentially stemmed from the imbalance between the profit on the marking to market of treasury shares and charges referred to the reorganisation and the disposal of the South-American subsidiaries.

After the registration of income taxes for the period of 209 million euro, net income amounted to 869 million euro, with a 28.9% growth rate with respect to the figure for the first half of 2003. As concerns the calculation of the tax burden – as already illustrated in the comment to the consolidated statement of income – the recent Law changed the means of determination for the banking system of taxable value of production for the purpose of IRAP, thus increasing the relevant tax burden by approximately 47 million euro, of which approximately 19 million euro for the annulment of deferred tax assets.
Conversely a considerable contribution to the containment of the tax burden came from

the aforementioned equity swaps, which lead to dividends subject to lower taxes.

Net of the effects of the "elimination of registrations for purely fiscal purposes", net income for the period would have been 842 million euro.

Balance sheet

As to the balance sheet, it must be noted that as of 1st January 2004, Banca Intesa's credit and debit relations with Caboto, the Group's securities house, are now recorded in interbank relations and led to considerable decreases in loans to customers and customer deposits with respect to the figures of the previous reference periods which have not been restated.

At the end of the first half of 2004 **loans to customers** amounted to 102,842 million euro with an approximately 8% decrease with respect to the 2003 financial statements, almost entirely ascribable to the domestic component (–8.1%). Breakdown of loans to customers confirmed the trends indicated above: the captions that as at 31st December 2003 were significantly affected by intercompany relations with Caboto recorded considerable decreases, especially repurchase agreements (–59%) and advances and other loans (–15%). This last decrease was also affected by the reduction in the exposure of Intesa Leasing following the collection of the consideration for the loans sold last December to the vehicle company Intesa Lease Sec., as part of the securitisation closed in February 2004. Mortgages continued to progress and their significant increase (+7.5%) led this component to represent over 40% of total loans to customers, and enabled to entirely absorb the decrease of current accounts (–8.5%).

As to non-performing loans, doubtful loans highlighted a 1.6% decrease compared to as at 31st December 2003 and totalled 1,552 million euro, while substandard loans rose to 2,891 million euro, with an 18% increase, also following the difficulties of the production sector which led to record as substandard loans a few new positions which are of significant amount. For some of these borrowers, financial and/or strategic solutions are being assessed and, in reasonable time frames, could lead such borrowers to return to financial equilibrium and therefore the positions may be reclassified in performing loans. The cumulated provisions led to a 59% and a 23% coverage for doubtful loans and substandard loans respectively. Though from progressively lower absolute amounts, decreased were recorded by both restructured loans (–2.6% to 222 million euro) and loans subject to Country risk (approximately –7% to 27 million euro). With reference to the latter, the overall exposure, which is inclusive of interbank relations, slightly dropped with respect to as at 31st December 2003 (–1%).
Performing loans amounting to 98,727 million euro, as already mentioned, were covered by the generic allowance, which as at 30th June 2004 amounted to 577 million euro and is considered congruous to cover the intrinsic risk of performing loans.

With reference to funding aggregates, **customer deposits under administration** highlighted a 1.4% rise with respect to as at 31st December 2003, as a result of the positive trends recorded by both direct and indirect customer deposits. More specifically, *direct customer deposits*, despite the different classification of the relationship with the subsidiary Caboto, reached 134,907 million euro, with a 2.1% rise on the 2003 financial statements. This trend was determined by the positive trend recorded by bond issues (+8.4%), and by the rise in current accounts and other (+3.6%). Repurchase agreements registered a marked decrease, down by almost a third due to the different classification of the counterparty Caboto, while certificates of deposit recorded a modest decrease (–2.6%).
Also *indirect customer deposits*, that amounted to 215,952 million euro, recorded a positive change on the end of 2003 (+1%), in relation to the favourable trend of deposits under administration (+2.5% to 141,531 million euro), which entirely offset the decline in managed funds (–1.8% to 74,421 million euro).

Securities portfolio as at 30th June 2004 (net of treasury) totalled 28,687 million euro, with a considerable increase with respect to 18,507 million euro of the end of 2003. Even though the trading portfolio as at 30th June 2004 was at higher levels than at the end of last December, it was in any case lower than at the end of March 2004. These changes reflect the new policy aimed at optimising investments and liquidity profile.

The rise on the figure for December is entirely ascribable to the trading portfolio (+57% to 27,884 million euro), while the investment portfolio recorded a modest decline (–1.7% to 803 million euro) and only represented 3% of the total portfolio.
The figure indicated above is net of the countervalue of the remaining treasury shares (equal to just 2 million euro), which were entirely sold on 30th June, with settlement on 5th July, at a price in line with carrying value.

On this point it must be noted that – as already illustrated in the consolidated report as at 31st March 2004 – over 318 million shares, which made up almost all of the Bank's treasury shares as at 31st December 2003, were assigned for free to Shareholders in April, following the resolution of the Shareholders' Meeting of 15th April.
Consequently, as in the consolidated report as at 31st March 2004, the shares assigned for free were neither marked to market nor recorded.

Breakdown of consolidated results by business area

(in millions of euro)

	Retail Division		Corporate Division		Italian Banks Division		Foreign Subsidiary Banks Division		Product Companies		Central Structures		Total	
	30/06/04	30/06/03	30/06/04	30/06/03	30/06/04	30/06/03	30/06/04	30/06/03	30/06/04	30/06/03	30/06/04	30/06/03	30/06/04	30/06/03
Net interest and other banking income	**2,490**	2,336	**729**	811	**716**	685	**493**	468	**351**	357	**87**	108	**4,866**	4,765
Operating costs	**(1,569)**	(1,634)	**(304)**	(320)	**(389)**	(389)	**(303)**	(300)	**(154)**	(157)	**(181)**	(202)	**(2,900)**	(3,002)
Operating margin	**921**	**702**	**425**	**491**	**327**	**296**	**190**	**168**	**197**	**200**	**(94)**	**(94)**	**1,966**	**1,763**
Provisions and net adjustments to loans and financial fixed assets	**(125)**	(156)	**(106)**	(84)	**(64)**	(49)	**(42)**	(146)	**(69)**	(84)	**(219)**	(214)	**(625)**	(733)
Income (Loss) from operating activities	**796**	**546**	**319**	**407**	**263**	**247**	**148**	**22**	**128**	**116**	**(313)**	**(308)**	**1,341**	**1,030**
Extraordinary income (loss)	**1**	4	**(1)**	(1)	**3**	–	**(1)**	(28)	**20**	8	**(31)**	114	**(9)**	97
Use of allowance for risks and charges arising on consolidation/Change in the reserve for general banking risks	**–**	–	**10**	–	**1**	–	**–**	–	**–**	4	**4**	4	**15**	8
Income (Loss) before taxes and minority interests	**797**	**550**	**328**	**406**	**267**	**247**	**147**	**(6)**	**148**	**128**	**(340)**	**(190)**	**1,347**	**1,135**
Rwa (billions of euro)	**56.9**	55.5	**47.7**	61.2	**22.7**	20.3	**14.0**	14.3	**25.1**	25.6	**15.5**	16.4	**181.9**	193.3
Allocated capital (billions of euro)	**3.7**	3.7	**2.9**	3.7	**1.4**	1.2	**0.8**	0.8	**1.5**	1.5	**0.9**	1.1	**11.2**	12.0
Income from operating activities on allocated capital (%)	**42.7%**	30.0%	**22.4%**	22.3%	**38.8%**	41.0%	**35.4%**	5.2%	**17.0%**	15.2%	**(67.6%)**	(57.8%)	**24.0**	17.3%

(*) Figures for 2003 have been restated on a consistent basis.

Retail Division

The Retail Division is the centre driving the Bank's operations. The Bank is always involved in new projects, aimed at enhancing service quality, through products developed to meet customers' specific needs. This operating policy led to significant improvements in the Division's half-year statement of income which registered an operating margin of 921 million euro and an income from operating activities of 796 million euro.

The Division's net interest and other banking income also benefited from the commissions for the distribution of **Intesa Vita** insurance products placed through the branch network. Intesa Vita is a joint venture in which Banca Intesa and the Generali group each hold a 50% stake. Its statement of income for the first half closed with a net income of 27 million euro, after having collected gross premiums of 2,565 million euro in the period. As at 30th June 2004 Intesa Vita's shareholders' equity equalled 1,214 million euro, while technical reserves exceeded 20 billion euro.

The asset management sector reports to **Intesa Holding Asset Management**, that is in charge of equity investments in companies mainly operating in the asset management sector. The company closed the first half with a net income of 24 million euro, entirely made up of the dividends, registered as accruals, of the subsidiary **Nextra Investment Management**. The latter, which operates in individual portfolio management schemes (Gpm, Gpf, Gpi), in mutual funds/sicavs and in real estate funds, closed the first half of 2004 with a net

income of 36 million euro, compared to 25 million euro in the same period of the previous year. As at 30th June 2004 total net assets (under both collective and individual schemes) equalled 104 billion euro, down by 2 billion euro from the end of 2003. Nextra however maintained the second position in the ranking for assets in mutual funds and sicavs of the Italian asset management companies (SGR) with a 16.1% market share.
Nextra Investment Management controls **Nextra Alternative Investment**, operating in hedge fund management, and **Epsilon SGR** operating in collective asset management with systematic use of quantitative approaches developed according to the most updated financial and statistical theories. The two asset management companies recorded a total net income for the period of 2.9 million euro. The Group also includes **Nextra Distribution Services** which distributes Nextra International Sicav in Italy and abroad and closed the period with a net income of 0.9 million euro.

Intesa Previdenza, the Group company specialised in supplementary pension funds, as at 30th June 2004 managed net assets totalling approximately 670 million euro, of which 509 million euro (76% of the total) related to open-end pension funds (with a market share exceeding 26%) and 161 million euro to closed-end pension funds. Net collection for the first half was positive for 46 million euro, 97% of which related to closed-end pension funds. The company recorded a modest loss in the period (0.3 million euro) and highlighted a net improvement compared to the loss of 0.9 million euro in the first half of 2003.

Setefi, the Group's business unit specialised in management of electronic payment systems, issues proprietary credit cards and manages credit cards issued by Group banks, using a proprietary network of POS terminals, and is in charge of the *e.money* system through the management of the *Monetaonline* site.
The first half of 2004 confirmed the positive results registered in the previous periods in terms of both volumes and margins. Net income for the period equalled 13 million euro (+4.2% on June 2003).
Operating figures recorded a generalised growth: the number of directly-issued or managed cards reached 2.4 million units with increases compared to both 30th June of the previous year (approximately +26%) and the end of 2003 (approximately +17%). The number of proprietary POS terminals, which handled almost 73 million transactions for a countervalue of over 5.7 billion euro, rose to 87,850 units.

Corporate Division

The Corporate Division is charged with management and development of relations with large Italian and international groups, mid-corporates, the State and public administrations as well as relations with financial institutions.
In the first half the Corporate Division recorded positive results, even if not as favourable as those of the same period of 2003, since it was affected, in particular, by the economic situation of certain production sectors and by the consequent need of higher adjustments to certain loan positions. Operating margin amounted to 425 million euro and income from operating activities equalled 319 million euro.

Structured finance activities were characterised by the implementation of important operations, mainly in the leveraged finance, real estate and energy sectors.

In the **leveraged finance** sector, Banca Intesa confirmed its leadership in the Italian market and received mandates to organise various transactions promoted by corporate customers and by private equity funds; in particular three mandates to organise credit facilities for an overall amount of 1.4 billion euro in favour of important groups.

In the **real estate** sector, activities related to financing real estate operations in Italy continued to be intense also in this first part of the year: among structured operations noteworthy are Seragnoli, Gallerie Commerciali-Rinascente and Prada. The support given to the State and Infrastructure Department led to the assignment by the City of Rome of the mandate for the privatisation of part of its real estate assets; furthermore negotiations are under way to define the financing packages to support important projects in certain large Italian cities.

As advisor and joint lead arranger, Banca Intesa was very active also in the **energy** sector, analysing and monitoring new initiatives related to plants producing electricity and to the gas market. Among the operations in this sector noteworthy is the re-financing of Edison. In the **telecom** sector, instead, the main objective was to contain the exposure, giving priority to loan portfolio quality. Activities focused, with good results, on advisory, without seeking new financing opportunities.

With regard to **structured export finance** activities, traditional support to Italian exporters continued to be provided, with particular attention to financing projects concerning primary Italian operators in Russia and assisting Italian enterprises operating with Iran. In this area the Ansaldo Energia/Mapna operation must be mentioned.

Together with the development of its structured finance capabilities, Banca Intesa performed intense **syndication** activities, taking important operations to the market with the role of sole bookrunner and joint-bookrunner, consolidating in volume terms, its position in international rankings.

Trading activities in **credit derivatives** were characterised by a relative stability in margins, in a low volatility environment, after 18 months of continuous contraction in spreads. In June Banca Intesa's Internal Model related to trading in credit default swaps was approved by the Bank of Italy. In line with the Business Plan, the process aimed at reducing positions at risk in the investment portfolio continued.
In June 2004 an important synthetic securitisation operation named "Vespucci" on a portfolio of asset backed-securities (ABS) and collateralized debt obligations (CDOs), all with AAA/Aaa ratings, was concluded. This operation, exclusively sold to European and Italian institutional investors, pursues arbitrage objectives and is aimed at the management of trading activities in structured credit products.

As regards **securitisation** activities, the Intesa Lease Sec. operation, structured in the third quarter of 2003 on leasing loans granted by Intesa Leasing for an amount of 1.5 billion euro, was completed, with issue of securities, in the first half of 2004. Moreover two securitisations were organised with the role of arranger: one privately placed for Istituto Bancario del Lavoro, on a portfolio of approximately 80 million euro, and another, on the receivables of a group of enterprises from the Lazio Region's health companies, for an overall amount of approximately 518 million euro, was a public placement and was concluded in July.

During the first half of 2004, various **advisory** and consultancy mandates in the merger and acquisition sector as well as, in general, in extraordinary financing operations (M&A) were successfully completed. These activities were mainly addressed to the mid-corporate segment since, as is generally known, activities towards large customers are performed, according to existing joint venture agreements, by Lazard Italia.

Banca Intesa's **merchant banking** activities developed in the three operational areas: private equity, investments in private equity funds and institutional equity investments. As at 30th June the private equity portfolio amounted to 246 million euro, made up of 41 equity investments. Important operations in the first half were: the approximately 8 million euro investment for the indirect 18% stake in Rodriguez Cantieri Navali, the leading company in the construction of hydrofoils, ferryboats and warships, and the agreement reached with the Granarolo group for the subscription of a capital increase related to the acquisition of the Yomo group.
With regard to investments in private equity funds, against an overall commitment totalling 272 million euro, as at 30th June Banca Intesa had invested 148 million euro. Institutional equity investments were virtually unchanged, with a capital employed of 1,167 million euro at the end of the first half, against 1,164 million euro as at December 2003. In this sector, important equity investments referred to Olimpia (585 million euro), Synesis Finanziaria (94 million euro), Edison (51 million euro), Alfieri Associated Investors (43 million euro). The other equity investments were smaller.

As to relations with the **Fiat group**, in July Banca Intesa decided, in line with the other banks involved, not to exercise the option to advance the expiration of the "convertendo" loan, of which Banca Intesa granted 650 million euro. In fact, the Fiat turnaround is proceeding according to schedule and actions set out in the business plan it launched in 2003: important disposals of non-strategic activities were implemented,

substantial investments in the core car business were made and new models of cars were launched with an appreciable recovery of market share.
After the recent changes in the company's top management, the new Fiat management resumed with renewed determination the development of the business plan, confirming the objectives of a gradual recovery in financial equilibrium and in profitability.
It must be noted that the "convertendo" loan as well as the other loans classified as performing are covered by the generic reserve.

In the first half of 2004 **Banca Caboto**, Gruppo Intesa's securities house, confirmed its strong position in the primary bond market, despite the difficult economic situation. Operations in the secondary corporate bond market were instead affected by the events regarding certain listed issuers, that induced defensive attitudes on investors. Furthermore high volatility characterised both emerging markets – with a positive phase at the beginning of the year followed by a slump and a subsequent recovery – and the Government bond market, with increases in terms of volumes especially on the IT channels. Also volumes in the derivatives area were 20% higher with respect to the first half of 2003. Activities in the equity sector were affected by downward market trends, also with regard to negotiations on behalf of customers, in a context of rising disaffection for equities from both retail and corporate investors. The equity trading & derivatives market making sector and covered warrants operations were positively positioned, despite the generalised contraction in volumes.
The aforementioned operating context and the decision to maintain a low risk profile affected first half results.
In fact the statement of income recorded a net income of 52.8 million euro that, though appreciable, was lower than the 101 million euro of the first six months of 2003. In particular, net interest and other banking income (100 million euro) decreased by 26%, due to lower opportunities offered by the primary bond market and to difficulties in trading activities on the secondary market. A contribution also came from the adjustments for approximately 10 million euro recorded on certain corporate bonds, in relation to issuers' specific situations.
Operating costs showed that personnel costs were stable while other administrative costs were higher than the first half of 2003. This figure was however in line with the second half of the previous year and reflected the higher costs linked to the expansion of company operations and to the development of the IT systems, coupled with the costs for consultancies and administrative and IT services connected to the transformation into a bank.
As to the balance sheet, the comparison with 2003 figures highlighted a virtual stability in loans to customers and due from banks (10 billion euro) and a considerable rise in the securities portfolio (from 2.5 billion euro to 5.3 billion euro), attributable to seasonal effects, and in the notional value of derivatives, particularly of option contracts.

Société Européenne de Banque, the Group subsidiary in Luxembourg, operates through a range of activities such as establishment and management of financial companies, administration of mutual funds, private banking and banking activities servicing corporate customers. In the first half of 2004 the company registered a net income of 2 million euro, compared to 7 million euro recorded in the same period of 2003.

The considerable reduction in the exposure towards large multinationals implemented in the previous year was also reflected in the financial statements of **Intesa Bank Ireland** which, nonetheless, continued its intense activities in the wholesale banking sector and recorded a net income for the period of approximately 7 million euro, approximately half of that registered in the same period of 2003.

ZAO Banca Intesa, the Group company established to assist Italian enterprises in the important Russian market, officially started operations last December. Start-up costs affected company profitability and led to a loss for the first half of approximately 1 million euro.

After the completion in 2003, earlier than scheduled, of the rationalisation of the network of **foreign branches**, the new Foreign Branch Organisational Model was rolled out in the first half of 2004. The Asian hub, which commenced implementation in the previous year, was completed and the

Hong Kong branch centralised IT and accounting responsibilities for the branches in that area (Shanghai and Tokyo). Activities aimed at extending Banca Intesa's presence in Countries of interest for Group customers continued in the first half and in this context the new Representative Office in Tunis started operations in February 2004.

Italian Banks Division

The Division is in charge of Italian equity investments in banks and, for the purpose of optimising any possible commercial and efficiency synergy, operates in strict co-ordination with the Retail Division.
During the first half Division banks increased the already high levels of economic efficiency and profitability, achieving an operating margin of 327 million euro and an income from operating activities of 263 million euro.

Cassa di Risparmio di Parma e Piacenza closed the first half of 2004 with a net income of 84 million euro, slightly up from the first half of 2003 (+1%). This result was achieved with improvements in all operating margins. More in detail, interest margin (190 million euro) was slightly higher than the figure in the first half of 2003 (+0.1%), since the further contraction in spreads was balanced by higher intermediated volumes. The positive trend of net commissions (+12.3% to 128 million euro), only partly absorbed by lower profits on financial transactions, led to a net interest and other banking income of 341 million euro, with a 3.8% increase. Despite the slight rise in operating costs (+3.3% to 167 million euro) – mainly attributable to lower paybacks for seconded personnel and to higher costs connected to rental charges, maintenance and promotional expenses, also in relation to new development projects – operating margin (174 million euro) recorded a rise exceeding 4%. Income from operating activities (148 million euro) registered a lower, 2.1% growth rate due to the adjustments to Parmalat loans, after the approval of the plan for the restructuring and conversion of the loans granted to the group based in Collecchio. As to the balance sheet, loans to customers reached 10,222 million euro (approximately +4% on December 2003), while customer deposits under administration recorded an increase of 2.3%, attributable to the positive trend of indirect customer deposits (+3% to 23,189 million euro), while direct customer deposits at 11,055 million euro confirmed the positions at the end of 2003.

Banca Popolare FriulAdria closed the first half of 2004 with a net income exceeding 26 million euro, with a 35.7% rise from the same period a year earlier. Interest margin registered a slight decline, due to a generalised fall in interest rates, that was not entirely balanced by an increase in volumes. Net interest and other banking income (112.5 million euro) recorded however a 7.5% rise, attributable to a substantial increase (+19%) in non-interest income, that was also achieved through the distribution of new, particularly innovative products. Income from operating activities exceeded 39 million euro (+4.5%) and net extraordinary income equalled 2 million euro mainly due to the effects of the elimination of "registrations for purely fiscal purposes" provided for by the reform of company law. Balance sheet figures highlighted the good trend of loans to customers which exceeded 3 billion euro (+12% on the same period of 2003) and the consolidation of direct customer deposits that, at 2.7 billion euro (approximately +5%), confirmed the positive trend already recorded in the previous year. Indirect customer deposits exceeded 5 billion euro (+2.5%) with almost 3 billion euro of assets under management.

In the first half of 2004 **Banca di Trento e Bolzano** generated a net income of 7.5 million euro, up by 1.4% with respect to the first half of 2003. In particular, interest margin rose by approximately 2% to 23.3 million euro. The positive recovery of net commissions almost entirely absorbed the reduction in profits on financial transactions, leading to a net interest and other banking income of 40.3 million euro (+0.7%). The practical stability in operating costs (+0.3% to 27.4 million euro) determined a further increase in gross operating margin (+1.6% to 12.9 million euro), which was entirely absorbed by higher net adjustments to loans and provisions and led to an income from operating activities of 10.2 million euro (–10.5%). Compared to as at 31st December 2003 the main balance sheet aggregates highlighted an increase in loans to customers (+7.1% to 1,631 million euro) and a virtual stability in customer deposits under administration (–0.6% to 3,443 million euro) resulting from a downward trend of direct customer deposits (–2.6% to 1,558 million euro), almost entirely offset by the positive trend of indirect customer deposits (+1.1% to 1,885 million euro).

Cassa di Risparmio di Biella e Vercelli (Biverbanca) closed the first half with positive results. Interest margin recorded a 4% rise to 37.3 million euro, due to higher intermediated volumes and stable spreads. By contrast, lower profits on financial transactions which was not completely offset by higher net commissions led to a moderate decline in net interest and other banking income (–1.9%). The 4% cut in operating costs – also due to the continuation of the "staff reduction plan" – led to income from operating activities slightly higher than the June 2003 figures. However higher provisions for possible loan losses and the negative net contribution from extraordinary operations penalised economic performance and led to a net income of 8.9 million euro compared to the 10.8 million euro in the same period of 2003.
As to the balance sheet, loans to customers (1,887 million euro) recorded a constantly positive growth rate (+2.6% on the end of 2003) and also direct customer deposits confirmed a positive trend (+3.6%). Indirect customer deposits, exceeding 2,900 million euro (with over 40% of assets under management) recorded an almost 4% increase on December 2003 figure.

The Saving Banks in Central Italy are united under the control of **Intesa Casse del Centro** and in the first half of 2004 registered positive results with an overall growth in profitability. This trend is noticeable in almost all operating margins and is supported both by higher income and by lower operating costs. More in particular, net incomes for the first half generated by each Saving Bank are the following: Cassa di Risparmio di Viterbo, 9.2 million euro (more than double with respect to June 2003); Cassa di Risparmio di Ascoli Piceno, 7.3 million euro (+14%); Cassa di Risparmio di Terni e Narni, 5.6 million euro (+21.7%); Cassa di Risparmio di Rieti, 4.9 million euro (+40%); Cassa di Risparmio di Foligno, 4 million euro (+5.3%); Cassa di Risparmio di Spoleto, 3.7 million euro (+8.8%) and Cassa di Risparmio di Città di Castello, 1.2 million euro (+9.1%).
With regard to the main balance sheet aggregates, loans to customers recorded a particularly positive trend exceeding 3.9 billion euro as at the end of the first half and direct customer deposits, at 5.3 billion euro, registered a positive growth rate. Also indirect customer deposits increased and reached 4.7 billion euro as at the end of June, with over 50% of assets under management.

Foreign Subsidiary Banks Division

The expansion of the Group's operations in the Eastern-European markets and the almost completed withdrawal from Latin-American Countries considerably improved the economic performance of the foreign banks network. In fact the Division closed the first half with an operating margin of 190 million euro and an income from operating activities of 148 million euro.

Eastern Europe

At the historic entry into the European Union last 1st May, the Hungarian economy presented itself with a sustained rise in the GDP growth rate and with a robust increase in domestic demand that, further expanding the import surplus, increased the deficit in the balance of trade. Inflation was slightly rising, while a rigorous monetary policy led to the strengthening of the local currency against the dollar and the euro.
Unemployment constantly remained at one of the lowest levels in the area.
In the first half of 2004, the **Central-European International Bank** group registered satisfactory results, with higher revenues (approximately +45%), both from interest margin, resulting from the rise in volumes and in spreads, and from non-interest income.
The Hungarian group posted a net income for the period of approximately 29 million euro, up from 23 million euro in the same period of the previous year.
As at 30th June loans to customers equalled 3.6 billion euro (approximately +10% on December 2003) and direct customer deposits totalled 2.4 billion euro (+7.6%).

Also Slovakia, another newcomer to the European Union, continued to record an excellent economic performance. The recovery in investments and domestic consumption, the strength of foreign demand and industrial production, mainly for exports, contributed to improve the balance of trade and to strengthen the local

currency. Both inflation and unemployment continued their downward trend.
The **Vseobecna Uverova Banka** group effectively exploited the local economic context by increasing loans, especially to retail customers, and succeeded, despite the downward trend of interest rates, in achieving an interest margin only slightly lower than that of 2003. Due to a considerable increase in non-interest income and to a constantly attentive cost control, the Slovakian group achieved a net income exceeding 35 million euro (approximately +10%).
As at 30th June loans to customers equalled 1,379 million euro (+6.8% on December 2003) and direct customer deposits totalled 3,784 million euro (+2.9%).

The Croatian macroeconomic scenario highlighted a projected over 3% growth in GDP, a recovery in exports, reducing the gap with still-prevailing imports, and a reduction in unemployment, that still remained high. Inflation was under control and the exchange rate of the local currency against the euro was stable.
In the first half of 2004 the **Privredna Banka Zagreb** group recorded good economic results also due to its high penetration in the retail market. It closed the first half with a net income of approximately 47 million euro (approximately +1%), mainly as a result of the excellent rise in revenues (+10%) and particularly of commissions collected from trading activities. As at 30th June both loans to customers and direct customer deposits recorded positive trends, with volumes respectively of 3,198 million euro for loans to customers (+3.7% on December 2003) and 3,873 million euro for customer deposits (+5.3%).

The other geographic areas

The Peruvian economic scenario highlighted certain positive factors such as the rise in exports and the improvement in foreign positions. By contrast, the still fragile political situation and high foreign debt continued to be weak points.
Activities of the subsidiary **Banco Wiese Sudameris (BWS)** – that started during the first quarter to benefit from the effects of the reorganisation plan – in the second part of the first half confirmed the validity of the decisions made, even if the economic results were not yet positive due to factors which were deemed to be non-structural. In fact, in consistent monetary terms (taking account of the devaluation of the local currency against the euro), the subsidiary managed to contain under 2% the drop in interest margin, which was more than offset by an appreciable rise in net commissions (approximately +15%). Net interest and other banking income recorded an approximately 11% drop. The rigorous control of costs, unchanged from June 2003, maintained a positive operating margin, covering lower net adjustments and provisions of various nature. Consequently the contribution to the consolidated statement of income was virtually neutral and it became negative (–3.3 million euro) because of the results of other companies in the Peruvian conglomerate.
With regard to balance sheet aggregates as at June 2004, considering consistent monetary terms, loans to customers equalled 1,183 million euro (–5.4% on December 2003) and direct customer deposits, 1,900 million euro, confirmed the levels at the end of 2003.

After the disposals implemented during the first half of 2004, **Banque Sudameris S.A.** terminated its activities as a holding bank. In fact, during the period, the controlling stake in Banco Sudameris Paraguay was transferred to the Abbeyfield group and the transfer of the Uruguayan branch's assets and liabilities to Banco Acac Crédit Agricole was completed. Also the disposal of assets and liabilities of Miami, Panama and Cayman Islands branches was under completion. Therefore, the Sudameris financial statements were only referred to the French office of Banque Sudameris and to the remaining assets and liabilities still in the books of the South-American branches and were in no way comparable with the 2003 figures. In particular, the company closed the first half with a contribution to Gruppo Intesa's consolidated financial statements of 3.3 million euro, as a result of operating margin virtually at breakeven and of write-backs of net adjustments of various nature, that offset the negative extraordinary components. Following the aforementioned disposals, also balance sheet assets decreased.

Banca Intesa (France) – established on 1st September 2003 through the merger of the pre-existing Group entities in France – mainly operates in the corporate sector, as reference bank for the Italian enterprises operating in France and offers a range of diversified services. The company is therefore gradually withdrawing from all assets and liabilities not included in its assigned core business and closed the first half with a net income of approximately 11 million euro, against a result virtually at breakeven registered by the two separate entities in the first half of 2003.

Product companies

The Product companies play a key role in favouring and supporting the Group's growth. Their activities cover the operating areas of medium- and long-term lending, leasing, factoring and tax collection. Overall, the performance of these areas was positive, enabling the Division to maintain a virtually stable operating margin, at 197 million euro, and to moderately increase income from operating activities to 128 million euro.

Banca Intesa Mediocredito closed the first half with a net income of 36 million euro, with a 24% rise compared to the figure of the first half of the previous year. Analysing in detail the statement of income, interest margin (93 million euro) evidenced a 2.3% increase, while net interest and other banking income (98 million euro) rose by 1.8% due to slightly higher commission expense. The further containment of operating costs (–1.5% to 24 million euro) led to a 2.9% rise in operating margin, that was entirely absorbed by higher net adjustments and provisions. The "elimination of registrations for purely fiscal purposes", in compliance with recent legislation, led to cancel the allowance for possible loan losses (entirely made up of interest on overdue interest) and consequently to allocate the provisions to extraordinary income, for an amount of 16 million euro.
As to the balance sheet, loans to customers and customer deposits were in line with the 2003 balance sheet and registered respectively 13,610 million euro for loans to customers (–0.2%) and 1,669 million euro for direct customer deposits (+0.5%). With regard to liabilities, funding requirements continued to be covered by the Parent Company, and consequently bonds issued remained constant (1,649 million euro).

In the first half of 2004, **Banca CIS** recorded a net income of 6.7 million euro with a 15% reduction on the 2003 figure, adjusted, for a consistent comparison, to exclude the extraordinary effect linked to the transfer to the Parent Company of retail operations. Interest margin, due to the structural reduction in unit spreads of the reference market, decreased to 17.5 million euro against 20.5 million euro as at June 2003. The decline was confirmed by net interest and other banking income, since net commissions and profits on financial transactions gave a practically unchanged contribution. A positive contribution came instead from the further, though modest, contraction in operating costs and from the more significant contraction in net adjustments to loans, mainly due to higher write-backs. Income from operating activities equalled 11.4 million euro (–2.5%).
The main balance sheet aggregates, compared to the 2003 balance sheet, highlighted a rise of approximately 4% in loans to customers to 1,174 million euro and a reduction of approximately 15% in customer deposits that, however, at 202 million euro, represented only 20% of overall funding, mainly consisting of interbank funds. Indirect customer deposits rose by 3.8% to approximately 120 million euro.

In the first half of 2004 **Intesa Leasing** stipulated – through the distribution network of Group banks – 9,922 new contracts, for an overall countervalue of 1,256 million euro, with significant rises, compared to the same period of 2003, respectively of 18% in number and 35% in new investments, that were mainly related to the real estate sector (42% of the total). As at 30th June 2004, the portfolio of leased assets, net of relevant adjustments, totalled 6,356 million euro (+4.7% with respect to 31st December 2003). Implicit loans connected to leasing operations amounted to 4,938 million euro (+2.4%).
As concerns the statement of income, net income for the first half equalled 15.8 million euro, against 15.5 million euro in the first half of 2003 (+1.9%). Net financial income, instead, equalled 15.5 million euro, against 14.8 million euro of the same period of the previous year.

Intesa Mediofactoring, closed the first half of 2004 with a net income of 19.6 million euro, up by approximately 88% with respect of 10.4 million euro as at June 2003. The improvement was already notable in interest margin that increased by approximately 5%, mainly due to more favourable spreads, while average loans to customers decreased from the same period of 2003. Non-interest income rose by over 3% mainly due to commissions, which increased by over 2%. In addition, other operating income, net, recorded an appreciable result, mainly determined by better conditions negotiated with insurance companies, and led net interest and other banking income to record a 4% growth rate. A further reduction in operating costs (approximately –7%) and lower net adjustments to loans (–38%) led to an income from operating activities higher by over 84%. These appreciable results were achieved despite lower turnover in the period (–6%) and lower loans to customers, which dropped by little more than 6%.

The tax collection sector continued to be characterised by an uncertain situation because of the slow progress in the legislative provision that should reform the tax collection system by suppressing the concessionaires and transferring tax collection activities to public entities. If that provision does not come into effect in a short time, a prolongation of the concession period beyond its natural expiration of December 2004 would be likely. Furthermore, it is not certain that the State will recognise indemnities, as it did in the previous years. This unfavourable context however did not affect the operations of **Intesa Riscossione Tributi (IRT)** and of its subsidiaries **Esa.Tri.**, **E.Tr.** and **S.Es.I.T.**, that closed the first half with positive results, in line with expectations. Costs confirmed the efficiency level of the previous year, while revenues decreased due to a contraction in compensation compared to the same period of 2003, partly balanced by higher revenues from coercive collection activities and by higher reimbursements for the relevant legal costs. Therefore the first half closed with a net income of 14 million euro for the holding company IRT, 12 million euro for Esa.Tri., 3.8 million euro for E.Tr. and 0.1 million euro for S.Es.I.T.
Considering the expected legislative reform, a reorganisation was deemed advisable aimed at streamlining the Group's tax collection area and concentrating all tax collection activities in one company, identified in E.Tr., to which – with effect as of 1st July 2004 – IRT transferred its operations, essentially consisting of its stakes in Esa.Tri. and S.Es.I.T. IRT will later be merged in Banca Intesa.

Central structures

The Business Plan assigns to the central structures, namely the Parent Company's Central Departments and the Service Companies, the task of sustaining and favouring ongoing processes aimed at achieving growth and improvement. Their main activities are illustrated hereunder.

Human resources

During the first half of 2004 the activities aimed at increasing the effectiveness of the Bank's structures and of Group companies, as outlined in the Business Plan, continued.

As at 30th June 2004 Group staff totalled 57,412 people, with a reduction of 1,987 people compared to the end of the previous year, within the range set out in the agreement signed with Trade Unions in January 2003.

Great attention was paid to the confrontation with Trade Unions, at both central and local level, with numerous meetings aimed at informing and consulting on important subjects such as the rationalisation of branches, the new business hours, the safety of workers.

In line with the Business Plan, projects for enhancing the capabilities of human resources were given high priority. To this aim specific instruments – measuring performance and potential – as well as the incentive system based on management-by-objectives, were activated. The training plan, which will entail a total of over 800,000 man-days in the three-year period 2003-2005, continued. In the first half of this year approximately 220,000 man-days were provided, bringing the total so far to approximately 60% of the three-year objective. Training activities were performed for 40% through traditional channels (e-learning and classrooms) while training through Banca Intesa's web-tv had a great expansion (over 120,000 man-days).

Organisation and information technology

Among the projects under implementation in the first half of 2004 noteworthy was the preparation of an IT instrument capable of analysing and monitoring the operations of Banca Intesa's local structures. This instrument will support the preparation of

operating statistics, comparisons and projections on theoretic staffs of the organisational units. Another project was aimed at the implementation – of fundamental importance – of a unified and generalised securities register for Banca Intesa, Banca Caboto and Nextra.
The technological interventions aimed at extending the New Branch Model continued; this project requires a change in the procedures for customer access in branches, favouring the use of a self-service area created for this purpose: the new lay-out is expected to be rolled out in the whole of 2004 to approximately 150 branches.

As broadly illustrated in the Report to the 2003 financial statements, the whole Group was engaged in the IAS project, with the objective of adapting the accounting systems to the international standards starting from 1st January 2005. The process under way is however accumulating delays in these months attributable both to the EU and to national legislators. The fact that the principles regarding financial instruments (IAS 39) have not been defined and that domestic regulations have not been adapted to the new international principles (art. 25 of Legge Comunitaria 2003) are creating difficulties to enterprises, especially to banks.
Notwithstanding that, during the first half of 2004 Banca Intesa devoted considerable resources to the completion of the detailed functional and technical analysis so that the necessary IT interventions may already start at the beginning of Autumn, through Intesa Sistemi e Servizi and with the aid of non-captive suppliers.

At the same time, design and implementation of the IT solutions supporting the new customer rating systems, compliant with Basel II, continued.

Intesa Sistemi e Servizi (ISS) – which, according to the model optimising the Group's IT systems, will progressively transfer its activities to an *ad hoc* ICT Systems Department, created within the Parent Company in August 2004 – continued the development and implementation of IT systems in connection with numerous projects under way and closed the first half with a net income of 0.2 million euro.
Last July the Board of Directors of Banca Intesa approved the merger project of ISS with effect as of 1st January 2005.

Treasury and strategic finance

In the first half of 2004 net requirement of short-term liquidity remained at the low levels reached in the previous years. Consequently **treasury activities** on the interbank market were not particularly intense. Despite the reduction in intermediated volumes, market making activities remained intense on short-term derivatives, where the Bank holds a forefront position at domestic and European level. Moreover, noteworthy was, in the first months of 2004, the expansion of activities in the currencies of Eastern Europe and of other emerging markets. Finally, the reform of the tenders for refinancing implemented by the Eurosystem in March, together with a greater internal diversification in the securities portfolio, which may be used as a collateral, allowed a more advantageous access to the weekly liquidity injected in the system by the European Central Bank.

The management of wholesale payments and the connected management of intraday liquidity – after the substantial changes made in previous years following the introduction of the Continuous Linked Settlement (CLS) system for operations in foreign currencies and of the new Italian settlement system, "Nuovo BIREL" – were influenced in the first months of the year by the introduction of the new settlement system for securities called Express II. The new timing in the settlement of flows derived from positions in securities was included in the payment management model, without altering the target levels of internal efficiency indicators. Preparatory studies were initiated for the transfer in the next few years to the new centralised settlement system Target 2, under development by the European System of Central Banks.

The test phase of the new liquidity coefficients, introduced in application of the risk management policy adopted by Banca Intesa in November 2003, was concluded during the first half. All indicators maintained values in line with target levels and limits.

With regard to **proprietary trading** activities, the pressure on short-term interest rates for the euro and, to a greater extent, for the dollar, following the modest recovery

of the Euro Area against a strong growth of the American economy, suggested to keep a very careful stance and maintain a high degree of diversification.
Fixed-income operations were aimed at seizing all available opportunities, exploiting the different realignments of interest rate curves on the euro and the dollar, rather than the directional positioning.

Equity portfolio management maintained a market-neutral approach also in this first half. An attentive selection of securities generated income even if the current situation of financial markets did not express significant medium- and long-term trends.

During the first half of 2004 the alternative investments portfolio totalled, on average, 550 million euro, distributed over approximately 60 managers. The portfolio was diversified both geographically, with the predominance of the North-American market followed by Europe and by the Asian markets, and by strategies, markets, types of activities and individual managers. This broad diversification led to a low correlation with stock and bond markets, and to the contained volatility of 2.25% over the twelve months.

Strategic finance operations also include the activities towards primary customers performed by **Intesa Investimenti**, which posted a net income for the first half of 2004 of approximately 46 million euro (approximately –9%).

With regard to **Asset & Liability Management (ALM)** activities, the operational management of interest rate and liquidity risks is centralised in the Finance and Treasury structures, while strategic ALM and monitoring of the aforementioned risks are under the responsibility of the Risk Management structure. Interest rate risk is measured in terms of sensitivity of market value of positions against changes in the yield curve at various maturities. Exposure to interest rate risk is maintained at modest levels: even significant movements in the yield curve generate virtually negligible variations. Structural liquidity risk is managed by monitoring cash flows at maturity. The analysis of medium- and long term mismatching drives the decisions on bond issues.

With regard to **funding** activities on the international markets, in the first half of 2004 Banca Intesa issued bonds for 1.9 billion euro as part of the EMTN (Euro Medium Term Notes) programme. Bonds, placed both via private placements and with two important public issues, mainly had 5- and 7-year maturity and floating interest rates. Structured issues destined to Italian and international institutional investors decreased to approximately 1% of operations.
Funding activities on the international markets included the issue of certificates of deposit for 51 million euro with three-year maturity by the Hong Kong branch.
Furthermore, during the first half financing from German regional banks totalled 105 million euro and had 10- and 13-year maturity.
On the domestic market, Banca Intesa issued bonds for 4.7 billion euro, with a clear majority of structured bonds (approximately 94%) and a concentration on 5-year maturities (approximately 72%).

Intesa Gestione Crediti (IGC) has the mission, exclusively within the Group, to increase profitability and effectiveness in the management and recovery of non-performing loans, reducing the costs of these activities and increasing the capacity of recovery.
During the period under consideration no loans were acquired from Group companies and as at 30th June 2004 IGC held a nominal portfolio amounting to 9.4 billion euro, acquired for 2.8 billion euro and with a net book value of 1.7 billion euro, while the doubtful loan portfolio under management on behalf of Group companies amounted to 6.4 billion euro.
In the period the company recorded 184.4 million euro of repayments on the proprietary doubtful loan portfolio, including write-backs of adjustments and write-backs on repayments of 48.1 million euro, as well as 170 million euro of repayments on the doubtful loan portfolio under management. On Intesa SEC NPL's portfolio repayments equalled 53.9 million euro.
The company closed the first half with a net income of 19.6 million euro, more than twice the 8 million euro recorded in the same period of the previous year.

The controls system

Internal controls system

The internal controls system leverages on a series of checkpoints made up of i) a set of rules and procedures, ii) an organisational structure based on various responsibility levels, iii) centralised measurement systems aimed at quantifying value at risk implicit in the positions held by the Bank, and iv) continuous surveillance on the progress of operations and processes.

As concerns credit risk, the credit function at the Parent Company is attributed to the Credit Risk Department, which has been charged with a central role in the definition of the guidelines on credit granting. An increasing role in credit policy is demanded to the internal rating system, developed according to the new framework on capital requirements (Basel II). Furthermore, in the last few months the Risk Management Department developed a system for the measurement of economic capital in terms of CreditVaR, consistent with the solutions already adopted by the Bank for market risks.

The principles and rules to be applied in monitoring, controlling and managing market risks are formalised in the Market Risk Charter approved by the Board of Directors of Banca Intesa in 2003, for which the area of application extends to cover the whole of the trading portfolio. Responsibility for the various control and monitoring activities set out in the Charter is charged to the Risk Management Department.

The same Department is also in charge of the development of a new operational risk management system which, on the one hand, is compliant with the most advanced standards required by the framework on capital ratios (Basel II) and on the other hand, enables the Bank to have an Internal Model to calculate the economic capital necessary to offset operational risk, measured consistently with the approach used for credit and market risks.

Surveillance over the regular development of the Group's operations and risk management processes is assigned to the Parent Company's Internal Auditing Department that is 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.

Surveillance 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. Indirect supervision was carried out via 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.

The valuations of the internal controls system 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

In the first half of 2004, the Bank continued its actions aimed at achieving improved asset quality and risk profile indicated as strategic in the 2003-2005 Business Plan. Therefore, the investment mix was changed with an increase in assets (and, consequently, in capital) allocated to retail activities, which include small and medium-sized companies, and an overall reduction in exposure to large corporates.

In parallel, the Bank continued increasing the portion of assets invested in Italy with respect to those invested abroad, with a further decrease in the foreign mid-corporate segment, especially if located outside Europe and the Mediterranean area.

The improvement of loan portfolio quality is obtained by adopting specific operating checks for all the phases of loan management (analysis, granting, monitoring, managing non-performing loans).
The containment of credit risk profile is pursued starting from the analysis and granting phases via: i) checks on the existence of the necessary conditions for creditworthiness, with particular focus on the client's current and prospective capacity to produce satisfactory income and congruous cash flows, ii) the assessment of the nature and size of proposed loans, considering 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, and iii) the search of a structure of loans so to favour the flow of operations to be carried out on the specific fiduciary relationship and, possibly, via cross selling of banking products and services.

Risk control

Credit risk

Surveillance and monitoring, aimed at optimal management of credit risk, is currently based on an internal controls system which uses measurement methods and performance controls that permit the construction of a synthetic risk indicator, available on a monthly basis. It interacts with processes and procedures for loan management (periodic reviews, loan applications, watchlist loans) and for credit risk control and permits to formulate timely assessments when any anomalies arise or persist.

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 – mainly via automatic interventions – to constantly monitor non-performing positions intercepted via the synthetic risk indicator, with the aim of: i) promptly activating the branch network to the commercial recovery of relations, focusing on the most critical positions, ii) involving, as the first signs of difficulties in the management of a fiduciary relationship arise, complementary know-how in the identification of the most effective actions to be taken, and iii) establishing the timing for the execution of the actions and verifying their outcome.
Furthermore, 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) and by "Posizione Complessiva di Rischio" (global risk position), that enable to highlight and analyse credit risks for each single client/economic group both towards Gruppo Intesa as a whole and towards individual Group companies.

Activities were completed in the first half of 2004 aimed at analysing the extension of the Information Portal of the Credit Department – already available for the Retail Division's operating units – to the structures of the Corporate Division. This instrument will be released shortly, permitting access via Banca Intesa's Intranet to a wide range of standard reports dedicated to the loan portfolio of competence, updated monthly, and to a series of "Alerts" which enable to identify the potentially-critical situations among those analysed.

Internal regulations which define the process for the assignment of ratings at the time of credit granting and monitoring were issued at the beginning of the year and include the new customer segmentation rules for the purpose of assigning ratings, implementation procedures for the on-line calculation of default probability, assignment criteria and validation of the rating produced by the different models applied to the various segments and the criteria for the use of ratings in supporting creditworthiness decisions.

The new methodology enables an integrated and structured approach to credit risk management and guarantees a more effective management of the risk intrinsic in this area of banking operations. This approach represents the first step in the alignment to the new provisions set out by the New Basel Accord on capital ratios (Basel II). In particular as concerns credit risk, Banca Intesa has the objective of implementing the most advanced method among those proposed by the new provisions, that is the IRB Advanced system.

In the last few months more binding rules in the use of ratings in credit granting for mass segments (individuals and small companies with turnover under 2.5 million euro) were released and the first amendments in the delegated granting powers, based on the rating assigned to all the segments and for every type of structure which has autonomous credit granting powers, are under definition.

Internal ratings developed as part of the Basel II project cover approximately 90% of counterparties granted loans and from the first simulations, the quality of Banca Intesa's loan portfolio is high. Weekly analysis and monitoring of credit risk of large international customers (in terms of internal and agency ratings, spreads and expected default frequencies) showed a reduction in overall exposure with respect to December 2003, a parallel increase in concentration in the European area and an improvement in the portfolio's average risk.

Market risk

Market risk – relative to the estimate of potential trading losses due to adverse fluctuations in market variables such as interest rates, foreign exchange rates, stock prices, volatilities and correlations – is analysed by the Risk Management Department using an Internal Model. This model was validated by the Bank of Italy for the calculation of capital absorption to cover the trading portfolios of both Banca Intesa and Banca Caboto. In particular validation referred to generic and specific risk for equities and generic risk for bonds; recently validation was extended to specific risk generated by credit derivatives activities (credit default swaps).

The risk management system enabled to produce and distribute daily Value-at-Risk and sensitivity measures. These daily analyses are combined with stress tests and concentration measures. Limits assigned to operating units are monitored with the same daily frequency.

Market risks originated by the Finance and Treasury area, the Capital Markets area (which includes Banca Caboto), strategic trading positions and trading in Credit Default Swap (CDS), highlighted an average VaR – estimated with time-series simulation, 99% confidence level and one working day holding period – equal to 19.6 million euro as at 30th June 2004. The figure referred to the position of Banca Intesa and Banca Caboto, in Italy and in the foreign branches (London, New York, Hong Kong).

(average values in millions of euro)

Daily value at risk (VaR) of the trading portfolio of Banca Intesa and Banca Caboto

	30/06/2004	31/12/2003	% change
Banca Intesa	17.3	20.0	(14)
Banca Caboto	2.3	2.4	(3)
Total	**19.6**	**22.4**	**(12)**

(percentage on area total)

Contribution of risk factors to overall VaR					
	30/06/2004				
	Shares	Funds	Rates	Foreign Exchange	Correlation (*)
Banca Intesa	24%	29%	43%	4%	0%
Banca Caboto	25%	0%	57%	0%	18%
Total	**26%**	**28%**	**40%**	**4%**	**2%**

(*) The correlation represents the estimated effect deriving from the relation which links the various risk factors: the tighter the relation, the higher the correlation.

The risk profile of Banca Intesa's trading portfolios (Finance-Treasury and strategic trading) is basically characterised by linear or plain vanilla instruments, while a greater contribution to option and exotic risks is in the trading activities of the Capital Markets area (that includes Banca Caboto). During the first semester, risk profile was characterised by the transfer of certain positions of the trading desks towards the strategic portfolio. The latter includes the equity component, which considerably decreased following disposals. Trading activities on equity volatilities intensified and also positions in investment funds increased.

Issuer risk is managed on the basis of a system of limits made up of maximum exposure grids in terms of type and rating and specific concentration limits. The main component of the portfolios of Banca Intesa and Banca Caboto is investment grade with prevalence of exposures in Italian issuers and of the Euro Area.

The default risk on CDS activities is monitored with a monthly CreditVar analysis of both trading and banking portfolio. As at 30th June 2004 CreditVaR equalled 22.5 million euro (one year holding period and 99% confidence level). The adopted methodology is based on the simulation of the value of the portfolio in presence of numerous scenarios of deterioration of counterparty creditworthiness and underlying assets.

Operations in credit derivatives also includes activities in Collateralized Debt Obligations (CDO) concentrated in the trading book and, in terms of notional, mainly made up of synthetic senior and supersenior positions (with rating of AAA).

Monitoring of risk generated by CDOs occurs starting from the spreads of the single companies which make up the underlying portfolio and the simulation of timing of bankruptcy using the *MonteCarlo* method. The potential impact of bankruptcy is applied to the *tranches* via loss distribution reconstruction.

Liquidity risk

The Asset & Liability Management (ALM) system covers Banca Intesa's entire on- and off-balance sheet operations. Exposure to liquidity risk is maintained on modest levels, so that even considerable shifts in the yield curve would produce negligible changes in market value compared to the size of capital for supervisory purposes.

For the purpose of aligning the liquidity management process to international standards the Liquidity Policy and a Contingency Liquidity Plan are now operational and, among other things, set out the presence of a Liquidity Committee with the role of orienting decisions relative to the Bank's financial equilibrium.

Operational risk

Gruppo Intesa is implementing an operational risk management system, focused on the realisation of a new risk management model as well as the application of standard methodologies and instruments which enable it to calculate risk exposure and the effects of mitigation for each operating unit. Banca Intesa's Internal Model is devised so to combine all the main qualitative and quantitative information sources homogeneously. The qualitative component focuses on the valuation of the risk profile of each unit and is based on the assessment of significant scenarios. The quantitative component is instead based on the analysis and on statistic models containing historical loss data.

Economic capital to cover operational risk, estimated to cover unforecasted losses of this type equalled a few hundred million euro and may be contained following the optimisation of insurance coverage, the completion of the Business Continuity Plan, as well as all projects aimed at improving organisational processes and controls.

Product and services development

In the first half of 2004 the rationalisation and review of the product portfolio aimed at improving the effectiveness of commercial processes continued.
Roll-out of the new *Arcobaleno* sales platform to all the network was completed. The "Arcobaleno", that is, the "Rainbow" approach, which enables to improve network efficiency, now involves all the branches, from the branch manager to managers of the various customer segments, to the branch's operating staff.
New professional figures, specialised by customer segment, have been introduced to manage the new commercial model and both ensure improved business coverage and favour the achievement of budget objectives.
Rationalisation of the product portfolio was almost completed and the number of **retail** products decreased from over 1,000 in January 2003 to approximately 200 in June 2004. Moreover, new dedicated products for each customers segment have been developed and launched on the market.
The new bancassurance company Intesa Vita is operational as of 1st January and developed a new product range. In particular, in March it launched the new *Index Linked* policy with coupon payments, which was greatly appreciated by customers and various *tranches* were issued in the semester. Furthermore, the foundations were laid for the launch, forecasted in the first months of the second half, of "non life" products: an innovative multirisk insurance coverage for mortgages.
In the assets under administration area, activities focused on the issue of structured bonds with minimum guaranteed capital, suited to meet the needs of customers looking for returns higher than those of Government securities without risking capital losses. 11 issues were launched in the first half of 2004, for an overall placement of approximately 4 billion euro. Banca Intesa placed 6 issues of securities indexed to Italian and European inflation, for a total placement of 3 billion euro, and 5 issues indexed to a basket of stock indices, for a total placement of over 1 billion euro.
The process aimed at rationalising and simplifying the consumer credit offering continues and will lead to the imminent introduction of the new Mortgages Catalogue. Important interventions also referred to operating procedures which have simplified and increased flexibility of the loan granting process, thus ensuring a faster and more efficient service to customers.
The improvement of service quality is also pursued via a project for the renewal of the branch lay-out. As already illustrated in previous reports, a new test branch lay-out has been designed consistent with the new approach based on targeted services for each customer segment. The new branch lay-out simplifies access for customers, both as concerns the operating area and the space dedicated to consultancy which was increased and was specialised by customer segment.
So far 10 branches have the new lay-out and 140 branches will be rolled out within 2004. Roll-out with initially concentrate on large urban areas.

The communication campaign for two of the new key products targeted to the household segment, Conto Intesa and PrestIntesa, was launched on all medias in the second quarter of 2004.

A new range of individual portfolio management schemes invested in mutual funds is dedicated to the "premium" segment, its distinctive feature is a new style of management and the use of third party products in all lines (multimanager approach). For investment management of "large portfolios" the *Intesa Elite* individual portfolio management schemes were launched. *Fondo Intesa Premium* was another new product, again developed in the "Asset Management" area. It is proposed as part of a diversified portfolio as the ideal solution for customers searching for the regular growth of their capital and for an alternative to Government securities. In June *Conto Intesa Personal*, the current account dedicated to customers of the segment was launched: its characteristic feature is that it enables the customer to personalise contents, choosing products and services at a cost which decreases as the assets under management at Banca Intesa increase.

The new current account *Conto Intesa Business* is targeted to the small business segment, which was created in 2003 to serve the needs of retailers, artisans and free-lance professionals. *Conto Intesa Business* is a transparent and innovative product which rewards those who work more with the Bank and enables the customer to customise its contents.

In the first half of 2004 actions in the **private** segment referred to numerous areas of intervention, with increased attention paid to the reorganisation of central structures and rationalisation of the distribution network. The project for redesigning and increasing the efficiency of individual portfolio management schemes was completed and the implementation of a wealth management instrument called "Pianificazione Finanziaria Globale", Global financial planning, commenced.
For the purpose of exploiting synergies within the Group, a joint project was activated by the Private and SMEs segments, aimed at improving service to entrepreneurs, and the quality standards provided by retail branches to private customers was redefined. Other interventions were aimed at reviewing product and service range with an extension in the range of hedge funds offered and the introduction of approximately 250 Sicavs managed by third parties.

Significant interventions were carried out, within the "Arcobaleno imprese" platform, to support commercial activities in favour of **small and medium-sized enterprises**. The positive effect of this action was however partly limited by unfavourable market conditions, such as the modest growth rates of many key sectors, the decrease in exports and the intensification of competitive pressures.
Again with reference to the SME sector, important projects commenced to offer companies structured and innovative medium-long term lending programmes destined to finance development or turnaround as well as financial planning and advisory services.

Services to the ***local public administrations*** segment continued especially aimed at consolidating the acquisition of treasury and cash management services. Targeted commercial strategies were also designed for ***religious entities and non profit companies***.

Shareholder base and Banca Intesa's stock price performance

Shareholder base

Banca Intesa's shareholder base as at 30th June 2004 – detailed in the following table – includes reference shareholders which are part of a Voting syndicate and hold 45.90% of the Bank's ordinary shares (40.77% is vested in the Syndicate) and approximately 195,000 shareholders holding 54.09%. At that date the remaining 0.01% was represented by treasury shares, which were sold on the market with settlement on 5th July at a price in line with carrying value (3.18 euro).

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 S.A.	876,110,007	191,313,552	1,067,423,559	14.81	18.04
Fondazione CARIPLO	535,485,244	19,093,075	554,578,319	9.05	9.38
Generali group	340,781,182	17,294,797	358,075,979	5.76	6.05
including					
• *Assicurazioni Generali*	*50,806,355*	–	*50,806,355*		
• *Alleanza Assicurazioni*	*198,363,282*	*67,201*	*198,430,483*		
• *other subsidiary companies*	*91,611,545*	*17,227,596*	*108,839,141*		
Fondazione CARIPARMA	254,375,410	6,139,792	260,515,202	4.30	4.40
"Gruppo Lombardo"	204,839,873	3,900,128	208,740,001	3.46	3.53
including					
• *Banca Lombarda e Piemontese*	*139,963,274*	*204,336*	*140,167,610*		
• *I.O.R.* (*)	*42,917,536*	*3,695,792*	*46,613,328*		
• *Mittel*	*21,959,063*	–	*21,959,063*		
Commerzbank A.G.	200,290,976	65,642,610	265,933,586	3.39	4.50
Total Shareholders in the Syndicate	2,411,882,692	303,383,954	2,715,266,646	40.77	45.90
Total other Shareholders	–	3,199,712,809	3,199,712,809		54.09
Own shares	–	727,771	727,771		0.01
Total	**2,411,882,692**	**3,503,824,534**	**5,915,707,226**		**100.00**

(*) Shares with beneficial interest in favour of Mittel S.p.A.

As is generally known, 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 agreement 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 not elected among the 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 "Gruppo Lombardo".
The Agreement lasts 3 years and it will be tacitly renovated every three years, save for cancellation six months before the expiry date. Its expiry date is on 15th April 2005.

Stock price performance

In the first half of 2004 the Italian stock market registered a positive performance of 5.5%. Its growth faced two main setbacks: the first in March, the second in May, following the inversion in American monetary policy. Nevertheless the Italian market outperformed other world markets in the same period: Euro Stoxx +3.7% and S&P500 +4.3%. As concerns sector breakdown, utilities and stocks in the energy industry recorded the best performances.
The Italian banking sector generally underperformed the market: Italian banks closed the first half with a 0.9% rise from the beginning of the year. The Banca Intesa ordinary share outperformed the Italian banking sector closing the first half with a 2.4% rise. The Banca Intesa saving share recorded a 9.6% increase, reducing its discount with respect to the ordinary share to 23% from 27% of the end of 2003.

Rating

The ratings assigned to Banca Intesa's debt, set out in the following table, show an improvement as concerns Standard & Poor's and remained unchanged for Moody's and Fitch. Moody's changed its outlook from "stable" to "positive".

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

Relationships between Group companies and with other related parties

As is generally known, pursuant to the recommendation contained in the Corporate governance code of listed companies to which Banca Intesa complied, the Parent Company adopted "Internal regulations on transactions with related parties". This document defines the guidelines for closing transactions with such 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 carried out by delegated bodies or structures, for the purpose of ensuring the fairness in the procedures and the substance of such transactions.

For the implementation of such Internal regulations, the Parent Company sets out and constantly updates a list of "related parties" which is notified to central and peripheral structures and to subsidiaries. The identification of "related parties" is based on the definitions provided by Consob in Communication 2064231 of 30th September 2002.

Compensation, holdings and stock option plan

Compensation paid to Directors, Statutory Auditors and the General Manager is described in detail once a year in a specific section of the Notes to the consolidated financial statements. Please refer to the Annual report 2003 for the most updated information on this aspect.

The Report on operations in the Annual report 2003 provides analogous information on equity investments in Banca Intesa and in other Group companies, directly or indirectly held by Directors, Statutory Auditors and the General Manager and on the stock option plan resolved upon by the Extraordinary Shareholders' Meeting held on 17th December 2002 in favour of managers of Banca Intesa or Group companies.

Loans and guarantees to Directors, Statutory Auditors and the General Manager

The balances as at 30th June 2004 of exposures to Directors, Statutory Auditors and the General Manager amounted to 0.1 million euro and due to the same counterparties amounted to 1.6 million euro. There are no guarantees or commitments outstanding in favour of such parties as at 30th June 2004.

The relative relations are regulated at standard market rates or are aligned with the most favourable conditions applied to personnel.

Loans and guarantees to Group companies and other equity investments

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. As 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 to 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.

Notwithstanding all mentioned above, 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.

Balances as at 30th June 2004 of the credit/debit relations and of guarantees and commitments to Group companies as well as to other significant equity investments contained in the consolidated financial statements are summarised in the table below.

(in millions of euro)

Relationships	Balance with unconsolidated Group companies	Balance with other equity investments as per Art. 2359 of the Italian Civil Code
Credits	59	1,095
Debits	51	840
Guarantees and commitments	9	124

The complete list of Group companies and other significant equity investments is provided in the Notes to the consolidated financial statements.

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 Intesa Gestione Crediti, in consideration of its specific operations.

Loans and guarantees to other related parties

"Other related parties" refer to:
a) companies taking part in Banca Intesa's Voting syndicate;
b) managers with powers delegated by the Board of Directors of Banca Intesa;
c) family members of Directors, Statutory Auditors and the General Manager of Banca Intesa and of the persons indicated in letter b) above;
d) companies controlled by Directors, Statutory Auditors, the General Manager of Banca Intesa, the persons in letters b) and c) above, or on which such persons exercise a significant influence.

In the consolidated financial statements as at 30th June 2004 balances of credit relations with other related parties, as defined above, amounted to 397 million euro, debit relations with the same parties equalled 1,514 million euro, guarantees and commitments summed up to 606 million euro.

It is worth noting that there are collaboration agreements, with the Generali group and the Crédit Agricole group, already amply described in the Reports of previous periods. The agreement with the Generali group refers to the bancassurance and financial consultant areas and that with the Crédit Agricole group to consumer credit. Furthermore, the activities developed in joint venture with Lazard continue. According to the agreements signed in September 2002, the joint venture refers to advisory for medium-large companies and public entities.

Lastly, also relationships with groups managed by Directors continue; all are regulated at standard market conditions.

In the semester, the Board of Directors of Banca Intesa also approved operations relative to intergroup lending and acquisitions or disposals of equity investments, the most important of which have already been described in the Report and which are also indicated in the Notes to the consolidated financial statements. The aforementioned operations were resolved upon by the Board of Directors and implemented in the respect of the principles contained in the Internal regulations on transactions with related parties.

Significant subsequent events

The significant events which occurred between the end of the semester and the approval of this report are also described herein. No other events occurred capable of significantly affecting management strategies or which may produce appreciable economic effects on the Group's results.

Forecast for the second half of 2004

We confirm the positive forecast for operations development for Gruppo Intesa in the second half of 2004, and in particular the considerable increase in net income for 2004 with respect to the figure for 2003.

The Board of Directors

Milano, 6th September 2004

Report
of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors

- examined Gruppo Intesa's Consolidated half-year report for the first half of the current year, which shows a net income of 876 million euro and was approved by the Board of Directors on 6th September 2004 and transmitted to this Board of Statutory Auditors for its opinion;

- examined the report issued on 24th September 2004 by the Independent Auditors Reconta Ernst & Young S.p.A. appointed for the review of the aforesaid Half-year report and acknowledged its work and the communicated conclusions;

- acknowledged that this Consolidated half-year report is compared with figures as at 30th June 2003 and as at 31st December 2003 restated to consider changes in the consolidation area, for the purpose of permitting consistent comparisons;

- verified that the aforesaid Half-year report complies with informative purposes required by the Law and by regulations issued by both the Bank of Italy and Consob.

Given all mentioned above, the Board of Statutory Auditors states to have no remarks on Gruppo Intesa's Consolidated half-year report as at 30th June 2004.

Milano, 30th September 2004

The Board of Statutory Auditors

Independent Auditors' Review on the Half-Year Report 2004

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AUDITORS' REPORT ON THE REVIEW
OF THE MANAGEMENT REPORT
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2004 OF
BANCA INTESA S.P.A.
(Translation from the original Italian version)

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

1. We have performed the review of the statements of Consolidated Balance Sheet and Consolidated Statement of Income (the "Statements") and related Notes included in the Management Report of Banca Intesa S.p.A. for the six months period ended June 30, 2004. The Management Report is the responsibility of the Banca Intesa S.p.a.'s directors. Our responsibility is to issue the present report based on our review. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussions and analyses of the consolidated operations of Banca Intesa S.p.A., solely for the purpose of evaluating its consistency with the remaining part of the Management Report.

2. Our review was conducted in accordance with auditing standards governing review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. The review of the data related to the six months period ended June 30, 2004 of certain subsidiary companies, which represent approximately 1% of the consolidated assets and approximately 3% of the consolidated net interest margin, is the responsibility of other auditors. A review consists mainly of obtaining information with respect to the accounts included in the Statements and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Management Report of Banca Intesa S.p.A. as of and for the six months period ended June 30, 2004, as we do in connection with reporting on our full scope audit of the annual consolidated financial statements of Banca Intesa S.p.A..

Reconta Ernst & Young S.p.A.
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3. As indicated in the section "Accounting Criteria" of the Notes, the Company has restated the financial data of the same period of the prior year as well as that at 31 December 2003, to take into consideration the changes in the consolidation area and in the tax legislation. The restated financial data has not been audited and therefore we do not express any opinion on such data. With respect to the consolidated comparative data as of and for the year ended 31 December 2003 and for the six month period ending 30 June 2003 presented in the accompanying Management Report as originally presented, reference should be made to our audit and review reports issued on March 26, 2004 and on September 23, 2003 respectively.

4. Based on our review, we did not become aware of any significant modifications that should be made to the Statements and related Notes, identified in paragraph 1. of this report, in order for them to be in conformity with the criteria for the presentation of the six months period Management Report, stated by Consob regulations as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

Milan, September 24, 2004

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

Gruppo Intesa
Consolidated financial statements
as at 30th June 2004

CONSOLIDATED BALANCE SHEET

(in millions of euro)

	Assets	30/06/2004	31/12/2003	30/06/2003
10.	Cash and deposits with central banks and post offices	1,229	1,591	1,376
20.	Treasury bills and similar bills eligible for refinancing with central banks	4,729	3,739	3,034
30.	Due from banks	29,718	28,537	33,637
	a) repayable on demand	*3,987*	*2,520*	*3,021*
	b) other	*25,731*	*26,017*	*30,616*
40.	Loans to customers	154,124	154,992	162,300
	including			
	– with public funds under administration	*63*	*59*	*54*
50.	Bonds and other debt securities	30,899	22,889	31,364
	a) public entities	*9,354*	*6,311*	*11,041*
	b) banks	*11,362*	*8,774*	*10,448*
	including			
	– own bonds	*2,412*	*1,900*	*1,237*
	c) financial institutions	*7,159*	*5,108*	*6,557*
	including			
	– own bonds	*136*	*150*	*4*
	d) other issuers	*3,024*	*2,696*	*3,318*
60.	Shares, quotas and other forms of capital	5,539	2,015	4,603
70.	Equity investments	4,716	4,713	3,950
	a) carried at equity	*1,009*	*1,045*	*631*
	b) other	*3,707*	*3,668*	*3,319*
80.	Investments in Group companies	99	71	631
	a) carried at equity	*51*	*22*	*565*
	b) other	*48*	*49*	*66*
90.	Goodwill arising on consolidation	500	546	696
100.	Goodwill arising on application of the equity method	270	286	191
110.	Intangibles	577	621	635
	including			
	– start-up costs	*14*	*16*	*21*
	– goodwill	*1*	*–*	*6*
120.	Fixed assets	3,483	3,664	3,913
140.	Own shares or quotas (*nominal value € 1,722,457*) (*)	11	1,017	891
150.	Other assets	28,657	33,099	31,163
160.	Accrued income and prepaid expenses	2,537	2,435	4,267
	a) accrued income	*1,826*	*1,978*	*3,966*
	b) prepaid expenses	*711*	*457*	*301*
	including			
	– discounts on securities issued	*42*	*43*	*51*
	Total Assets	**267,088**	**260,215**	**282,651**

(*) In euro.

CONSOLIDATED BALANCE SHEET

(in millions of euro)

	Liabilities and Shareholders' Equity	30/06/2004	31/12/2003	30/06/2003
10.	Due to banks	34,400	31,720	42,708
	a) repayable on demand	*4,154*	*7,214*	*10,588*
	b) time deposits or with notice period	*30,246*	*24,506*	*32,120*
20.	Due to customers	108,691	105,029	111,969
	a) repayable on demand	*84,250*	*80,851*	*82,553*
	b) time deposits or with notice period	*24,441*	*24,178*	*29,416*
30.	Securities issued	59,574	56,659	57,796
	a) bonds	*51,220*	*47,908*	*46,758*
	b) certificates of deposit	*6,984*	*7,576*	*9,653*
	c) other	*1,370*	*1,175*	*1,385*
40.	Public funds under administration	94	90	95
50.	Other liabilities	30,734	32,233	33,453
60.	Accrued expenses and deferred income	3,620	3,021	5,102
	a) accrued expenses	*1,848*	*1,948*	*4,453*
	b) deferred income	*1,772*	*1,073*	*649*
70.	Allowance for employee termination indemnities	1,089	1,186	1,226
80.	Allowances for risks and charges	3,354	3,847	4,121
	a) pensions and similar commitments	*284*	*289*	*302*
	b) taxation	*1,152*	*1,614*	*1,521*
	c) risks and charges arising on consolidation	*64*	*68*	*71*
	d) other	*1,854*	*1,876*	*2,227*
90.	Allowances for possible loan losses	10	28	51
100.	Reserve for general banking risks	84	95	110
110.	Subordinated and perpetual liabilities	10,182	10,603	11,228
120.	Negative goodwill arising on consolidation	29	29	18
130.	Negative goodwill arising on application of the equity method	2	1	12
140.	Minority interests	682	706	686
150.	Share capital	3,561	3,561	3,561
160.	Share premium reserve	5,404	5,404	5,535
170.	Reserves	4,345	4,433	3,912
	a) legal reserve	*773*	*773*	*773*
	b) reserve for own shares	*11*	*1,017*	*891*
	c) statutory reserves	*1,085*	*61*	*61*
	d) other reserves	*2,476*	*2,582*	*2,187*
180.	Revaluation reserves	357	356	358
200.	Net income for the period	876	1,214	710
	Total Liabilities and Shareholders' Equity	**267,088**	**260,215**	**282,651**

CONSOLIDATED BALANCE SHEET

(in millions of euro)

	Guarantees and Commitments	**30/06/2004**	**31/12/2003**	**30/06/2003**
10.	Guarantees given *including* – *acceptances* – *other guarantees*	23,200 *410* *22,790*	22,298 *294* *22,004*	23,522 *388* *23,134*
20.	Commitments *including* – *for sales with commitment to repurchase*	51,833 –	48,153 –	49,710 *104*
30.	Credit derivatives	41,026	34,884	33,725
	Total Guarantees and Commitments	**116,059**	**105,335**	**106,957**

CONSOLIDATED STATEMENT OF INCOME

(in millions of euro)

		First half 2004	First half 2003	2003
10.	Interest income and similar revenues	4,695	5,399	10,117
	including from			
	– *loans to customers*	*3,573*	*4,084*	*7,719*
	– *debt securities*	*631*	*697*	*1,240*
20.	Interest expense and similar charges	(2,265)	(2,886)	(5,266)
	including on			
	– *deposits from customers*	*(608)*	*(865)*	*(1,527)*
	– *securities issued*	*(1,113)*	*(1,258)*	*(2,373)*
30.	Dividends and other revenues	450	463	575
	a) from shares, quotas and other forms of capital	*409*	*410*	*489*
	b) from equity investments	*41*	*53*	*58*
	c) from investments in Group companies	*–*	*–*	*28*
40.	Commission income	1,968	1,907	3,940
50.	Commission expense	(292)	(284)	(609)
60.	Profits (Losses) on financial transactions	31	195	483
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	3	4	6
70.	Other operating income	267	231	603
80.	Administrative costs	(2,629)	(2,741)	(5,434)
	a) payroll	*(1,593)*	*(1,696)*	*(3,324)*
	including			
	– *wages and salaries*	*(1,122)*	*(1,185)*	*(2,328)*
	– *social security charges*	*(308)*	*(329)*	*(649)*
	– *termination indemnities*	*(72)*	*(81)*	*(152)*
	– *pensions and similar commitments*	*(51)*	*(54)*	*(109)*
	b) other	*(1,036)*	*(1,045)*	*(2,110)*
85.	Allocation (use) of net returns (losses) on investment of the allowances for pensions and similar commitments	(3)	(4)	(6)
90.	Adjustments to fixed assets and intangibles	(335)	(392)	(831)
100.	Provisions for risks and charges	(115)	(136)	(207)
110.	Other operating expenses	(57)	(88)	(216)
120.	Adjustments to loans and provisions for guarantees and commitments	(975)	(1,003)	(2,051)
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	417	495	830
140.	Provisions for possible loan losses	(1)	(5)	(1)
150.	Adjustments to financial fixed assets	(13)	(55)	(214)
160.	Write-back of financial fixed assets	18	10	10
170.	Income from investments carried at equity	69	73	84
180.	**Income from operating activities**	**1,233**	**1,183**	**1,813**
190.	Extraordinary income	231	457	1,316
200.	Extraordinary charges	(132)	(378)	(1,117)
210.	**Extraordinary income (loss), net**	**99**	**79**	**199**
220.	Use of allowance for risks and charges arising on consolidation	4	4	7
230.	Change in the reserve for general banking risks	11	4	19
240.	Income taxes	(430)	(520)	(741)
250.	Minority interests	(41)	(40)	(83)
260.	**Net income for the period**	**876**	**710**	**1,214**

Gruppo Intesa
Consolidated financial statements as at 30th June 2004

compared to pro forma

as at 31st December 2003 and as at 30th June 2003

CONSOLIDATED BALANCE SHEET

(in millions of euro)

	Assets	30/06/2004	31/12/2003 pro forma [1]	30/06/2003 pro forma [1]
10.	Cash and deposits with central banks and post offices	1,229	1,576	1,336
20.	Treasury bills and similar bills eligible for refinancing with central banks	4,729	3,739	2,825
30.	Due from banks	29,718	28,449	33,648
	a) repayable on demand	*3,987*	*2,485*	*2,979*
	b) other	*25,731*	*25,964*	*30,669*
40.	Loans to customers	154,124	154,544	160,534
	including			
	– with public funds under administration	*63*	*59*	*54*
50.	Bonds and other debt securities	30,899	22,665	29,542
	a) public entities	*9,354*	*6,100*	*10,709*
	b) banks	*11,362*	*8,771*	*10,004*
	including			
	– own bonds	*2,412*	*1,896*	*1,200*
	c) financial institutions	*7,159*	*5,108*	*5,565*
	including			
	– own bonds	*136*	*150*	*4*
	d) other issuers	*3,024*	*2,686*	*3,264*
60.	Shares, quotas and other forms of capital	5,539	2,011	4,577
70.	Equity investments	4,716	4,714	4,001
	a) carried at equity	*1,009*	*1,045*	*801*
	b) other	*3,707*	*3,669*	*3,200*
80.	Investments in Group companies	99	194	1,166
	a) carried at equity	*51*	*145*	*1,100*
	b) other	*48*	*49*	*66*
90.	Goodwill arising on consolidation	500	546	594
100.	Goodwill arising on application of the equity method	270	286	293
110.	Intangibles	577	619	631
	including			
	– start-up costs	*14*	*16*	*21*
	– goodwill	*1*	*–*	*6*
120.	Fixed assets	3,483	3,654	3,863
140.	Own shares or quotas (*nominal value € 1,722,457*) [*]	11	1,017	891
150.	Other assets	28,657	33,084	31,098
160.	Accrued income and prepaid expenses	2,537	2,429	4,217
	a) accrued income	*1,826*	*1,974*	*3,921*
	b) prepaid expenses	*711*	*455*	*296*
	including			
	– discounts on securities issued	*42*	*43*	*51*
	Total Assets	**267,088**	**259,527**	**279,216**

[*] In euro.
[1] Figures restated on a consistent basis.

CONSOLIDATED BALANCE SHEET

(in millions of euro)

	Liabilities and Shareholders' Equity	30/06/2004	31/12/2003 pro forma [1]	30/06/2003 pro forma [1]
10.	Due to banks	34,400	31,626	41,547
	a) repayable on demand	*4,154*	*7,175*	*10,500*
	b) time deposits or with notice period	*30,246*	*24,451*	*31,047*
20.	Due to customers	108,691	104,515	110,207
	a) repayable on demand	*84,250*	*80,680*	*81,747*
	b) time deposits or with notice period	*24,441*	*23,835*	*28,460*
30.	Securities issued	59,574	56,591	57,489
	a) bonds	*51,220*	*47,908*	*46,556*
	b) certificates of deposit	*6,984*	*7,512*	*9,558*
	c) other	*1,370*	*1,171*	*1,375*
40.	Public funds under administration	94	90	95
50.	Other liabilities	30,734	32,220	33,397
60.	Accrued expenses and deferred income	3,620	3,014	5,069
	a) accrued expenses	*1,848*	*1,942*	*4,423*
	b) deferred income	*1,772*	*1,072*	*646*
70.	Allowance for employee termination indemnities	1,089	1,181	1,208
80.	Allowances for risks and charges	3,354	3,864	4,028
	a) pensions and similar commitments	*284*	*288*	*282*
	b) taxation	*1,152*	*1,606*	*1,508*
	c) risks and charges arising on consolidation	*64*	*68*	*72*
	d) other	*1,854*	*1,902*	*2,166*
90.	Allowances for possible loan losses	10	24	44
100.	Reserve for general banking risks	84	95	110
110.	Subordinated and perpetual liabilities	10,182	10,603	11,248
120.	Negative goodwill arising on consolidation	29	29	29
130.	Negative goodwill arising on application of the equity method	2	1	1
140.	Minority interests	682	706	668
150.	Share capital	3,561	3,561	3,561
160.	Share premium reserve	5,404	5,404	5,535
170.	Reserves	4,345	4,433	3,912
	a) legal reserve	*773*	*773*	*773*
	b) reserve for own shares	*11*	*1,017*	*891*
	c) statutory reserves	*1,085*	*61*	*61*
	d) other reserves	*2,476*	*2,582*	*2,187*
180.	Revaluation reserves	357	356	358
200.	Net income for the period	876	1,214	710
	Total Liabilities and Shareholders' Equity	**267,088**	**259,527**	**279,216**

[1] Figures restated on a consistent basis.

CONSOLIDATED BALANCE SHEET

(in millions of euro)

	Guarantees and Commitments	30/06/2004	31/12/2003 pro forma [1]	30/06/2003 pro forma [1]
10.	Guarantees given	23,200	22,240	23,338
	including			
	– *acceptances*	*410*	*294*	*317*
	– *other guarantees*	*22,790*	*21,946*	*23,021*
20.	Commitments	51,833	48,150	49,472
	including			
	– *for sales with commitment to repurchase*	–	–	*104*
30.	Credit derivatives	41,026	34,884	33,568
	Total Guarantees and Commitments	**116,059**	**105,274**	**106,378**

[1] Figures restated on a consistent basis.

CONSOLIDATED STATEMENT OF INCOME

(in millions of euro)

		First half 2004	First half 2003 pro forma [1]	2003 pro forma [1]
10.	Interest income and similar revenues	4,695	5,300	10,071
	including from			
	– loans to customers	*3,573*	*4,027*	*7,684*
	– debt securities	*631*	*655*	*1,231*
20.	Interest expense and similar charges	(2,265)	(2,836)	(5,249)
	including on			
	– deposits from customers	*(608)*	*(845)*	*(1,513)*
	– securities issued	*(1,113)*	*(1,249)*	*(2,373)*
30.	Dividends and other revenues	450	323	421
	a) from shares, quotas and other forms of capital	*409*	*283*	*349*
	b) from equity investments	*41*	*40*	*44*
	c) from investments in Group companies	*–*	*–*	*28*
40.	Commission income	1,968	1,892	3,930
50.	Commission expense	(292)	(289)	(608)
60.	Profits (Losses) on financial transactions	31	196	483
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	3	4	6
70.	Other operating income	267	216	587
80.	Administrative costs	(2,629)	(2,685)	(5,391)
	a) payroll	*(1,593)*	*(1,662)*	*(3,295)*
	including			
	– wages and salaries	*(1,122)*	*(1,160)*	*(2,307)*
	– social security charges	*(308)*	*(323)*	*(644)*
	– termination indemnities	*(72)*	*(80)*	*(151)*
	– pensions and similar commitments	*(51)*	*(52)*	*(108)*
	b) other	*(1,036)*	*(1,023)*	*(2,096)*
85.	Allocation (use) of net returns (losses) on investment of the allowances for pensions and similar commitments	(3)	(4)	(6)
90.	Adjustments to fixed assets and intangibles	(335)	(381)	(819)
100.	Provisions for risks and charges	(115)	(135)	(199)
110.	Other operating expenses	(57)	(76)	(215)
120.	Adjustments to loans and provisions for guarantees and commitments	(975)	(950)	(2,023)
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	417	459	844
140.	Provisions for possible loan losses	(1)	(4)	(1)
150.	Adjustments to financial fixed assets	(13)	(49)	(214)
160.	Write-back of financial fixed assets	18	10	10
170.	Income from investments carried at equity	69	74	97
180.	**Income from operating activities**	**1,233**	**1,065**	**1,724**
190.	Extraordinary income	231	454	1,294
200.	Extraordinary charges	(132)	(392)	(1,166)
210.	**Extraordinary income (loss), net**	**99**	**62**	**128**
220.	Use of allowance for risks and charges arising on consolidation	4	4	7
230.	Change in the reserve for general banking risks	11	4	19
240.	Income taxes	(430)	(380)	(580)
250.	Minority interests	(41)	(45)	(84)
260.	**Net income for the period**	**876**	**710**	**1,214**

[1] Figures restated on a consistent basis.

Notes
to the consolidated financial statements

Accounting criteria

Consolidated financial statements

The Consolidated half-year report as at 30th June 2004 was prepared in compliance with Consob Regulations approved with Resolution 11971 of 14th May 1999 and amendments, and applying 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.

The Half-year report is made up of the consolidated financial statements and the notes to the consolidated financial statements, accompanied by the comments on the Group's operations. The comments to the consolidated accounts provide ample information on the activities of the Parent Company Banca Intesa in consideration of its weight in consolidated figures. Accounting and valuation criteria did not vary compared to those used to prepare the consolidated financial statements as at 31st December 2003.

As in the past, Banca Intesa notifies that it used the faculty contained in Art. 82, par. 2, of Consob Resolution 11971/99 of making the Half-year report available for Shareholders and the market within 75 days from the end of reference period – instead of the quarterly report as at 30th June 2004. 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 S.p.A. performed a review of the financial statements in compliance with provisions contained in Consob Regulations approved with Resolution 10867 of 31st July 1997.

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

Pro forma figures

Figures in the Consolidated half-year report as at 30th June 2004 are compared with those for the first half of 2003 and the Annual report, restated to consider both the new tax provisions, which set forth that dividends are no longer increased by the tax credit and 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.

This methodology requires:

– for companies fully consolidated for the first time in the period, balance sheet and statement of income figures of the previous periods are recorded line by line and both shareholders' equity and net income for those periods are attributed to minority shareholders;
– for companies which exit the consolidation area, the relevant balance sheet and statement of income figures are excluded and the relevant stakes are carried 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. This section also includes changes occurred in the consolidation area. The most significant changes in the first half of 2004, as concerns equity investments subject to full or proportional consolidation, referred to the exclusion, following their sale, of Banco Sudameris Paraguay, Intesa Bank Canada, Caboto International and Wiese Inversiones Financieras. Following sales agreements to be completed the following companies are carried at equity: Caridata and Magazzini Generali Fiduciari Cariplo. The only new inclusion is represented by the new acquisition, CIB Factor Financial Service.
Certain of the Group's minor companies have been involved in mergers and transformation in the corporate name, therefore without any material effect on the consolidation area.

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 SICAV 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 30th June 2004 drawn up by the Directors of subsidiaries have been used. For certain companies which are not part of the Group, and are in any case not significant, financial statements as at 30th June 2004 were not available and therefore such companies have been valued according to the equity method using the financial statements as at 31st December 2003.

The half-year reports as at 30th June 2004 of the consolidated companies have been approved by the respective Boards of Directors prior to approval of the consolidated half-year report 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).

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.

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

In relation to the problems concerning the determination of interest income, the actions illustrated in the Reports relative to previous periods are confirmed. With particular reference to **subsidised mortgages**, the Parent Company had already started in 2003 the renegotiation, ascertaining the amounts due and their restitution considering the Decree of 31st March 2003, which set the interest rate to be applied in the renegotiation to 12.61%. There remains only a limited number of positions which have not been renegotiated which will be included in a future intervention. All amounts which may still be subject to reimbursement have been fully provisioned with a specific Allowance for risks and charges.

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.

The conciliation process for defaulted bonds

In February of this year Banca Intesa signed with all 15 domestic consumer associations a Protocol to activate the conciliation procedures with the customers holding **Cirio**, **Giacomelli** and **Parmalat bonds** in default who believe to have reason to lay blame on the behaviour of Group banks in the purchase of such securities. Of the 14,000 conciliation requests which had been submitted, at the end of July approximately 800 positions had been examined and the decisions of the specific joint commissions have been unanimous and led to proposed reimbursements for a total of approximately 4 million euro.
Requests presented to other Group banks have been approximately 4,000.

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 compliance with Consob Regulations approved with Resolution 11971 of 14th May 1999 and amendments, and applying 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. 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.

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).

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: at market value, defined as the spot price struck on the last day of the period; [1]
– treasury shares, though listed, at the lower between purchase cost of the exchange and market value, considering the peculiarities of this type of asset, for which any real trading activity is 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.

[1] Previously market value referred to the average market price for the last month of the period.

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.

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.

Adjustments and provisions for fiscal purposes

It must be noted that all adjustments or provisions recorded for purely fiscal purposes in the individual financial statements of consolidated companies have always been eliminated in the consolidated financial statements via the registration of deferred tax liabilities.

Recent tax regulations have abrogated the possibility of recording this type of adjustment and provision also in individual financial statements.

Information regarding the consolidated balance sheet

(in millions of euro)

CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

1. Breakdown of loans to customers by borrower's economic sector

Loans to customers (caption 40 - Assets)

a) Governments	2,235
b) Other public entities	3,988
c) Non-financial companies	89,402
d) Financial institutions	13,668
e) Family-run businesses	9,508
f) Other	35,323
Total	154,124

2. Loans to resident non-financial companies and family-run businesses

a) Other services	19,753
b) Wholesale and retail trade, recovery and repairs	14,697
c) Construction and public works	9,513
d) Metal products, excluding cars and means of transport	3,880
e) Agricultural and industrial machinery	3,791
f) Other sectors	35,534
Total	87,168

3. Guarantees given (caption 10 - Guarantees and commitments)

a) Governments	4
b) Other public entities	82
c) Banks	2,460
d) Non-financial companies	17,596
e) Financial institutions	2,255
f) Family-run businesses	301
g) Other	502
Total	23,200

Credit derivatives: breakdown by category of "reference entity" (banking book) (protection sales)

a) Governments	62
b) Other public entities	–
c) Banks	254
d) Non-financial companies	512
e) Financial institutions	116
f) Family-run businesses	–
g) Other	–
Total	**944**

4. Large credit risks

a) Amount	4,582
b) Number	2
including on-balance sheet exposures	*2,687*
off-balance sheet exposures	*1,895*
available margins on credit lines	–

5. 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	–	19	519	1,998	77	360	1,756	–	4,729
1.2 due from banks	4,379	17,589	4,186	7	699	–	148	2,710	29,718
1.3 loans to customers	27,362	19,485	19,436	13,157	31,532	7,476	27,881	7,795	154,124
1.4 bonds and other debt securities	321	4,075	7,625	5,113	4,642	3,562	5,536	25	30,899
1.5 off-balance sheet transactions	154,772	547,859	629,116	334,390	26,631	129,284	2,589	25	1,824,666
Total	**186,834**	**589,027**	**660,882**	**354,665**	**63,581**	**140,682**	**37,910**	**10,555**	**2,044,136**
2. Liabilities									
2.1 due to banks	6,223	21,900	2,513	223	1,711	274	1,540	16	34,400
2.2 due to customers	86,907	15,638	2,244	191	1,175	29	131	2,376	108,691
2.3 securities issued									
– bonds	874	989	8,030	7,661	25,362	2,082	6,222	–	51,220
– certificates of deposit	201	4,354	1,569	274	427	22	137	–	6,984
– other securities	1,346	6	1	–	2	12	3	–	1,370
2.4 subordinated liabilities	–	200	853	2,583	2,116	1,664	2,766	–	10,182
2.5 off-balance sheet transactions	150,052	561,924	642,738	315,846	24,317	127,963	1,168	25	1,824,033
Total	**245,603**	**605,011**	**657,948**	**326,778**	**55,110**	**132,046**	**11,967**	**2,417**	**2,036,880**

6. Assets and liabilities: breakdown by Country

Captions/Countries	Italy	Other EU Countries	Other Countries	Total
1. Assets				
1.1 due from banks	6,828	18,762	4,128	29,718
1.2 loans to customers	134,019	10,940	9,165	154,124
1.3 securities	16,787	14,877	9,503	41,167
Total	157,634	44,579	22,796	225,009
2. Liabilities				
2.1 due to banks	6,900	14,385	13,115	34,400
2.2 due to customers	88,303	10,613	9,775	108,691
2.3 securities issued	54,237	3,840	1,497	59,574
2.4 other	7,944	80	2,252	10,276
Total	157,384	28,918	26,639	212,941
3. Guarantees, commitments and credit derivatives	50,032	29,388	36,639	116,059

7. Assets and liabilities denominated in foreign currencies

7.1 **Assets**	
a) due from banks	7,938
b) loans to customers	14,794
c) securities	12,574
d) equity investments	581
e) other	453
Total	36,340
7.2 **Liabilities**	
a) due to banks	13,583
b) due to customers	15,195
c) securities issued	4,630
d) other	1,044
Total	34,452

8. Due from banks

8.1 Breakdown of on-balance sheet loans

Categories	Gross exposure	Total adjustments	Net exposure
A. Non-performing loans	242	(73)	169
A1. doubtful loans	*34*	*(33)*	*1*
A2. substandard loans	*4*	*(1)*	*3*
A3. loans under restructuring	–	–	–
A4. restructured loans	–	–	–
A5. loans subject to Country risk	*204*	*(39)*	*165*
B. Performing loans	29,549	–	29,549
Total	29,791	(73)	29,718

8.2 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	41	–	–	–	259
A1. including overdue interest	*2*	–	–	–	–
B. Increases	1	4	–	–	43
B1. inflows from performing loans	–	*2*	–	–	*39*
B2. overdue interest	–	–	–	–	–
B3. transfers from other non-performing loan categories	–	*2*	–	–	–
B4. other increases	*1*	–	–	–	*4*
C. Decreases	(8)	–	–	–	(98)
C1. outflows to performing loans	–	–	–	–	–
C2. write-offs	*(3)*	–	–	–	–
C3. repayments	–	–	–	–	*(48)*
C4. credit disposals	–	–	–	–	–
C5. transfers to other non-performing loan categories	*(2)*	–	–	–	–
C6. other decreases	*(3)*	–	–	–	*(50)*
D. Final gross exposure	**34**	**4**	**–**	**–**	**204**
D1. including overdue interest	*2*	–	–	–	–

8.3 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	39	–	–	–	52	–
A1. including overdue interest	*1*	–	–	–	–	–
B. Increases	1	1	–	–	9	–
B1. adjustments	*1*	–	–	–	*8*	–
B1.1 including overdue interest	–	–	–	–	–	–
B2. use of allowances for possible loan losses	–	–	–	–	–	–
B3. transfers from other loan categories	–	*1*	–	–	–	–
B4. other increases	–	–	–	–	*1*	–
C. Decreases	(7)	–	–	–	(22)	–
C1. write-back of adjustments	*(2)*	–	–	–	*(14)*	–
C1.1 including overdue interest	–	–	–	–	–	–
C2. write-backs on repayments	–	–	–	–	*(6)*	–
C2.1 including overdue interest	–	–	–	–	–	–
C3. write-offs	*(3)*	–	–	–	–	–
C4. transfers to other non-performing loan categories	*(1)*	–	–	–	–	–
C5. other decreases	*(1)*	–	–	–	*(2)*	–
D. Final total adjustments	**33**	**1**	**–**	**–**	**39**	**–**
D1. including overdue interest	*2*	–	–	–	–	–

9. Loans to customers

9.1 Breakdown of on-balance sheet loans

Categories	Gross exposure	Total adjustments	Net exposure
A. Non-performing loans	19,016	(10,271)	8,745
A1. doubtful loans	*13,221*	*(8,899)*	*4,322*
A2. substandard loans	*5,316*	*(1,253)*	*4,063*
A3. loans under restructuring	*5*	*(1)*	*4*
A4. restructured loans	*401*	*(104)*	*297*
A5. loans subject to Country risk	*73*	*(14)*	*59*
B. Performing loans	146,419	(1,040)	145,379
Total	**165,435**	**(11,311)**	**154,124**

9.2 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	13,131	4,700	4	461	103
A1. including overdue interest	*3,497*	*115*	–	*13*	–
B. Increases	1,193	2,664	5	16	33
B1. inflows from performing loans	*195*	*2,255*	*5*	*12*	*21*
B2. overdue interest	*186*	*24*	–	–	–
B3. transfers from other non-performing loan categories	*643*	*118*	–	–	–
B4. other increases	*169*	*267*	–	*4*	*12*
C. Decreases	(1,103)	(2,048)	(4)	(76)	(63)
C1. outflows to performing loans	*(16)*	*(450)*	–	*(29)*	*(10)*
C2. write-offs	*(350)*	*(85)*	–	–	–
C3. repayments	*(438)*	*(845)*	–	*(15)*	*(28)*
C4. credit disposals	*(35)*	–	–	–	–
C5. transfers to other non-performing loan categories	*(83)*	*(642)*	*(4)*	*(31)*	*(1)*
C6. other decreases	*(181)*	*(26)*	–	*(1)*	*(24)*
D. Final gross exposure	**13,221**	**5,316**	**5**	**401**	**73**
D1. including overdue interest	*3,552*	*130*	–	–	–

9.3 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	8,558	1,167	1	128	22	1,039
A1. including overdue interest	*3,421*	*93*	–	*12*	–	*4*
B. Increases	953	530	1	6	4	115
B1. adjustments	*583*	*419*	*1*	*1*	*4*	*98*
B1.1 including overdue interest	*218*	*18*	–	–	–	–
B2. uses of allowances for possible loan losses	–	–	–	–	–	–
B3. transfers from other loan categories	*224*	*72*	–	–	–	*10*
B4. other increases	*146*	*39*	–	*5*	–	*7*
C. Decreases	(612)	(444)	(1)	(30)	(12)	(114)
C1. write-back of adjustments	*(40)*	*(74)*	–	–	*(2)*	*(39)*
C1.1 including overdue interest	*(1)*	*(1)*	–	–	–	–
C2. write-backs on repayments	*(125)*	*(58)*	–	*(11)*	*(3)*	*(10)*
C2.1 including overdue interest	*(31)*	*(3)*	–	–	–	–
C3. write-offs	*(350)*	*(85)*	–	–	–	*(7)*
C4. transfers to other loan categories	*(32)*	*(214)*	*(1)*	*(19)*	–	*(40)*
C5. other decreases	*(65)*	*(13)*	–	–	*(7)*	*(18)*
D. Final total adjustments	**8,899**	**1,253**	**1**	**104**	**14**	**1,040**
D1. including overdue interes	*3,530*	*109*	–	–	–	*1*

10. Secured loans to customers

a) Loans secured by mortgages	57,996
b) Loans secured by pledge on	
1. cash deposits	*927*
2. securities	*5,268*
3. other valuables	*2,346*
	8,541
c) Loans secured by guarantees from	
1. Governments	*498*
2. other public entities	*187*
3. banks	*1,420*
4. other operators	*22,790*
	24,895
Total	91,432

11. Due from central banks (included in caption 30 - Assets)

Due from central banks	4,538

12. Breakdown of securities

a) Investment portfolio	5,237
b) Trading portfolio	35,930

13. Guarantees and commitments

13.1 Guarantees (caption 10 - Guarantees and commitments)

a) Commercial guarantees	16,814
b) Financial guarantees	6,102
c) Assets given as guarantee	284
Total	23,200

13.2 Commitments (caption 20 - Guarantees and commitments)

a) Commitments to lend funds, of certain use	6,505
b) Commitments to lend funds, of uncertain use	45,328
Total	51,833

13.3 Credit derivatives (caption 30 - Guarantees and commitments)

a) Protection sales in the “banking book”	944
– *with exchange of underlying asset*	*628*
– *without exchange of underlying asset*	*316*
b) Protection sales in the “trading book”	40,082
– *with exchange of underlying asset*	*17,633*
– *without exchange of underlying asset*	*22,449*
Total	41,026

14. Undrawn credit lines

a) Central banks	2,434
b) Other banks	467
Total	2,901

15. Forward transactions

Type of transaction	Hedging	Trading	Other
1. Unsettled transactions	4,150	67,537	–
1.1 securities	–	8,253	–
– *purchases*	–	*4,303*	–
– *sales*	–	*3,950*	–
1.2 currencies	4,150	59,284	–
– *currency against currency*	*1,551*	*15,910*	–
– *purchases against euro*	*1,381*	*20,873*	–
– *sales against euro*	*1,218*	*22,501*	–
2. Deposits and loans	–	–	3,708
– *outflows*	–	–	*1,634*
– *inflows*	–	–	*2,074*
3. Derivative contracts	33,291	1,846,813	21,875
3.1 with exchange of underlying asset	1,166	28,850	463
a) securities	112	21,898	463
– *purchases*	*3*	*9,593*	–
– *sales*	*109*	*12,305*	*463*
b) currencies	1,054	6,952	–
– *currency against currency*	*218*	*1,031*	–
– *purchases against euro*	*648*	*3,324*	–
– *sales against euro*	*188*	*2,597*	–
c) other instruments	–	–	–
– *purchases*	–	–	–
– *sales*	–	–	–
3.2 without exchange of underlying asset	32,125	1,817,963	21,412
a) currencies	120	1,494	154
– *currency against currency*	–	*74*	–
– *purchases against euro*	*55*	*135*	*154*
– *sales against euro*	*65*	*1,285*	–
b) other instruments	32,005	1,816,469	21,258
– *purchases*	*19,784*	*916,086*	*7,476*
– *sales*	*12,221*	*900,383*	*13,782*
Total	37,441	1,914,350	25,583

Section 3.2 b) includes purchases/sales of contracts that entail the exchange of indexed interest flows (so-called basis swaps) for 4,237 million euro (hedging) and 38,225 million euro (trading).

Internal deals

	Hedging		Trading	
	purchases	sales	purchases	sales
Purchases/sales of currency	2,771	4,389	4,389	2,771
Derivative contracts with exchange of underlying asset	1,656	78	78	1,656
Derivative contracts without exchange of underlying asset	83,725	68,736	68,736	83,725
Total	88,152	73,203	73,203	88,152

Notional amount of over the counter (OTC) contracts and corresponding market value

	Interest rate	Foreign exchange	Equity	Other	Total
Notional amount	1,559,787	73,048	24,856	3,708	1,661,399
Market value					
Trading contracts					
a) positive market value	9,148	732	525	–	10,405
b) negative market value	(8,348)	(1,075)	(286)	–	(9,709)
Non-trading contracts					
a) positive market value	565	89	–	–	654
b) negative market value	(1,168)	(126)	(92)	–	(1,386)
Positive market value	9,713	821	525	–	11,059
Negative market value	(9,516)	(1,201)	(378)	–	(11,095)

Breakdown of forward transactions by instrument type and market risk

	Interest rate	Foreign exchange	Equity	Other	Total
Over the counter trading contracts (OTC)					
Forwards	8,044	59,284	209	–	67,537
Forwards Rate Agreements	321,261	–	–	–	321,261
Swaps	956,335	4,938	598	–	961,871
Options bought	114,470	1,774	10,293	–	126,537
Options sold	145,033	1,728	8,312	–	155,073
Trading contracts listed on regulated markets					
Futures bought	54,963	6	493	–	55,462
Futures sold	77,265	–	523	–	77,788
Options bought	64,116	–	2,331	–	66,447
Options sold	40,821	–	3,328	–	44,149
Total trading contracts	1,782,308	67,730	26,087	–	1,876,125
Total non-trading contracts	22,687	5,324	5,193	25,583	58,787
Total	1,804,995	73,054	31,280	25,583	1,934,912

Notional amount of over the counter (OTC) contracts by residual life

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Interest rate contracts	1,044,272	363,976	151,539	1,559,787
Foreign exchange contracts	67,651	5,051	346	73,048
Equity linked contracts	9,447	14,335	1,074	24,856
Other	3,708	–	–	3,708
Total	1,125,078	383,362	152,959	1,661,399

Credit derivatives outstanding

	Trading	Banking
1. Protection purchases	**33,829**	**5,627**
1.1 physical settlement	17,511	212
– Credit default swaps	*17,099*	*187*
– Credit default options	*412*	–
– Credit linked notes	–	*25*
1.2 cash settlement	16,318	5,415
– Credit default swaps	*15,030*	*5,392*
– Credit default options	–	–
– Credit linked notes	–	*12*
– Total return swaps	*1,188*	–
– Credit spread options	*100*	*11*
2. Protection sales	**40,082**	**944**
2.1 physical settlement	17,633	628
– Credit default swaps	*17,622*	*271*
– Credit default options	–	*25*
– Credit linked notes	*11*	*332*
2.2 cash settlement	22,449	316
– Credit default swaps	*21,537*	*98*
– Credit default options	–	–
– Credit linked notes	*391*	*218*
– Total return swaps	*521*	–
– Credit spread options	–	–
Total	**73,911**	**6,571**

Notional amount and market value of credit derivatives (trading book)

Notional amount	**73,911**
Market value	**27**
Positive market value	284
Negative market value	(257)

16. Assets and liabilities with Group companies and other equity investments

	Group companies		Other subsidiaries	
a) Assets				
1. due from banks		–		1,178
– including Subordinated	*–*		*25*	
2. due from financial institutions		5		244
– including Subordinated	*–*		*–*	
3. due from other customers		54		1,553
– including Subordinated	*–*		*61*	
4. bonds and other debt securities		–		331
– including Subordinated	*–*		*143*	
b) Liabilities				
1. due to banks		–		415
2. due to financial institutions		4		124
3. due to other customers		47		664
4. securities issued		–		–
5. subordinated liabilities		–		1
c) Guarantees and commitments				
1. guarantees given		9		134
2. commitments		–		507
3. credit derivatives		–		464

17. Portfolio management

Portfolio management	47,415

The Group placed "hedge" individual portfolio management schemes amounting to 73 million euro. These schemes entail a contract in which the Group covers the risk of capital losses on the capital initially invested by customers. However, risk is transferred to a third party which will reimburse any charges related to this commitment. Guaranteed individual portfolio management schemes for a further 16 million euro have been placed on behalf of third parties.

18. Capital and capital ratios

A. Total capital	
A1. Tier 1 capital	15,019
A2. Tier 2 capital	7,001
A3. items to be deducted	(1,371)
A4. Total capital	20,649
B. Capital requirements	
B1. credit risks	13,216
B2. market risks	1,107
including	
– trading portfolio risk	*1,009*
– foreign exchange risk	*59*
B3. Tier 3 subordinated loans	632
B4. other capital requirements	227
B5. Total capital requirements	14,550
C. Risk-weighted assets and capital ratios	
C1. risk-weighted assets	181,878
C2. Tier 1 capital/Risk-weighted assets (%)	8.26
C3. Total capital/Risk-weighted assets (%)	11.70

Total capital used to calculate the ratio in subcaption C3 also includes Tier 3 subordinated loans.

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

	Balance as at 31/12/2003	Additions in the period	Amortisation charges	Balance as at 30/06/2004
Banca Intesa (former Cariplo)	167	–	21	146
Banca Intesa (former MedioLombardo)	4	–	1	3
Banca Caboto (former Caboto Sim)	6	–	–	6
Cassa di Risparmio di Ascoli Piceno	6	–	–	6
Cassa di Risparmio di Città di Castello	2	–	–	2
Cassa di Risparmio di Foligno	13	–	2	11
Cassa di Risparmio di Rieti	4	–	–	4
Cassa di Risparmio di Spoleto	9	–	1	8
Cassa di Risparmio di Terni e Narni	43	–	3	40
CIB Factoring	–	2	–	2
Epsilon Associati SGR	3	–	–	3
Intesa Holding Asset Management	27	–	2	25
Medimurska Banka	2	–	–	2
Intesa Mediofactoring	2	–	–	2
Privredna Banka Zagreb	101	–	8	93
Vseobecna Uverova Banka	157	–	10	147
Total	**546**	**2**	**48**	**500**

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

	Balance as at 31/12/2003	Additions in the period	Amortisation charges	Balance as at 30/06/2004
Agos Itafinco	55	–	3	52
Banca Generali	63	–	4	59
Intesa Vita	125	–	7	118
Lazard & Co.	42	–	2	40
Po Vita	1	–	–	1
Total	**286**	**–**	**16**	**270**

Information regarding the consolidated statement of income

(in millions of euro)

1. Breakdown of interest

1.1 Interest income and similar revenues (caption 10 - Statement of income)

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) On amounts due from banks	470	602	(132)	(21.9)
including				
– deposits with central banks	*75*	*37*	*38*	
b) On loans to customers	3,573	4,027	(454)	(11.3)
including				
– loans using public funds under administration	–	–	–	
c) On debt securities	631	655	(24)	(3.7)
d) Other interest income	21	16	5	31.3
e) Positive differentials on hedge transactions	–	–	–	
Total caption 10 Statement of income	4,695	5,300	(605)	(11.4)
Amounts reclassified from caption 70	19	–	19	
Total caption 10 Reclassified statement of income	4,714	5,300	(586)	(11.1)

1.2 Interest expense and similar charges (caption 20 - Statement of income)

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) On amounts due to banks	413	556	(143)	(25.7)
b) On amounts due to customers	608	845	(237)	(28.0)
c) On securities issued	886	957	(71)	(7.4)
including				
– on certificates of deposit	*109*	*119*	*(10)*	*(8.4)*
d) On public funds under administration	–	–	–	–
e) On subordinated liabilities	232	300	(68)	(22.7)
including				
– represented by securities	*227*	*292*	*(65)*	*(22.3)*
f) Negative differentials on hedge transactions	126	178	(52)	(29.2)
Total caption 20 Statement of income	2,265	2,836	(571)	(20.1)
Amounts reclassified in caption 30 with economically-related income and charges	(1)	(27)	(26)	(96.3)
Total caption 20 Reclassified statement of income	2,264	2,809	(545)	(19.4)

2. Analysis of interest

2.1 Interest income and similar revenues

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) On foreign currency assets	856	925	(69)	(7.5)

2.2 Interest expense and similar charges

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) On foreign currency liabilities	467	600	(133)	(22.2)

Net interest: reconciliation with the reclassified statement of income

	First half 2004	First half 2003	Changes	
			amount	%
Total interest income	4,695	5,300	(605)	(11.4)
Total interest expense	(2,265)	(2,836)	(571)	(20.1)
Net interest	2,430	2,464	(34)	(1.4)
Amounts related to interest expense reclassified in caption 30 with economically-related income and charges	1	27	(26)	(96.3)
Amounts related to interest income reclassified from caption 70	19	–	19	
Net interest income Reclassified statement of income	2,450	2,491	(41)	(1.6)

Dividends and other revenues (caption 30 - Statement of income)

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) On shares, quotas and other forms of capital	409	283	126	44.5
b) On equity investments	41	40	1	2.5
c) On investments in Group companies	–	–	–	
Total caption 30 Statement of income	450	323	127	39.3
Dividends on structured share portfolio (transfer to caption 60)	(398)	(234)	164	70.1
Differentials on economically-related hedge transactions connected to revenues on shares in the trading portfolio (transfer to caption 20)	(1)	(27)	(26)	(96.3)
Total caption 30 Reclassified statement of income	51	62	(11)	(17.7)

3. Commissions

3.1 Breakdown of caption 40 "Commission income"

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) Guarantees given	77	82	(5)	(6.1)
b) Credit derivatives	3	7	(4)	(57.1)
c) Management, dealing and consultancy services	822	752	70	9.3
1. dealing in securities	*22*	*21*	*1*	*4.8*
2. dealing in currencies	*22*	*28*	*(6)*	*(21.4)*
3. portfolio management	*497*	*478*	*19*	*4.0*
3.1 individual	*71*	*74*	*(3)*	*(4.1)*
3.2 collective	*426*	*404*	*22*	*5.4*
4. custody and administration of securities	*38*	*43*	*(5)*	*(11.6)*
5. depositary bank	*42*	*40*	*2*	*5.0*
6. placement of securities	*57*	*27*	*30*	
7. acceptance of trading instructions	*48*	*43*	*5*	*11.6*
8. consultancy services	*6*	*4*	*2*	*50.0*
9. distribution of third party services	*90*	*68*	*22*	*32.4*
9.1 portfolio management	1	2	*(1)*	*(50.0)*
a) individual	–	*1*	*(1)*	
b) collective	1	*1*	–	–
9.2 insurance products	*84*	*65*	*19*	*29.2*
9.3 other products	*5*	*1*	*4*	
d) Collection and payment services	186	199	(13)	(6.5)
e) Servicing related to securitisations	4	3	1	33.3
f) Tax collection services	131	133	(2)	(1.5)
g) Other services	745	716	29	4.1
– fees on current accounts	*334*	*316*	*18*	*5.7*
– fees on credit card and POS services	*173*	*156*	*17*	*10.9*
– recovery of expenses for communications with customers	*42*	*38*	*4*	*10.5*
– commissions on factoring	*42*	*41*	*1*	*2.4*
– medium- and long-term lending and project financing transactions	*63*	*55*	*8*	*14.5*
– other	*91*	*110*	*(19)*	*(17.3)*
Total	1,968	1,892	76	4.0

Analysis of caption 40 "Commission income"

"Distribution channels of products and services offered"

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) Group branches	565	511	54	10.6
1. portfolio management	*418*	*425*	*(7)*	*(1.6)*
2. placement of securities	*57*	*27*	*30*	
3. third party services and products	*90*	*59*	*31*	*52.5*
b) "Door-to-door" sales	79	62	17	27.4
1. portfolio management	*79*	*53*	*26*	*49.1*
2. placement of securities	*–*	*–*	*–*	
3. third party services and products	*–*	*9*	*(9)*	
Total	644	573	71	12.4

3.2 Breakdown of caption 50 "Commission expense"

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) Guarantees received	5	6	(1)	(16.7)
b) Credit derivatives	18	22	(4)	(18.2)
c) Management, dealing and consultancy services	118	111	7	6.3
1. dealing in securities	*17*	*13*	*4*	*30.8*
2. dealing in currencies	*2*	*2*	*–*	*–*
3. portfolio management	*3*	*5*	*(2)*	*(40.0)*
3.1 own customers	*–*	*–*	*–*	
3.2 delegated	*3*	*5*	*(2)*	*(40.0)*
4. custody and administration of securities	*11*	*8*	*3*	*37.5*
5. placement of securities	*9*	*6*	*3*	*50.0*
6. "door-to-door" sale of securities, financial products and services	*76*	*77*	*(1)*	*(1.3)*
d) Collection and payment services	56	67	(11)	(16.4)
e) Other services	95	83	12	14.5
– commissions paid to credit card and international circuits	*47*	*40*	*7*	*17.5*
– other services received from banks	*9*	*11*	*(2)*	*(18.2)*
– commissions for placement of products	*11*	*8*	*3*	*37.5*
– tax collection services	*3*	*3*	*–*	*–*
– other	*25*	*21*	*4*	*19.0*
Total	292	289	3	1.0

4. Breakdown of profits (losses) on financial transactions

Captions/Transactions	First half 2004	First half 2003 pro forma	Changes	
			amount	%
4.1 Securities transactions	(86)	286	(372)	
4.2 Currency transactions	43	82	(39)	(47.6)
4.3 Other transactions	74	(172)	246	
Total caption 60 Statement of income	31	196	(165)	(84.2)
Amounts reclassified from caption 30	398	234	164	70.1
Amounts reclassified from caption 190	–	(35)	(35)	
Total caption 60 Reclassified statement of income	429	395	34	8.6

Breakdown of caption 100 “Provisions for risks and charges”

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Equity investments	5	33	(28)	(84.8)
Legal disputes and amounts reclaimed	58	35	23	65.7
Commitments with the pension fund	3	3	–	–
Counterparty risk in derivatives contracts	5	–	5	
Other future charges	44	64	(20)	(31.3)
Total caption 100 Statement of income	115	135	(20)	(14.8)
Amounts reclassified to caption 200	(20)	–	20	
Total caption 100 Reclassified statement of income	95	135	(40)	(29.6)

Breakdown of caption 120

"Adjustments to loans and provisions for guarantees and commitments"

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) Adjustments to loans	932	899	33	3.7
including				
– adjustments to doubtful loans	*417*	*303*	*114*	*37.6*
– adjustments to substandard loans	*403*	*421*	*(18)*	*(4.3)*
– adjustments to restructured loans and loans under restructuring	*2*	*8*	*(6)*	*(75.0)*
– lump-sum adjustments for Country risk	*12*	*35*	*(23)*	*(65.7)*
– other lump-sum adjustments	*98*	*132*	*(34)*	*(25.8)*
b) Provisions for guarantees and commitments	43	51	(8)	(15.7)
Total caption 120 Statement of income	975	950	25	2.6
Amounts reclassified from caption 190	(41)	–	41	
Amounts reclassified from caption 200	(47)	–	47	
Total caption 120 Reclassified statement of income	887	950	(63)	(6.6)

Breakdown of caption 130

"Write-back of adjustments to loans and provisions for guarantees and commitments"

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
a) Write-back of adjustments to loans	379	397	(18)	(4.5)
including				
– write-back of adjustments to doubtful loans	*164*	*191*	*(27)*	*(14.1)*
– write-back of adjustments to substandard loans	*130*	*139*	*(9)*	*(6.5)*
– write-back of adjustments to restructured loans and loans under restructuring	*11*	*1*	*10*	
– lump-sum write-back for Country risk	*25*	*12*	*13*	
– other lump-sum write-backs	*49*	*54*	*(5)*	*(9.3)*
b) Provisions for guarantees and commitments	38	62	(24)	(38.7)
Total caption 130 Statement of income	417	459	(42)	(9.2)

Breakdown of caption 70 "Other operating income"

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Capital gains on disposal of merchant banking equity investments	2	1	1	
Capital gains on sale of leased goods	6	5	1	20.0
Rentals and recovery of expenses	13	12	1	8.3
Income on securitisations	20	2	18	
Recovery of costs for seconded personnel	4	5	(1)	(20.0)
Recovery of taxes and duties	115	112	3	2.7
Recovery of legal expenses	22	13	9	69.2
Indexation of bonds and certificates of deposit	–	16	(16)	
Recovery of insurance costs	18	6	12	
Recovery of other expenses	14	12	2	16.7
Monetary correction	–	1	(1)	
Options sold	3	1	2	
Other operating income	50	30	20	66.7
Total caption 70 Statement of income	267	216	51	23.6
Amounts reclassified to caption 10	(19)	–	19	
Total caption 70 Reclassified statement of income	248	216	32	14.8

Breakdown of caption 110 "Other operating expenses"

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Expenses related to leasing contracts	25	21	4	19.0
Monetary correction	4	2	2	
Indexation of bonds and certificates of deposit	–	14	(14)	
Charges on securitisation of mortgaged loans	–	1	(1)	
Options bought	2	7	(5)	(71.4)
Other operating expenses	26	31	(5)	(16.1)
Total	57	76	(19)	(25.0)

5. Extraordinary income and charges

5.1 Extraordinary income (caption 190 - Statement of income)

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Out-of-period income and amounts not payable				
– adjustments to commissions/charges	*13*	*8*	*5*	*62.5*
– reversal of the allowance for possible loan losses	*2*	*2*	*–*	*–*
– adjustments to other captions of previous periods	*35*	*16*	*19*	
– bank cashiers' cheques prescribed	*–*	*1*	*(1)*	
– other	*97*	*56*	*41*	*73.2*
	147	83	64	77.1
Valuation treasury shares	–	229	(229)	
Positive differentials on hedge contracts	–	70	(70)	
Capital gains on sale of other assets				
– real estate assets	*28*	*4*	*24*	
– other assets	*2*	*7*	*(5)*	*(71.4)*
	30	11	19	
Capital gains on the sale of equity investments	9	28	(19)	(67.9)
Reversal of excess allowances	45	5	40	
Capitalised intragroup services	–	8	(8)	
Capital gains on the sale of investment securities	–	11	(11)	
Income on formerly-consolidated companies	–	9	(9)	
Total caption 190 Statement of income	231	454	(223)	(49.1)
Reclassification securities transactions (transfer from caption 60)	–	35	(35)	
Amounts reclassified from caption 120	(30)	–	30	
Amounts reclassified from caption 120	(11)	–	11	
Amounts reclassified from caption 200	(15)	–	15	
Total caption 190 Reclassified statement of income	175	489	(314)	(64.2)

5.2 Extraordinary charges (caption 200 - Statement of income)

	First half 2004	First half 2003 pro forma	Changes	
			amount	%
Out-of-period expense and amounts not collectable				
– adjustments to commission expense/charges	*16*	*14*	*2*	*14.3*
– adjustments to other captions of previous periods	*19*	*40*	*(21)*	*(52.5)*
– burglaries and robberies	*3*	*2*	*1*	*50.0*
– charges for contract definitions	*–*	*20*	*(20)*	
– other	*63*	*35*	*28*	*80.0*
	101	111	(10)	(9.0)
Integration and reorganisation charges	27	32	(5)	(15.6)
Solidarity Allowance as per Ministerial Decree 158/2000	3	9	(6)	(66.7)
Provisions for future charges on sales of equity investments	–	138	(138)	
Negative differentials on hedge contracts	–	75	(75)	
Losses on sale of other assets	–	2	(2)	
Losses on sale of equity investments	1	–	1	
Losses on formerly-consolidated companies	–	25	(25)	
Total caption 200 Statement of income	132	392	(260)	(66.3)
Amounts reclassified from caption 100	20	–	20	
Amounts reclassified from caption 120	47	–	47	
Amounts reclassified from caption 190	(15)	–	15	
Total caption 190 Reclassified statement of income	184	392	(208)	(53.1)

Other information

1. Average number of employees

58,406

2. Number of branches

3,720

Consolidation area

VARIATIONS IN THE CONSOLIDATION AREA COMPARED TO 31ST DECEMBER 2003

Companies subject to full/proportional consolidation

Inclusions	
CIB Factor Financial Service Ltd. – Budapest	Acquired

Exclusions	
Banco Sudameris Paraguay SAECA – Asuncion (Paraguay)	Sold the majority voting stake. The residual equity investment (19%) is recorded at cost
Caboto International SA – Lugano (Switzerland)	Sold
Caridata S.p.A. – Assago (MI)	Agreement for the sale, now carried at equity
Intesa Bank Canada - Toronto (Canada)	Sold
Magazzini Generali Fiduciari Cariplo S.p.A. – Pavia	Agreement for the sale of a business branch, now carried at equity
Wiese Inversiones Finaciera SA – Lima (Peru)	Sold

Companies carried at equity

Inclusions	
Caridata SpA – Assago (MI)	Carried at equity, formerly fully consolidated
Magazzini Generali Fiduciari Cariplo S.p.A. – Pavia	Carried at equity, formerly fully consolidated

Exclusions	
Stavebna sporitelna VUB – Bratislava (Slovakia)	Sold

Operations involving Group companies which did not influence the consolidation area are listed below:
Banca Caboto – Milano, Privredna Banca Zagreb – Zagabria and C.I.B. – Budapest respectively absorbed Caboto S.I.M. Milano, Riadria Banka d.d. – Rijeka and CIB Securities – Budapest.
AMEX doo – Ljubljana changed its corporate name in CENTURION Financne Storitve doo – Ljubljana.

Significant equity investments

(in millions of euro)

Companies	Type of relationship [a]	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) [b]	Book value
A. Consolidated companies **Parent Company** Banca Intesa S.p.A. Capital euro 3,561,062,849.24 divided in shares of euro 0.52					
A.1 Companies subject to full consolidation					
1 B.I. Private Equity Ltd - Dublin Capital euro 100,000 divided in shares of euro 1	1	Private Equity International	100.00		
2 Banca Cis S.p.A. - Cagliari Capital euro 170,276,569.35 divided in shares of euro 51.65	1	Banca Intesa Mediocredito	55.37		
3 Banca Caboto S.p.A. - Milano Capital euro 482,464,000 divided in shares of euro 1	1	Banca Intesa Intesa e.lab	86.45 13.55		
4 Banca di Trento e Bolzano S.p.A. - Trento Capital euro 51,167,582.96 divided in shares of euro 0.52	1	Banca Intesa Finanziaria BTB	8.28 57.00		
5 Banca Intesa (France) S.A. - Paris Capital euro 160,270,853.25 divided in shares without nominal value	1	Banca Intesa	99.99		
6 Banca Intesa Mediocredito S.p.A. - Milano Capital euro 500,000,000 divided in shares of euro 1	1	Banca Intesa	100.00		
7 Banca Popolare FriulAdria S.p.A. - Pordenone Capital euro 101,975,060 divided in shares of euro 5	1	Banca Intesa	76.05		
8 Banco Wiese Sudameris S.A. - Lima Capital PEN 282,718,667.18 divided in shares of PEN 0.01	1	Banca Intesa Lima Sudameris Holding	82.10 15.95		
9 Banque Sudameris S.A. - Paris Capital euro 1,145,127,473 divided in shares without nominal value	1	Intesa Holding International	99.99		
10 BCI U.S. Funding LLC I [c] - Wilmington (*Delaware*) Capital USD 10,000,000 in "common shares" of USD 10,000	1	Banca Intesa	100.00		
11 BCI U.S. Funding LLC II [d] - Wilmington (*Delaware*) Capital euro 27,500,000 in "common shares" of Euro 1,000	1	Banca Intesa	100.00		
12 BCI U.S. Funding LLC III [e] - Wilmington (*Delaware*) Capital GBP 6,000,000 in "common shares" of GBP 1,000	1	Banca Intesa	100.00		
13 C.R.L. - Compagnia Regionale Leasing - Terni Capital euro 4,800,000 divided in shares of euro 6	1	Cassa di Risparmio di Terni e Narni	99.95		
14 Caboto U.S.A. Inc. - New York Capital USD 4,000,000 divided in shares of USD 100	1	Banca Caboto	100.00		
15 Cassa di Risparmio della Provincia di Viterbo S.p.A. - Viterbo Capital euro 49,407,056.31 divided in shares of euro 0.51	1	Intesa Casse del Centro	74.59	80.66	
16 Cassa di Risparmio di Ascoli Piceno S.p.A. - Ascoli Piceno Capital euro 70,755,020 divided in shares of euro 258.23	1	Intesa Casse del Centro	66.00		
17 Cassa di Risparmio di Biella e Vercelli S.p.A. - Biella Capital euro 117,500,000 divided in shares of euro 1	1	Banca Intesa	55.00		
18 Cassa di Risparmio di Città di Castello S.p.A. - Città di Castello (*Perugia*) Capital euro 23,750,000 divided in shares of euro 0.50	1	Intesa Casse del Centro	79.24		
19 Cassa di Risparmio di Foligno S.p.A. - Foligno Capital euro 17,720,820 divided in shares of euro 0.52	1	Intesa Casse del Centro	70.47		
20 Cassa di Risparmio di Parma e Piacenza S.p.A. - Parma Capital euro 500,000,000 divided in shares of euro 1	1	Banca Intesa	100.00		
21 Cassa di Risparmio di Rieti S.p.A. - Rieti Capital euro 47,339,291 divided in shares of euro 51.65	1	Intesa Casse del Centro	85.00		
22 Cassa di Risparmio di Spoleto S.p.A. - Spoleto Capital euro 35,070,334 divided in shares of euro 1	1	Intesa Casse del Centro	59.44		
23 Cassa di Risparmio Terni e Narni S.p.A. - Terni Capital euro 21,000,000 divided in shares of euro 6	1	Intesa Casse del Centro	75.00		
24 Central-European International Bank Ltd. - Budapest Capital HUF 23,500,000,000 divided in shares of HUF 1,000	1	Intesa Holding International	100.00		
25 CENTURION Financne Storitve d.o.o. - Ljubljana Capital SIT 2,500,000	1	Banca Popolare Friuladria PBZ American Express	75.00 25.00		
26 CIB Credit Co. - Budapest Capital HUF 50,000,000 divided in shares of HUF 1,000,000	1	CIB Leasing CIB Real Estate	98.00 2.00		
27 CIB Factor Financial Service Ltd. - Budapest Capital HUF 103,500,000 divided in shares of HUF 100,000	1	CIB REAL Property Utilisation and Serv. CIB Service	50.00 50.00		
28 CIB Investment Fund Management Rt. - Budapest Capital HUF 300,000,000 divided in shares of HUF 10,000	1	Central-European International Bank CIB REAL Property Utilisation and Serv. CIB Service	93.33 6.66 0.01		
29 CIB Leasing Rt. - Budapest Capital HUF 1,520,000,000 divided in shares of HUF 10,000	1	Central-European International Bank CIB Rent CIB Service	1.31 98.68 0.01		
30 CIB Real Estate Rt. - Budapest Capital HUF 50,000,000 divided in shares of HUF 1,000,000	1	CIB Leasing CIB Credit	98.00 2.00		
31 CIB REAL Property Utilisation and Services Ltd. - Budapest Capital HUF 4,400,000,000 divided in shares of HUF 10,000	1	Central-European International Bank CIB Service	26.00 74.00		

(in millions of euro)

Companies	Type of relationship [a]	Investment: direct ownership	Investment: % held	Votes available at Shareholders' Meeting (%) [b]	Book value
31 CIB Rent Rt. - Budapest Capital HUF 800,000,000 divided in shares of HUF 4,444.44	1	Central-European International Bank CIB REAL Property Utilisation and Serv.	98.89 1.11		
32 CIB Service Rt. - Budapest Capital HUF 16,333,500,000 divided in ordinary shares of HUF 10,000	1	Central-European International Bank CIB Leasing	99.99 0.01		
33 Comit Investments (Ireland) Ltd - Dublin Capital euro 6,000 divided in shares of euro 60 Capital GBP 1,000 divided in shares of GBP 1	1	Banca Intesa	99.21		
34 Depositos S.A. - Lima Capital PEN 29,637,340 divided in shares of PEN 10	1	Banco Wiese Sudameris	99.98		
35 E.TR. - Esazione Tributi S.p.A. - Cosenza Capital euro 2,600,000 divided in shares of euro 1	1	Intesa Riscossione Tributi	100.00		
36 Epsilon Associati SGR S.p.A. - Milano Capital euro 5,200,000 divided in shares of euro 0.52	1	Nextra Investment Management	93.75		
37 Esa.Tri. - Esazione Tributi S.p.A. - Milano Capital euro 18,049,586.88 divided in shares of 0.52	1	Intesa Riscossione Tributi	66.68		
38 Finanziaria B.T.B. S.p.A. - Trento Capital euro 56,832,921.6 divided in shares of euro 0.52	1	Banca Intesa	99.29		
39 Immobiliare Maram S.r.l. - Milano Capital euro 4,625,000	1	Banca Intesa	100.00		
40 Intesa Bank Ireland Plc. - Dublin Capital euro 8,000,000 divided in shares of euro 50	1	Banca Intesa	99.99		
41 Intesa Bank Overseas Ltd. - Cayman Islands Capital USD 10,000,000 divided in shares of USD 1	1	Banca Intesa	100.00		
42 Intesa Casse del Centro S.p.A. - Spoleto Capital euro 665,045,601 divided in shares of euro 1	1	Banca Intesa	97.57		
43 Intesa e.lab S.p.A. - Milano Capital euro 144,371,240 divided in shares of euro 52	1	Banca Intesa	100.00		
44 Intesa Fiduciaria S.i.m. S.p.A. - Milano Capital euro 5,200,000 divided in shares of euro 52	1	Banca Intesa	100.00		
45 Intesa Formazione S.c.p.a. - Napoli Capital euro 103,300 divided in shares of euro 51.65	1	Banca Intesa Intesa Casse del Centro	61.00 37.55		
46 Intesa Funding LLC - Wilmington (*Delaware*) Capital USD 10,000 divided in shares of USD 1	1	Banca Intesa	100.00		
47 Intesa Gestione Crediti S.p.A. - Milano Capital euro 326,349,348 divided in shares of euro 52	1	Banca Intesa	100.00		
48 Intesa Holding Asset Management S.p.A. - Milano Capital euro 45,238,752 divided in shares of euro 52	1	Banca Intesa	100.00		
49 Intesa Holding International S.A. - Luxembourg Capital euro 3,535,366,144 divided in shares of euro 512	1	Banca Intesa	99.99		
50 Intesa Immobiliare S.r.l. - Milano Capital euro 5,000,000	1	Banca Intesa	100.00		
51 Intesa Investimenti S.p.A. - Milano Capital euro 1,000,000,000 divided in shares of euro 1,000	1	Banca Intesa	100.00		
52 Intesa Lease Sec S.r.l. - Milano Capital euro 60,000	1	Banca Intesa	60.00		
53 Intesa Leasing S.p.A. - Milano Capital euro 38,451,895.56 divided in shares of euro 0.52	1	Banca Intesa	99.63		
54 Intesa Mediofactoring S.p.A. - Milano Capital euro 155,000,000 divided in shares of euro 100	1	Banca Intesa	100.00		
55 Intesa Preferred Capital Company L.L.C. [f] - Wilmington (*Delaware*) Capital euro 46,000,000 in "common shares" of euro 1	1	Banca Intesa	100.00		
56 Intesa Preferred II Capital Company L.L.C. [g] - Wilmington (*Delaware*) Capital euro 4,000,000 in "common shares" of euro 1	1	Banca Intesa	100.00		
57 Intesa Previdenza - Società di Intermediazione Mobiliare S.p.A. - Milano Capital euro 8,350,000 divided in shares of euro 500	1	Banca Intesa	55.00		
58 Intesa Real Estate S.r.l. - Parma Capital euro 32,030,450	1	Banca Intesa Cassa di Risparmio di Parma e Piacenza	89.34 10.66		
59 Intesa Riscossione Tributi S.p.A. - Milano Capital euro 76,500,000 divided in shares of euro 0.51	1	Banca Intesa	100.00		
60 Intesa Sec. S.p.A. - Milano Capital euro 100,000 divided in shares of euro 100	1	Banca Intesa	60.00		
61 Intesa Sec. 2 S.r.l. - Milano Capital euro 15,000	1	Banca Intesa	60.00		
62 Intesa Sec. Npl S.p.A. - Milano Capital euro 129,000 divided in shares of euro 1	1	Banca Intesa	60.00		
63 Intesa Sec. Npl 2 S.r.l. - Milano Capital euro 70,000	1	Banca Intesa	60.00		
64 Intesa Sistemi e Servizi S.p.A. - Milano Capital euro 296,566,400 divided in shares of euro 52	1	Banca Intesa	100.00		

(in millions of euro)

	Companies	Type of relationship [a]	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) [b]	Book value
65	IntesaBci Capital and Finance Ltd - Dublin Capital euro 100,000 divided in shares of euro 1,000	1	Intesa Holding International	99.00		
66	IntesaBci Preferred Capital Company L.L.C. III - Wilmington (*Delaware*) Capital euro 11,000,000 divided in shares of euro 1	1	Banca Intesa	100.00		
67	IntesaBci Preferred Securities Investor Trust - New York Capital euro 1,000 divided in shares of euro 1,000	1	IntesaBci Preferred Capital Company III	100.00		
68	IntesaTrade Sim S.p.A. - Milano Capital euro 30,000,000 divided in shares of euro 16	1	Intesa e.lab	100.00		
69	Inversiones Mobiliarias S.A.- IMSA - Lima Capital PEN 26,666,332.83 divided in shares of PEN 0.03	1	Banca Intesa	97.29		
70	Invest Holding d.o.o. - Karlovac Capital HRK 30,000,000	1	Privredna Banka Zagreb	56.38		
71	Lima Sudameris Holding S.A. - Lima Capital PEN 180,450,011.34 divided in shares of PEN 0.09	1	Banca Intesa IMSA	49.28 43.95		
72	Luxicav Conseil S.A. - Luxembourg Capital euro 75,000 divided in shares of euro 25	1	Société Européenne de Banque	99.97		
73	Medimurska Banka d.d. - Čakovec Capital HRK 127,900,000 divided in shares of HRK 400	1	Privredna Banka Zagreb	96.39		
74	Nextra Alternative Investments S.G.R. S.p.A. - Milano Capital euro 2,600,000 divided in shares of euro 130	1	Banca Intesa Nextra Investment Management S.G.R.	10.00 90.00		
75	Nextra Distribution Services - Luxembourg Capital euro 1,500,000 divided in shares of euro 25	1	Nextra Investment Management S.G.R. Société Européenne de Banque	99.97 0.03		
76	Nextra Investment Management S.G.R. S.p.A. - Milano Capital euro 24,172,200 divided in shares of euro 51.65	1	Banca Intesa Intesa Holding Asset Management S.G.R.	32.05 67.95		
77	OOO Intesa Realty Russia - Moscow Capital RUB 10,000 divided in shares of RUB 10,000	1	Banca Intesa	100.00		
78	PBZ American Express d.o.o. - Zagreb Capital HRK 50,000,000	1	Privredna Banka Zagreb	100.00		
79	PBZ American Express i. dr. d.o.o. - Skopje Capital euro 5,112.92	1	PBZ American Express - Zagreb	95.00		
80	PBZ Invest d.o.o. - Zagreb Capital HRK 5,000,000	1	Privredna Banka Zagreb	100.00		
81	PBZ Kapital d.o.o. - Zagreb Capital HRK 400,000	1	Privredna Banka Zagreb	100.00		
82	PBZ Leasing d.o.o. - Zagreb Capital HRK 15,000,000	1	Privredna Banka Zagreb	100.00		
83	PBZ Nekretnine d.o.o. - Zagreb Capital HRK 3,000,000	1	Privredna Banka Zagreb	100.00		
84	PBZ Stambena stedionica d.d. - Zagreb Capital HRK 30,000,000 divided in shares of HRK 100	1	Privredna Banka Zagreb	100.00		
85	Phönix Beteiligungs - und Verwaltungs GmbH & Co. KG - Berlin Capital euro 43,459,809.90	1	Banca Intesa Phonix Beteiligungs Gmbh	98.78 1.22		
86	Phönix Beteiligungs Gmbh - Berlin Capital euro 25,000	1	Banca Intesa	100.00		
87	Private Equity International S.A. - Luxembourg Capital euro 252,999,968 divided in shares of euro 26	1	Banca Intesa	99.99		
88	Privredna Banka Zagreb d.d. - Zagreb Capital HRK 1,666,000,000 divided in shares of HRK 100	1	Intesa Holding International	76.30		
89	Privredna Banka - Laguna Banka d.d. - Porec Capital HRK 60,014,000 divided in shares of HRK 3,700	1	Privredna Banka Zagreb	100.00		
90	Realitna Spolocnost VUB Spol. S.r.o. (in liquidation) - Bratislava Capital SKK 23,300,000	1	Vseobecna Uverova Banka	100.00		
91	Recovery a.s. - Bratislava Capital SKK 1,000,000 divided in shares of SKK 10,000	1	Vseobecna Uverova Banka	100.00		
92	Sailview Company - Dublin Capital euro 5,906,730 divided in shares of euro 1.25	1	Private Equity International	99.99		
93	S.Es.I.T. Puglia - Servizio Esazione Imposte e Tributi S.p.A. - Bari Capital euro 2,600,000 divided in shares of euro 1	1	Intesa Riscossione Tributi	99.99		
94	Servitia S.A. - Luxembourg Capital euro 1,000,000 divided in shares without nominal value	1	Société Européenne de Banque	99.99		
95	Servizi Riscossione Tributi Terni S.p.A. - Terni Capital euro 2,582,580 divided in shares of euro 5.16	1	Cassa di Risparmio di Spoleto Cassa di Risparmio di Terni e Narni	0.03 99.97		
96	Servizio Riscossione Tributi Rieti S.p.A. - Rieti Capital euro 2,601,300 divided in shares of euro 26	1	Cassa di Risparmio di Rieti	100.00		
97	Setefi S.p.A. - Milano Capital euro 8,450,000 divided in shares of euro 52	1	Banca Intesa	100.00		
98	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. - Milano Capital euro 2,600,000 divided in shares of euro 0.52	1	Banca Intesa	100.00		

(in millions of euro)

Companies	Type of relationship [a]	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) [b]	Book value
99 Société d'Investissements et de Financements Immobiliers - FINAMERIS S.A. - Paris Capital euro 762,245 divided in shares without nominal value	1	Banca Intesa (France)	99.99		
100 Société Européenne de Banque S.A. - Luxembourg Capital euro 45,000,000 divided in shares without nominal value	1	Intesa Holding International	99.99		
101 Société Foncière Meyerbeer S.A.R.L. - Paris Capital euro 180,000 divided in shares of euro 40	1	Banque Sudameris	99.56		
102 Vseobecna Uverova Banka a.s. - Bratislava Capital SKK 12,978,108,000 divided in shares of SKK 1,000	1	Intesa Holding International	96.49		
103 VUB Asset Management Sprav. Spol a.s. - Bratislava Capital SKK 50,000,000 divided in shares of SKK 100,000	1	Vseobecna Uverova Banka	100.00		
104 VUB Factoring a.s. - Bratislava Capital SKK 67,194,000 divided in shares of SKK 9,000	1	Vseobecna Uverova Banka	97.38		
105 VUB Leasingova a.s. - Bratislava Capital SKK 50,000,000 divided in shares of SKK 1,000,000	1	Vseobecna Uverova Banka	100.00		
106 Wiese Sudameris Leasing - San Isidro (*Lima*) Capital PEN 140,000,000 divided in shares of PEN 50	1	Banco Wiese Sudameris	99.82		
107 ZAO Banca Intesa - Moscow Capital RUB 750,000,000 divided in shares of RUB 1,000	1	Banca Intesa	100.00		
B. Companies carried at equity					
B.1 Controlled					
1 Agricola Investimenti S.p.A. - Milano Capital euro 500,000 divided in shares of euro 1	1	Banca Intesa	100.00		
2 Caridata S.p.A. - Assago - Milanofiori (*Milano*) Capital euro 1,040,000 divided in shares of euro 0.52	1	Banca Intesa	100.00		
3 Charta S.r.l. - Sant'Agata sul Santerno (*Ravenna*) Capital euro 100,000	1	Intesa e.lab	100.00		
4 CIB Insurance Broker Kft. - Budapest Capital HUF 10,000,000 divided in shares of HUF 10,000	1	CIB Leasing	100.00		
5 Conser S.p.A. - Bari Capital euro 200,000 divided in shares of euro 1	1	S.Es.I.T. Puglia	51.00		
6 IAIS4 S.p.A. - Cosenza Capital euro 1,753,582,000 divided in shares of euro 1	1	E.Tr. - Esazione Tributi	90.16		
7 Intesa Renting S.p.A. - Milano Capital euro 3,000,000 divided in shares of euro 1	1	Intesa Leasing	65.00		
8 Magazzini Generali Fiduciari Cariplo S.p.A. - Pavia Capital euro 10,400,000 divided in shares of euro 0.52	1	Banca Intesa	100.00		
9 PBZ Croatia Osiguranje Public Limited Company - Zagreb Capital HRK 56,000,000 divided in shares of HRK 1,000	1	Privredna Banka Zagreb	50.00		
10 Project Company I. Trading Limited Liability Company - Ujlengyel Capital HUF 3,000,000	1	CIB Insurance Broker CIB Real Estate	50.00 50.00		
11 SATA – Sociedade de Assessoria Técnica e Administrativa S.A. - São Paulo Capital BRL 19,584,177 divided in shares of BRL 1	1	Banque Sudameris	99.99		
12 Shoplà S.p.A. - Milano Capital euro 4,082,000 divided in shares of euro 10	1	Intesa e.lab	100.00		
13 Wiese Sudameris Fondos S.A. - Lima Capital PEN 8,194,712 divided in shares of PEN 1	1	Banco Wiese Sudameris	100.00		
14 Wiese Sudameris Sociedad Agente de Bolsa – S.A. - Lima Capital PEN 4,895,201 divided in shares of PEN 1	1	Banco Wiese Sudameris	100.00		
15 Wiese Sudameris Sociedad Titulizadora S.A. - Lima Capital PEN 10,850,000 divided in shares of PEN 1	1	Banco Wiese Sudameris	100.00		
B.2 Associated					
1 Agos Itafinco S.p.A. - Milano Capital euro 60,013,200 divided in shares of euro 520	8	Banca Intesa	49.00		
2 Banca Generali - Trieste Capital euro 99,614,876 divided in shares of euro 1	8	Banca Caboto	25.00		
3 Banco de Investimento Imobiliario - Lisboa Capital euro 157,000,000 divided in shares of euro 1	8	Banca Intesa	30.10		
4 Caralt S.p.A. - Alessandria Capital euro 2,582,500 divided in shares of euro 51.65	8	Banca Intesa	35.00		
5 Cassa di Risparmio della Provincia di Chieti S.p.A. - Chieti Scalo Capital euro 52,000,000 divided in shares of euro 0.52	8	Banca Intesa	20.00		
6 Cassa di Risparmio della Provincia di Teramo S.p.A. - Teramo Capital euro 26,000,000 divided in shares of euro 0.52	8	Banca Intesa	20.00		
7 Cassa di Risparmio di Fermo S.p.A. - Fermo (*Ascoli Piceno*) Capital euro 39,241,087.50 divided in shares of euro 51.65	8	Banca Intesa	33.33		
8 Compagnie Monégasque de Banque S.A.M. - Monte Carlo Capital euro 111,110,000 divided in shares of euro 200	8	Intesa Holding International	33.86		

(in millions of euro)

	Companies	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting (%) (b)	Book value
9	Ente Nazionale Sementi Elette - Milano Endowment fund euro 34,071.24	8	Banca Intesa	49.41		
10	Euromilano S.p.A. - Milano Capital euro 6,500,000 divided in shares of euro 100	8	Banca Intesa	37.50		
11	FIDIA – Fondo Interbancario d'Investimento Azionario S.p.A. - Milano Capital euro 15,600,000 divided in shares of euro 520	8	Banca Intesa	25.00		
12	First Skelligs International Finance Company Ltd. (in liquidation) - Dublin Capital Lire 1,500,000,000 divided in shares of Lire 1,000	8	Banca Intesa	33.33		
13	Intesa Vita S.p.A. - Milano Capital euro 394,226,300 divided in shares of euro 5	8	Banca Intesa	50.00	44.44	
14	Lazard & Co. S.r.l. - Milano Capital euro 15,000,000	8	Banca Intesa	40.00		
15	Lo.Se.Ri. - Lombarda Servizi di Riscossione S.p.A. - Cremona Capital euro 2,777,166 divided in shares of euro 0.52	8	Banca Intesa	30.50		
16	Luxiprivilège Conseil S.A. - Luxembourg Capital euro 75,000 divided in shares of euro 25	8	Société Européenne de Banque	50.00		
17	Milano Zerotre S.r.l. - Roma Capital euro 6,406,090	8	Banca Intesa Cassa di Risparmio di Parma e Piacenza	38.34 10.66		
18	Parmafactor S.p.A. - Collecchio (*Parma*) Capital euro 5,160,000 divided in shares of euro 10	8	Banca Intesa Cassa di Risparmio di Parma e Piacenza	10.00 10.00		
19	Po Vita Assicurazioni S.p.A. - Parma Capital euro 76,000,000 divided in shares of euro 1	8	Cassa di Risparmio di Parma e Piacenza	50.00		
20	Previnet - Servizi per la previdenza - Mogliano Veneto (*Treviso*) Capital euro 5,164,600 divided in shares of euro 516.46	8	Banca Intesa	45.50		
21	Selezione Terza S.r.l. - Milano Capital euro 10,000	8	Banca Intesa	50.00		
22	Synesis Finanziaria S.p.A. - Torino Capital euro 200,000,000 divided in shares of euro 1	8	Banca Intesa	25.00		
23	Termomeccanica S.p.A. - La Spezia Capital euro 3,096,000 divided in shares of euro 5.16	8	Banca Intesa	32.32		
C.	**Other significant investments**					
C.1	**Controlled**					
1	Atlantis Sociedad Anonima (@) - Buenos Aires Capital ARP 78,574,090 divided in shares of ARP 1	1	Banque Sudameris Intesa Holding International	81.25 18.75		–
2	Azzurra S.r.l. (*) - Olgiate Olona (*Varese*) Capital euro 15,000	1	Cormano	100.00		–
3	Biverbroker S.r.l. (*) - Biella Capital euro 100,000 divided in shares of euro 1	1	Cassa di Risparmio di Biella e Vercelli	55.00		–
4	Caboto Securities Limited (in liquidation) (**) - London Capital GBP 10,000,000 divided in shares of GBP 1	1	Banca Caboto	100.00		–
5	Capital Servis a.s. (in liquidation) (**) - Bratislava Capital SKK 1,000,000 divided in shares of SKK 10,000	1	Realitna Spolocnost	100.00		–
6	Cartitalia S.r.l. (under bankruptcy procedures) (**) - Firenze Capital euro 46,481	1	Cormano	51.00		–
7	Cofragef S.A. (in liquidation) (**) - Paris Capital euro 38,112 divided in shares without nominal value	1	Banca Intesa (France)	99.76		–
8	Consul Service S.r.l. (in liquidation) (**) - Cagliari Capital euro 16,320	1	Banca Cis	98.41		–
9	Cormano S.r.l. (*) - Olgiate Olona (*Varese*) Capital euro 25,800	1	Banca Intesa	70.82		–
10	Del Mar S.A. (*) - Miraflores Capital PEN 52,170,440 divided in shares of PEN 10	1	Banco Wiese Sudameris	56.69		4
11	Elba S.r.l. (#) - Milano Capital euro 100,000	1	Private Equity International	100.00		3
12	Finanziaria Colonna S.r.l. (*) - Roma Capital euro 10,000	1	Banca Intesa	100.00		1
13	Finech a.s. (in liquidation) (*) - Bratislava Capital SKK 46,000,000 divided in shares of SKK 100,000	1	Realitna Spolocnost Vseobecna Uverova Banka	91.30 8.70		–
14	FundsWorld Financial Service Ltd. (in liquidation) (**) - Dublin Capital euro 268,780 divided in shares of euro 1.25	1	Intesa e.lab	100.00		3
15	Inversiones Sudameris C.A. (*) - Caracas Capital VEB 300,000,000 divided in shares of VEB 1,000	1	Banque Sudameris	100.00		–
16	Medicatus-SPC Investment And Services Ltd. (*) - Budapest Capital HUF 20,000,000 divided in shares of HUF 100,000	1	CIB Insurance Broker CIB Real Estate	50.00 50.00		–
17	Novacarta S.r.l. (in liquidation) (**) - Olgiate Olona (*Varese*) Capital euro 129,000	1	Cormano	99.90		–

(in millions of euro)

Companies	Type of relationship (a)	Investment		Votes available at Shareholders' Meeting (%) (b)	Book value
		direct ownership	% held		
18 PBZ Im - Und Export Handel Serivice GmbH (in liquidation) (**) - Wiesbaden Capital euro 131,106.77	1	Privredna Banka Zagreb	100.00		–
19 PBZ Trading (in liquidation) (**) - Moscow Capital RUR 11,860	1	PBZ Im - Und Export Handel Serivice	100.00		–
20 Petrochemical Investments Ltd. (*) - George Town (*Cayman Islands*) Capital USD 22,000,000 divided in shares of USD 1	1	Banca Intesa	100.00		18
21 S.C.M. Servicios y Mandatos S.A. (*) - Buenos Aires Capital ARP 178,650 divided in shares of ARP 1	1	Banque Sudameris	99.72		–
22 Scala Advisory S.A. (*) - Luxembourg Capital euro 75,000 divided in shares of euro 25	1	Banca Intesa Société Européenne de Banque	99.97 0.03		–
23 SEB Trust Limited (*) - St Helier – Jersey Capital euro 410,000 divided in shares of euro 1	1	Société Européenne de Banque	99.99		1
24 SHI-MI S.A. (#) - Luxembourg Capital euro 10,192,092.36 divided in shares of euro 511.29	1	Banca Intesa	99.99		16
25 Sphera S.a.r.l. (*) - Paris Capital euro 7,622	1	Banca Intesa (France)	100.00		–
26 Spolocnost Pre Bankovu Ochranu a.s. (*) - Zilina Capital SKK 40,000,000 divided in shares of SKK 1,000,000	1	Vseobecna Uverova Banka	100.00		1
27 Sudameris Inmobiliaria S.A. (*) - Panama Capital USD 100,000 divided in shares of USD 100	1	Banque Sudameris	100.00		–
28 ZAO International Business Consulting (§) - Moscow Capital RUB 60,000,000 divided in shares of RUB 3,000,000	1	Banca Intesa	55.00		1
Total					**48**
C.2 Associated 1 Alfieri Associated Investors Servicos de Consultoria S.A. (#) - Madeira Capital 80,800 divided in shares of euro 100	8	Banca Intesa	19.80	20.00	43
2 Alstom Hrvatska d.o.o. (*) - Karlovac Capital HRK 27,821,000	8	Investholding - Karlovac	20.06		–
2 Bci Soditic Trade Finance Ltd. (*) - London Capital USD 5,000,000 divided in shares of USD 1	8	Intesa Holding International	50.00		2
3 BCILUX CONSEIL S.A. (*) - Luxembourg Capital euro 75,000 divided in shares of euro 25	8	Société Européenne de Banque	50.00		–
4 Bolzoni S.p.A. (#) - Podenzano (*Piacenza*) Capital euro 5,319,149 divided in shares of euro 1	8	Banca Intesa	28.36		12
5 Burza Cennych Papierov v Bratislave a.s. (*) - Bratislava Capital SKK 113,850,000 divided in shares of SKK 10,000	8	Vseobecna Uverova Banka	20.20		1
6 Camigliati Scuola Management Territoriale S.c.r.l. (*) - Camigliatello Silano (*Cosenza*) Capital euro 16,455	8	Intesa Formazione	20.00		–
7 Cantiere Darsena Italia S.p.A. (arrangement before bankruptcy) (**) - Viareggio (*Lucca*) Capital euro 2,550,000 divided in shares of euro 0.51	8	Banca Intesa	20.00		–
8 Capital e Sviluppo S.p.A. (*) - Perugia Capital euro 4,390,250 divided in shares of euro 51.65	8	Cassa di Risparmio di Foligno Cassa di Risparmio di Spoleto Cassa di Risparmio di Terni e Narni	9.76 9.76 9.76		– – –
9 Chess Ventures Ltd (*) - Cayman Islands Capital USD 20,000,000 divided in shares of USD 1,000	8	Intesa e.lab	49.75		4
10 Dante Prini S.p.A. (in liquidation) (#) (**) - Montano Lucino (*Como*) Capital euro 5,164,569 divided in shares of euro 0.52	8	Banca Intesa	32.50		–
11 E. Gilardi & C. S.r.l. (in liquidation) (**) - Novara Capital euro 51,480	8	Cassa di Risparmio di Biella e Vercelli	30.00		–
12 Ecc Holding S.r.l. (#) - Arezzo Capital euro 9,286,527	8	Banca Intesa	31.14		5
13 Equinox Investment Company (#) S.c.p.a. - Luxembourg Capital euro 153,768 divided in shares of euro 2	8	Private Equity International	28.04		41
14 F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A. (#) - Milano Capital euro 2,917,215 divided in shares of euro 1.62	8	Banca Intesa	20.00		14
15 Finance Lab S.r.l. (*) - Pordenone Capital euro 50,000	8	Banca Popolare Friuladria	40.00		–
16 Galileo Holding S.p.A. (in liquidation) (**) - Marghera (*Venezia*) Capital euro 2,295,000 divided in shares of euro 0.51	8	Banca Intesa Cassa di Risparmio della Provincia di Viterbo	28.98 5.88		–
17 GENSEB – Gen, & SEB Risk Service SA - (*) Luxembourg Capital euro 250,000 divided in shares of euro 25	8	Société Européenne de Banque	50.00		–
18 Giraglia Immobiliare S.p.A. (§) - Milano Capital euro 3,500,000 divided in shares of euro 1	8	Banca Intesa	20.02		1
19 Ifas Gruppo S.p.A. (#) - Torino Capital euro 3,400,000 divided in shares of euro 0.85	8	Banca Intesa	45.00		3

(in millions of euro)

Companies	Type of relationship [(a)]	Investment		Votes available at Shareholders' Meeting (%) [(b)]	Book value
		direct ownership	% held		
20 Immobiliare Lombarda S.p.A. [(§)] - Milano Capital euro 104,702,652.35 divided in shares of euro 0.17	8	Banca Intesa	28.38		27
21 Infocorp S.A. [(*)] - San Isidro (*Lima*) Capital PEN 4,655,705 divided in shares of PEN 1	8	Banco Wiese Sudameris	20.73		–
22 International Sailing Boats - ISB S.p.A. [(#)] - Milano Capital euro 10,000,000 divided in shares of euro 1	8	Banca Intesa	30.00		7
23 Ipef Partners Limited [(#)] - London Capital GBP 1,000 divided in shares of GBP 1	8	Banca Intesa	40.50		–
24 Kingston Comercio Internacional Ltda [(#)] - Madeira Capital euro 3,915,993.35	8	Banca Intesa	25.19		–
25 Mater-Bi S.p.A. [(#)] - Milano Capital euro 14,560,000 divided in shares of euro 0.52	8	Banca Intesa	34.48		11
26 Monte Mario 2000 S.r.l. [(*)] - Roma Capital euro 51,480	8	Finanziaria Colonna	47.50		–
27 Neubor Glass S.p.A. [(*)] - San Vito al Tagliamento (*Pordenone*) Capital euro 2,100,000 divided in shares of euro 1	8	Banca Popolare FriulAdria	26.66		1
28 P.B. S.r.l. [(#)] - Milano Capital euro 100,000 divided in shares of euro 1	8	Banca Intesa	42.24		–
29 Procesos Mc Perù S.A. [(*)] - Miraflores Capital PEN 15,221,860 divided in shares of PEN 1	8	Banco Wiese Sudameris	50.00		2
30 R.C.N. Finanziaria S.p.A. [(#)] - Mantova Capital euro 15,070,828 divided in shares of euro 0.50	8	Banca Intesa	26.55		8
31 Redbanc S.r.l. [(*)] - Montevideo Capital UYP 21,000 in shares of UYP 4,200	8	Banque Sudameris	20.00		–
32 Saper Participacoes Ltda [(*)] - São Paulo Capital BRL 727.26	8	SATA	37.90		–
33 Slovak Banking Credit Bureau s.r.o. [(*)] - Bratislava Capital SKK 300,000	8	Vseobecna Uverova Banka	33.33		–
34 Sviluppo Garibaldi - Rebubblica S.p.A. [($)] - Milano Capital euro 454,546 divided in shares of euro 1	8	Banca Intesa	33.00		–
35 The Maple Gas Development Corporation [(*)] - San Isidro (*Lima*) Capital USD 15,000 divided in shares of USD 1	8	Banco Wiese Sudameris	33.33		8
36 Vobitech Nv (in liquidation) [(#)] - Rotterdam Capital euro 10,000,000 divided in shares of euro 1	8	Banca Intesa	36.63		–
37 VUB GENERALI dochodkova spravcovska spolocnost. a.s. [($)] - Bratislava Capital SKK 300,000,000 divided in shares of SKK 1,000,000	8	Vseobecna Uverova Banka	50.00		4
38 Zetesis.com S.p.A. (in liquidation) [(#)] [(**)] - Cologno Monzese (*Milano*) Capital euro 256,002 divided in shares of euro 1	8	Banca Intesa	39.91		–
TOTAL					**194**

Notes:

[(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.

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

[(#)] From Merchant Banking activities, carried at cost.

Other equity investments

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

(in millions of euro)

Companies	Investment		Book value
	direct ownership	% held	
A. Banks			
Italy			
1. Banca d'Italia - Roma	Banca Intesa	22.01	348
Capital euro 156,000	Cassa di Risparmio di Parma e Piacenza	2.03	63
	Cassa di Risparmio di Biella e Vercelli	2.10	9
	Cassa di Risparmio di Ascoli Piceno	0.22	6
	Cassa di Risparmio di Foligno	0.10	3
	Cassa di Risparmio di Città di Castello	0.08	2
	Cassa di Risparmio della Provincia di Viterbo	0.08	2
	Cassa di Risparmio di Spoleto	0.03	–
	Cassa di Risparmio di Rieti	0.01	–
	Cassa di Risparmio di Terni e Narni	0.15	–
Other Countries			
1. Banco ABN AMRO Real S.A. - São Paulo	Banca Intesa	11.58	492
Capital BRL 7,458,165,601.52 divided in shares without nominal value			
2. Banco Comercial Portugues S.A. - Oporto	Banca Intesa	4.91	390
Capital euro 3,257,400,827 divided in shares of euro 1	Intesa Holding International	2.52	196
3. Bayerische Hypo-und Vereinsbank AG - Wien	Banca Intesa	0.49	65
Capital euro 2,252,097,420 divided in shares of euro 3			
4. Commerzbank A.G. - Frankfurt am Main	Banca Intesa	1.10	105
Capital euro 1,554,430,813 divided in shares without nominal value	Intesa Holding International	0.76	73
B. Financial Companies			
Italy			
1. Hopa S.p.A. - Holding di partecipazioni aziendali - Brescia	Banca Intesa	0.69	10
Capital euro 709,800,000 divided in shares of euro 0.52			
Other Countries			
1. Investindustrial L.P. - St. Helier	Banca Intesa	4.65	8
Capital euro 3,228.07			

(in millions of euro)

Companies	Investment		Book value
	direct ownership	% held	
C. Other Companies			
Italy			
1. 21, Investimenti S.p.A. - Treviso Capital euro 58,142,760 divided in shares of euro 0.52	Banca Intesa	11.23	14
2. ABAC - Aria Compressa - Robassomero (*Torino*) Capital euro 4,812,845.44 divided in shares of euro 0.52	Banca Intesa	11.92	17
3. Assicurazioni Generali S.p.A. - Trieste Capital euro 1,275,999,458 divided in shares of nominal value euro 1	Banca Intesa	1.49	371
4. Centrale dei Bilanci S.r.l. - Torino Capital euro 30,000,000	Banca Intesa	11.67	6
	Banca Cis	0.15	–
	Cassa di Risparmio di Parma e Piacenza	0.83	–
5. Digital Multimedia Technologies S.p.A. - Lissone (*Milano*) Capital euro 1,122,256 divided in shares of euro 0.10	Banca Intesa	5.57	5
6. Edison S.p.A. - Milano Capital euro 4,236,888,515 divided in shares of euro 1	Banca Intesa	1.37	51
7. Fincantieri Cantieri Navali Italiani S.p.A. - Trieste Capital euro 337,111,530 divided in shares of euro 0.51	Banca Intesa	1.51	5
8. I2 Capital S.p.A. - Ivrea (*Torino*) Capital euro 28,957,356 divided in shares of euro 1	Banca Intesa	9.00	13
9. Italenergia Bis S.p.A. - Torino Capital euro 906,624,000 divided in shares of euro 1	Private Equity International	10.66	373
10. Merloni Termosanitari S.p.A. - Fabriano (*Ancona*) Capital euro 41,845,000 divided in shares of euro 1	Banca Intesa	6.05	22
11. Olimpia S.p.A. - Milano Capital euro 2,630,233,510 divided in shares of euro 1	Banca Intesa	8.40	585
12. Rizzoli Corriere della Sera MediaGroup S.p.A. - Milano Capital euro 762,019,050 divided in shares of euro 1	Banca Intesa	1.90	28
13. Sole S.p.A. - Milano Capital euro 47,900,000 divided in shares of euro 1	Banca Intesa	9.88	9
Other Countries			
1. Generandes Perù S.A. - Lima Capital PEN 997,385,282 divided in shares of PEN 1	Banco Wiese Sudameris	2.24	9
2. Hypo Real Estate Holding AG - Monaco Capital euro 402,216,525 divided in shares of euro 3	Banca Intesa	0.70	20
3. Ilpea Equity LLC - Chicago Capital euro 89,496,725 divided in shares of euro 1	Banca Intesa	1.90	17
4. Mirror International Holding S.a.r.l. - Luxembourg Capital euro 250,000 divided in shares of euro 25	Banca Intesa	1.47	5
	Private Equity International	5.89	20
Total			**3,342**

The book value of other equity investments carried at cost amounts to 171 million euro.

Attachments to the half-year consolidated financial statements

ATTACHMENTS

1. **Powers of Banca Intesa's Administrative Bodies;**

2. **Table of significant equity investments in unlisted companies pursuant to Art. 126 of Consob Regulation 11971 of 14th May 1999.**

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 CEO – 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 of sub-delegating to employees and to third parties one or more of his attributions.

TABLE OF SIGNIFICANT EQUITY INVESTMENTS IN UNLISTED COMPANIES PURSUANT TO ART. 126 OF CONSOB REGULATION 11971 OF 14TH MAY 1999

(List of equity investments in excess of 10% of the voting share capital in unlisted companies held directly and indirectly or for whatever reason)

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
21, Investimenti S.p.A.	11.23		Banca Intesa	Holding
Abac - Aria Compressa S.p.A.	11.92		Banca Intesa	Holding
Adar Holding S.p.A. (former Sci USA S.p.A.)	16.91		Banca Intesa	Pledge
Ag. per la Promoz. Ind. del Vercellese e della Valsesia		15.00	Cassa di Risparmio di Biella e Vercelli	Holding
Agos Itafinco S.p.A.	49.00		Banca Intesa	Holding
Agricola Investimenti S.p.A.	100.00		Banca Intesa	Holding
Agricola Remuscita di D. Franzoni & C. S.a.s. in liquidation		100.00	Agricola Investimenti	Holding
Agricola Valle nel Chianti S.r.l.		100.00	Cariparma e Piacenza	Pledge
Agriver Uno S.r.l.	100.00		Banca Intesa	Pledge
Agriver Due S.r.l.	100.00		Banca Intesa	Pledge
Agriver Tre S.r.l.	100.00		Banca Intesa	Pledge
Agriver Quattro S.r.l.	100.00		Banca Intesa	Pledge
Agriver Cinque S.r.l.	100.00		Banca Intesa	Pledge
Agro - Fin Parma S.r.l.		38.10	Cariparma e Piacenza	Pledge
Aimeri S.p.A.	100.00		Banca Intesa	Pledge
Alfa-former Ingatlanhasznosito es Forgalmazo		21.20	Central Eurepean International Bank	Pledge
Alfastamp S.r.l.	14.59		Banca Intesa	Holding
Alfieri Associated Investors Servicos de Consultoria S.A.	20.00		Banca Intesa	Holding
AL.GIO.FIN. S.p.A.	20.00		Banca Intesa	Pledge
Alpifin S.p.A.		11.11	Banca Popolare FriulAdria	Holding
Alstom Hrvatska d.o.o. (former Alstom Power)		20.06	Invest Holding doo Karlovac	Holding
Antares S.p.A.		97.19	Cariparma e Piacenza	Pledge
Arpi S.p.A.	22.11		Banca Intesa	Pledge
Asel Sistemi S.p.A. under bankruptcy procedures	19.15		Banca Intesa	Holding
Atlantis S.A.		81.25	Banque Sudameris	Holding
		18.75	Intesa Holding International	Holding
Azienda Olearia del Chianti S.r.l.		100.00	Cariparma e Piacenza	Pledge
Azzurra S.r.l.		100.00	Cormano	Holding
Banca Caboto S.p.A. (former Banca Primavera, IntesaBci Italia Sim)		13.55	Intesa e.lab	Holding
	86.45		Banca Intesa	Holding
Banca Carime S.p.A. (former BPCI FIN S.p.A.)	25.13		Banca Intesa	Ben. inter.
Banca Cis S.p.A.		55.37	Banca Intesa Mediocredito	Holding
Banca di Trento e Bolzano S.p.A.		57.00	Finanziaria BTB	Holding
	8.28		Banca Intesa	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Banca d'Italia		0.22	Cassa di Risparmio di Ascoli Piceno	Holding
		2.10	Cassa di Risparmio di Biella e Vercelli	Holding
		0.08	Cassa di Risparmio di Città di Castello	Holding
		0.10	Cassa di Risparmio di Foligno	Holding
		0.01	Cassa di Risparmio di Rieti	Holding
		0.03	Cassa di Risparmio di Spoleto	Holding
		0.15	Cassa di Risparmio di Terni e Narni	Holding
		0.08	Cassa di Risparmio di Viterbo	Holding
		2.03	Cariparma e Piacenza	Holding
	22.01		Banca Intesa	Holding
Banca Generali S.p.A.		25.00	Banca Caboto	Holding
Banca Intesa (France) S.A. (former Banca Commerciale Italiana France)	99.99		Banca Intesa	Holding
Banca Intesa Mediocredito S.p.A.	100.00		Banca Intesa	Holding
Banca Popolare FriulAdria S.p.A.	76.05		Banca Intesa	Holding
Banco ABN Amro Real S.A.	11.58		Banca Intesa	Holding
Banco de Investimento Imobiliario S.A.	30.10		Banca Intesa	Holding
Banco Patagonia Sudameris S.A. (former Banco Sudameris Argentina S.A.)		0.65	Atlantis	Holding
		8.20	Banque Sudameris	Holding
	11.10		Banca Intesa	Holding
Banco Sudameris Paraguay S.A.E.C.A.		19.85	Banque Sudameris	Holding
Banco Wiese Sudameris S.A.		15.95	Lima Sudameris Holding	Holding
	82.10		Banca Intesa	Holding
Banksiel S.p.A.	14.00		Banca Intesa	Holding
Banque Sudameris S.A.		99.99	Intesa Holding International	Holding
BCI Lux Conseil S.A.		50.00	Société Européenne de Banque	Holding
BCI Soditic Trade Finance Ltd.		50.00	Intesa Holding International	Holding
BCI U.S. Funding LLC I	100.00		Banca Intesa	Holding
BCI U.S. Funding LLC II	100.00		Banca Intesa	Holding
BCI U.S. Funding LLC III	100.00		Banca Intesa	Holding
Belisce dd		14.70	Privredna Banka Zagreb	Holding
BI Private Equity Ltd.		100.00	Private Equity International	Holding
Binda S.p.A. in liquidation		0.02	Cariparma e Piacenza	Pledge
		n.s.	Cormano	Holding
	0.16		Banca Intesa	Pledge
	11.25		Banca Intesa	Holding
Biverbroker S.r.l.		55.00	Cassa di Risparmio di Biella e Vercelli	Holding
BMG Serravalle S.r.l.	100.00		Banca Intesa	Pledge
Bolzoni S.p.A.	28.36		Banca Intesa	Holding
Bosco Gerre S.r.l. in liquidation	28.00		Banca Intesa	Pledge
Burano S.r.l. under bankruptcy procedures		100.00	Banca di Trento e Bolzano	Pledge
Burza Cennych Papierov v Bratislave As		20.20	Vseobecna Uverova Banka	Holding
C.R.L. Compagnia Regionale Leasing S.p.A.		99.95	Cassa di Risparmio di Terni e Narni	Holding
Caboto Securities Ltd. iIn liquidation		100.00	Banca Caboto	Holding
Caboto USA Inc.		100.00	Banca Caboto	Holding
Cala Capitana S.r.l. under bankruptcy procedures		100.00	Intesa Gestione Crediti	Pledge

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Camigliati Scuola Management Territoriale S.c.r.l.		20.00	Intesa Formazione	Holding
Cantiere Darsena Italia S.p.A. arrangement before bankruptcy	20.00		Banca Intesa	Holding
Capital Servis As in liquidation		100.00	Realitna Spolocnost Vub Spol.	Holding
Capitale e Sviluppo S.p.A.		9.76	Cassa di Risparmio di Foligno	Holding
		9.76	Cassa di Risparmio di Spoleto	Holding
		9.76	Cassa di Risparmio di Terni e Narni	Holding
Caralt S.p.A.	35.00		Banca Intesa	Holding
Caridata S.p.A.	100.00		Banca Intesa	Holding
Carignano S.r.l. in liquidation	69.99		Banca Intesa	Pledge
Cassa di Risparmio di Parma e Piacenza S.p.A.	100.00		Banca Intesa	Holding
Cartitalia S.r.l. under bankruptcy procedures		51.00	Cormano	Holding
Case di Cura Riunite S.r.l. under extraordinary administration	71.00		Banca Intesa	Pledge
Cassa di Risparmio di Ascoli Piceno S.p.A.		66.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Biella e Vercelli S.p.A.	55.00		Banca Intesa	Holding
Cassa di Risparmio di Città di Castello S.p.A.		79.24	Intesa Casse del Centro	Holding
Cassa di Risparmio della Provincia di Chieti S.p.A.	20.00		Banca Intesa	Holding
Cassa di Risparmio di Fermo S.p.A.	33.33		Banca Intesa	Holding
Cassa di Risparmio di Foligno S.p.A.		70.47	Intesa Casse del Centro	Holding
Cassa di Risparmio di Rieti S.p.A.		85.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Spoleto S.p.A.		59.44	Intesa Casse del Centro	Holding
Cassa di Risparmio della Provincia di Teramo S.p.A.	20.00		Banca Intesa	Holding
Cassa di Risparmio di Terni e Narni S.p.A.		75.00	Intesa Casse del Centro	Holding
Cassa di Risparmio della Provincia di Viterbo S.p.A.		0.01	Cassa di Risparmio di Città di Castello	Holding
		80.66	Intesa Casse del Centro	Holding
Central European International Bank Ltd.		100.00	Intesa Holding International	Holding
Centrale dei Bilanci S.r.l.		0.15	Banca Cis	Holding
		0.83	Cariparma e Piacenza	Holding
	11.67		Banca Intesa	Holding
Centro Agro Alimentare di Parma S.r.l.		12.08	Cariparma e Piacenza	Holding
Centro Studi O. Villa S.r.l. in liquidation		100.00	Agricola Investimenti	Holding
CENTURION Financne Storitve d.o.o. (former Amex d.o.o.)		75.00	Banca Popolare FriulAdria	Holding
		25.00	PBZ American Express Zagreb	Holding
Charta S.r.l. (former Leoni Daniele S.r.l.)		100.00	Intesa e.lab	Holding
Chess Ventures Ltd.		49.75	Intesa e.lab	Holding
China International Packaging Leasing Ltd.		17.50	Intesa Holding International	Holding
Cib Credit Rt. (former Cib Car Finance Rt.)		98.00	Cib Leasing	Holding
		2.00	Cib Real Estate	Holding
Cib Factor Financial Service Ltd.		50.00	Cib Real Property Utilisation and Services	Holding
		50.00	Cib Service	Holding
Cib Insurance Broker Kft.		100.00	Cib Leasing	Holding
CIB Investment Fund Management Rt.		93.33	Central European International Bank	Holding
		6.66	Cib Real Property Utilisation and Services	Holding
		0.01	Cib Service	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
CIB Leasing Rt.		1.31	Central European International Bank	Holding
		0.01	Cib Service	Holding
		98.68	Cib Rent	Holding
CIB Real Estate Rt.		98.00	Cib Leasing	Holding
		2.00	Cib Credit	Holding
CIB Rent Rt. (former Cib Rent and Leasing Co. Ltd.)		1.11	Cib Real Property Utilisation and Services	Holding
		98.89	Central European International Bank	Holding
CIB Real Property Utilisation and Services Ltd. (former Cib Securities)		26.00	Central European International Bank	Holding
		74.00	Cib Service	Holding
CIB Service Rt.		99.99	Central European International Bank	Holding
		0.01	Cib Leasing	Holding
Cimo S.r.l.	100.00		Banca Intesa	Pledge
Cofragef S.A. in liquidation		99.76	Banca Intesa (France)	Holding
Coin S.p.A.	100.00		Banca Intesa	Pledge
Comit Investments Ltd. (Ireland)	99.21		Banca Intesa	Holding
Compagnia Generale Aprutina S.p.A.	27.07		Banca Intesa	Pledge
Compagnie Monégasque de Banque Sam		33.86	Intesa Holding International	Holding
Conser Soc. Consort. per Azioni		51.00	S.Es.I.T. Puglia	Holding
Consorzio Aeroporto Foligno-Spoleto		12.50	Cassa di Risparmio di Foligno	Holding
Consorzio Agrario Provinciale di Parma S.c.r.l.		42.02	Cariparma e Piacenza	Holding
Consorzio per gli studi universitari a distanza F. Corongiu		33.33	Banca Cis	Holding
Consul Service S.r.l. in liquidation		98.41	Banca Cis	Holding
Convetro S.p.A. in liquidation		56.25	Banca Popolare FriulAdria	Pledge
Cormano S.r.l.	70.82		Banca Intesa	Holding
Corte Rosada S.r.l. under bankruptcy procedures	80.82		Banca Intesa	Pledge
Dante Prini S.p.A. in liquidation	32.50		Banca Intesa	Holding
Dataconsyst Sistemi di Sicurezza S.p.A. under bankruptcy procedures	99.14		Banca Intesa	Pledge
Del Mar S.A.		56.69	Banco Wiese Sudameris	Holding
Deltafin S.A.		13.69	Private Equity International	Holding
Depositos S.A. - Depsa		99.98	Banco Wiese Sudameris	Holding
Domina Group S.p.A. (former Multimoda Network S.p.A.)	98.61		Banca Intesa	Pledge
DS Data Systems S.p.A.	16.67		Banca Intesa	Holding
Dulevo S.p.A. under bankruptcy procedures	91.70		Banca Intesa	Pledge
E. Gilardi & C. S.r.l. in liquidation		30.00	Cassa di Risparmio di Biella e Vercelli	Holding
E.Tr. S.p.A.		100.00	Intesa Riscossione Tributi	Holding
Ecc Holding S.r.l.	31.14		Banca Intesa	Holding
Edilmarket S.r.l. under bankruptcy procedures		100.00	Intesa Gestione Crediti	Pledge
EDM S.r.l.		25.00	Cassa di Risparmio di Spoleto	Pledge
Elaboration System S.r.l.		90.00	Banca di Trento e Bolzano	Pledge
Elba S.r.l.		100.00	Private Equity International	Holding
Elsacom N.V.	11.33		Banca Intesa	Holding
Emerald UK Limited Partnership	11.14		Banca Intesa	Holding
Ente Nazionale Sementi Elette	49.41		Banca Intesa	Holding
Epsilon Associati SGR S.p.A.		93.75	Nextra Investment Management SGR	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Equinox Investment Company S.c.p.A.		28.04	Private Equity International	Holding
Equitypar Companhia de Participacores S.A.		12.50	Banque Sudameris	Holding
Esatri Esazione Tributi S.p.A.		66.68	Intesa Riscossione Tributi	Holding
Euromilano S.p.A. (former S.r.l.)	37.50		Banca Intesa	Holding
Europay Hrvatska d.o.o. in liquidation		12.50	Privredna Banka Zagreb	Holding
Europrogetti & Finanza S.p.A.	15.97		Banca Intesa	Holding
Everest S.p.A.	100.00		Banca Intesa	Pledge
Evoluzione 94 S.p.A.	18.11		Banca Intesa	Holding
F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A.	20.00		Banca Intesa	Holding
Fadalti Marco Orfeo S.p.A.		33.33	Banca Popolare FriulAdria	Pledge
Favini S.p.A.	17.41		Banca Intesa	Holding
Fidenza Ovest S.r.l.		25.00	Cariparma e Piacenza	Pledge
Fidia SGR S.p.A.	25.00		Banca Intesa	Holding
Finance Lab S.r.l.		40.00	Banca Popolare FriulAdria	Holding
Financiere Vespucci Sca (1)	61.66		Banca Intesa	Holding
Finanziaria Agricola Bresciana S.p.A. in liquidation		100.00	Agricola Investimenti	Holding
Finanziaria BTB S.p.A.	99.29		Banca Intesa	Holding
Finanziaria Coin S.r.l.	100.00		Banca Intesa	Pledge
Finanziaria Colonna S.r.l.	100.00		Banca Intesa	Holding
Finech As in liquidation		8.70	Vseobecna Uverova Banka	Holding
		91.30	Realitna Spolocnost Vub Spol.	Holding
Fineurop S.p.A.	15.00		Banca Intesa	Holding
Finlombarda S.p.A.	19.54		Banca Intesa	Holding
Fintbrescia Holding S.p.A. in liquidation	17.30		Banca Intesa	Pledge
First Skelligs Int. Fin. Comp. Ltd. in liquidation	33.33		Banca Intesa	Holding
Formula Sport Group S.r.l.	52.00		Banca Intesa	Pledge
Fundsworld Financial Service Ltd. in liquidation		100.00	Intesa e.lab	Holding
Galileo Holding S.p.A. in liquidation		5.88	Cassa di Risparmio di Viterbo	Holding
	28.98		Banca Intesa	Holding
GE.I.PO. S.r.l.	90.00		Banca Intesa	Pledge
Geni S.p.A. under bankruptcy procedures		35.91	Intesa Gestione Crediti	Holding
Genseb - Generali e Seb Risk Service S.A.		50.00	Société Européenne de Banque	Holding
Giraglia Immobiliare S.p.A.	20.02		Banca Intesa	Holding
GPE S.r.l.		90.55	Banca Popolare FriulAdria	Pledge
Grin S.r.l. in liquidation	100.00		Banca Intesa	Pledge
Gruppo Pasini S.p.A.	100.00		Banca Intesa	Pledge
Harry S.r.l.		100.00	Cariparma e Piacenza	Pledge
Iais4 S.p.A.		90.16	E.TR. Esazione Tributi	Holding
Idra Partecipazioni S.p.A. in liquidation	18.62		Banca Intesa	Holding
Ifas Gruppo S.p.A.	45.00		Banca Intesa	Holding
Il Mondo dei Fiori S.r.l.	100.00		Banca Intesa	Pledge
Imeco S.p.A.		17.86	Banca di Trento e Bolzano	Pledge
	78.81		Banca Intesa	Pledge

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Immobiliare Dolcè S.r.l. in liquidation		100.00	Banca di Trento e Bolzano	Pledge
Immobiliare Golena S.r.l. in liquidation	28.00		Banca Intesa	Pledge
Immobiliare Lana S.r.l. in liquidation		99.00	Banca di Trento e Bolzano	Pledge
Immobiliare Maram S.r.l.	100.00		Banca Intesa	Holding
Immobiliare Olimpia '93 S.p.A.	100.00		Banca Intesa	Pledge
Impianti S.r.l. in liquidation		1.68	Banca di Trento e Bolzano	Holding
		5.14	Cariparma e Piacenza	Holding
	12.11		Banca Intesa	Holding
Impresa Castelli S.p.A.	36.60		Banca Intesa	Pledge
Infocorp S.A.		20.73	Banco Wiese Sudameris	Holding
Informatica Umbra S.r.l.		8.33	Cassa di Risparmio di Spoleto	Holding
		8.33	Cassa di Risparmio di Foligno	Holding
Iniziative Urbane S.p.A.		11.11	Banca di Trento e Bolzano	Holding
Insediamenti Produttivi Piemonte Settentrionale S.p.A. - Nordind		12.76	Cassa di Risparmio di Biella e Vercelli	Holding
International Sailing Boats - ISB S.p.A. (former Cidipi S.p.A.)	30.00		Banca Intesa	Holding
Intertour As		12.88	Vseobecna Uverova Banka	Holding
Intesa Bank Ireland Plc (former IntesaBci B.Ireland/Comm. Ital. Plc Ireland)	99.99		Banca Intesa	Holding
Intesa Bank Overseas Ltd.	100.00		Banca Intesa	Holding
Intesa Casse del Centro S.p.A. (former Intesa Holding Centro)	97.57		Banca Intesa	Holding
Intesa e.lab S.p.A. (former IntesaBci e.lab/Banca Proxima)	100.00		Banca Intesa	Holding
Intesa Fiduciaria Sim S.p.A. (former IntesaBci Fiduc. Sim /Ambrofid)	100.00		Banca Intesa	Holding
Intesa Formazione S.c.p.A. (former Intesa Formazione Sud, CEII S.)		37.55	Intesa Casse del Centro	Holding
	61.00		Banca Intesa	Holding
Intesa Funding Llc (former BCI Funding Corporation)	100.00		Banca Intesa	Holding
Intesa Gestione Crediti S.p.A. (former IntesaBci Gest.Crediti/ Cassa di Risparmio di Salern.)	100.00		Banca Intesa	Holding
Intesa Holding Asset Management S.p.A. (former Intesa Ass. Manag. SGR)	100.00		Banca Intesa	Holding
Intesa Holding International S.A. (former Comit Holding Intern. S.A.)	99.99		Banca Intesa	Holding
Intesa Immobiliare S.r.l. (former IntesaBci Immobiliare)	100.00		Banca Intesa	Holding
Intesa Investimenti S.p.A. (former IntesaBci Inv./Comp. Ital. di Invest. Divers.)	100.00		Banca Intesa	Holding
Intesa Lease Sec. S.r.l.	60.00		Banca Intesa	Holding
Intesa Leasing S.p.A.	99.63		Banca Intesa	Holding
Intesa Mediofactoring S.p.A. (former Mediofactoring S.p.A.)	100.00		Banca Intesa	Holding
Intesa Preferred Capital Co. Llc.	100.00		Banca Intesa	Holding
Intesa Preferred Capital Co. Llc. II	100.00		Banca Intesa	Holding
Intesa Previdenza SIM S.p.A. (former Sim Co.Ge.F. S.p.A.)	55.00		Banca Intesa	Holding
Intesa Real Estate S.r.l.		10.66	Cariparma e Piacenza	Holding
	89.34		Banca Intesa	Holding
Intesa Renting S.p.A.		65.00	Intesa Leasing	Holding
Intesa Riscossione Tributi S.p.A. (former IntesaBci Riscossione Tributi)	100.00		Banca Intesa	Holding
Intesa Sec. S.p.A. (former IntesaBci Sec.)	60.00		Banca Intesa	Holding
Intesa Sec. 2 S.r.l. (former IntesaBci Sec. 2)	60.00		Banca Intesa	Holding
Intesa Sec. NPL S.p.A. (former IntesaBci Sec NPL)	60.00		Banca Intesa	Holding
Intesa Sec. NPL 2 S.r.l. (former La Centrale Consulenza S.r.l.)	60.00		Banca Intesa	Holding
Intesa Sistemi e Servizi S.p.A. (former IntesaBci Sistemi e Servizi)	100.00		Banca Intesa	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Intesa Vita S.p.A. (former Timavo Vita S.p.A.) (2)	50.00		Banca Intesa	Holding
IntesaBci Capital and Finance Ltd.		99.00	Intesa Holding International	Holding
IntesaBci Preferred Capital Company Llc III Delaware	100.00		Banca Intesa	Holding
IntesaBci Preferred Securities Investor Trust		100.00	IntesaBci Preferred Capital Company Llc III Delaw	Holding
Intesa Trade Sim S.p.A.		100.00	Intesa e.lab	Holding
Inversiones Mobiliarias S.A. - IMSA	97.29		Banca Intesa	Holding
Inversiones Sudameris C.A. (Venezuela)		100.00	Banque Sudameris	Holding
Investholding d.o.o. Karlovac		56.38	Privredna Banka Zagreb	Holding
Investitori Associati S.A. in liquidation	16.67		Banca Intesa	Holding
Ioca Ltd. (1)	49.04		Banca Intesa	Holding
Ipef Partners Ltd.	40.50		Banca Intesa	Holding
Italenergia Bis S.p.A.		10.66	Private Equity International	Holding
Italia Generali Costruzioni S.r.l.	100.00		Banca Intesa	Pledge
Italian Equity Advisors S.p.A. in liquidation	17.16		Banca Intesa	Pledge
Kingstone Comercio Int. Ltda.	25.19		Banca Intesa	Holding
Lazard & Co. S.r.l.	40.00		Banca Intesa	Holding
Lima Sudameris Holding S.A.		0.04	Banco Wiese Sudameris	Holding
		43.95	Inversiones Mobiliarias	Holding
	49.28		Banca Intesa	Holding
LO.SE.RI. S.p.A.	30.50		Banca Intesa	Holding
Lupifin S.r.l.	100.00		Banca Intesa	Pledge
Luxi Privilege Conseil S.A.		50.00	Société Européenne de Banque	Holding
Luxicav Conseil S.A.		99.97	Société Européenne de Banque	Holding
Magazzini Generali Fiduciari Cariplo S.p.A.	100.00		Banca Intesa	Holding
Magic S.p.A.	19.82		Banca Intesa	Pledge
Manifattura Satta & Bottelli S.p.A.	49.00		Banca Intesa	Pledge
Mantero Finanziaria S.p.A.	10.59		Banca Intesa	Holding
Marcofil S.p.A. under bankruptcy procedures	100.00		Banca Intesa	Pledge
Marcotex S.p.A. under bankruptcy procedures	100.00		Banca Intesa	Pledge
Mater-Bi S.p.A.	34.48		Banca Intesa	Holding
Medicatus-SPC Ltd.		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Medimurska Banka dd		96.39	Privredna Banka Zagreb	Holding
Medinvest S.r.l. under bankruptcy procedures		100.00	Intesa Gestione Crediti	Pledge
Milano Zero Tre S.r.l.		10.66	Cariparma e Piacenza	Holding
	38.34		Banca Intesa	Holding
Modulblok S.p.A.		12.45	Banca Popolare FriulAdria	Holding
Montagna 2000 S.p.A.		11.00	Cariparma e Piacenza	Holding
Monte Mario 2000 S.r.l.		47.50	Finanziaria Colonna	Holding
N.T.M. S.p.A.		93.80	Banca Intesa Mediocredito	Pledge
Nageo B.V. (1)	25.00		Banca Intesa	Holding
Netsystem.com S.p.A.	35.74		Banca Intesa	Pledge
Neubor Glass S.p.A.		26.66	Banca Popolare FriulAdria	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Nextra Alternative Investments SGR S.p.A. (former Comit Gestioni SGR)		90.00	Nextra Investment Management SGR	Holding
	10.00		Banca Intesa	Holding
Nextra Distribution Services SA (former Prontofund Advisory SA)		99.97	Nextra Investment Management SGR	Holding
		0.03	Société Européenne de Banque	Holding
Nextra Investment Management SGR S.p.A. (former Comit Asset Management SGR)		67.95	Intesa Holding Asset Management	Holding
	32.05		Banca Intesa	Holding
Novacarta S.r.l. in liquidation		99.90	Cormano	Holding
Nuova Cartiera di Arbatax S.p.A. under extraordinary administration		16.00	Banca Cis	Holding
Nuova G S.p.A. under extraordinary administration	100.00		Banca Intesa	Pledge
Nuova Panetto e Petrelli S.p.A.		15.33	Cassa di Risparmio di Spoleto	Holding
Nuovo Hotel S. Pietro S.r.l.	28.00		Banca Intesa	Pledge
O.M.S.O. Officina Macchine per Stampa su Oggetti S.p.A.	20.50		Banca Intesa	Pledge
Obiettivo Nordest Sicav S.p.A. [(3)]	39.03		Banca Intesa	Holding
Olearia Castello degli Olivi S.r.l.		100.00	Cariparma e Piacenza	Pledge
Olifin S.r.l.		98.99	Cariparma e Piacenza	Pledge
OOO Intesa Realty Russia	100.00		Banca Intesa	Holding
Oviesse Franchising S.r.l.	100.00		Banca Intesa	Pledge
P.B. S.r.l.	42.24		Banca Intesa	Holding
Palace Hotel S.p.A.		22.90	Banca di Trento e Bolzano	Pledge
Parmafactor S.p.A.		10.00	Cariparma e Piacenza	Holding
	10.00		Banca Intesa	Holding
PBZ American Express d.o.o. Zagreb		100.00	Privredna Banka Zagreb	Holding
PBZ American Express i dr. d.o.o. Skopje		95.00	PBZ American Express Zagreb	Holding
PBZ Croatia Osiguranje Joint Stock Co. for Comp. Pens. Fund M. (former PBZ Croatia Osiguranje Plc for Compulsory Pension Fund Man.)		50.00	Privredna Banka Zagreb	Holding
PBZ Im-Und Export Handel Service GmbH in liquidation		100.00	Privredna Banka Zagreb	Holding
PBZ Invest d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Kapital d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Leasing d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Nekretnine d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Stambena Stedionica d.d.		100.00	Privredna Banka Zagreb	Holding
PBZ Trading in liquidation - Moskow		100.00	PBZ Im-Und Export Handel Service GmbH	Holding
Petrochemical Investments Ltd.	100.00		Banca Intesa	Holding
Phoenix Beteiligungs und Verwaltungs GmbH & Co. KG (former Phoenix KG)		1.22	Phoenix Beteiligungs GmbH	Holding
	98.78		Banca Intesa	Holding
Phoenix Beteiligungs GmbH	100.00		Banca Intesa	Holding
Piergiorgio Coin Investimenti S.p.A.		100.00	Cariparma e Piacenza	Pledge
Pinestead Investment Corp. [(1)]	20.00		Banca Intesa	Holding
Po Vita Assicurazioni S.p.A.		50.00	Cariparma e Piacenza	Holding
Porto San Rocco S.p.A.		40.86	Banca Popolare FriulAdria	Pledge
Previnet S.p.A.	45.50		Banca Intesa	Holding
Private Equity International S.A. (former Neuf)	99.99		Banca Intesa	Holding
Privredna Banka - Laguna Banka d.d.		100.00	Privredna Banka Zagreb	Holding
Privredna Banka Zagreb d.d.		76.30	Intesa Holding International	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Procesos MC Perù S.A.		50.00	Banco Wiese Sudameris	Holding
Progetti S.r.l.	24.00		Banca Intesa	Pledge
Progetto Montecity S.p.A.	100.00		Banca Intesa	Pledge
Project Company I		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Prominvest S.r.l.	100.00		Banca Intesa	Pledge
R.C.N. Finanziaria S.p.A. (former T.F. Partners S.r.l.)	26.55		Banca Intesa	Holding
Realitna Spolocnost Vub Spol. Sro - in liquidation		100.00	Vseobecna Uverova Banka	Holding
Recovery a.s. (former Leasreal a.s.)		100.00	Vseobecna Uverova Banka	Holding
Redbanc S.r.l.		20.00	Banca Intesa	Holding
Remari Finanziaria S.r.l. in liquidation	28.00		Banca Intesa	Pledge
Renee S.r.l. under bankruptcy procedures	100.00		Banca Intesa	Pledge
Riconversider S.r.l.	13.86		Banca Intesa	Holding
Rosellini International Alpha Ltd. (1)		60.00	Transatlantic Telecomunications Fin. Alpha Ltd.	Holding
Rosellini International Beta Ltd. (1)		60.00	Transatlantic Telecomunications Fin. Beta Ltd.	Holding
Rosellini International Gamma Ltd. (1)		60.00	Transatlantic Telecomunications Fin. Gamma Ltd.	Holding
RVS As (former Bankove Zuctovacie Centrum Slovenska)		12.49	Vseobecna Uverova Banka	Holding
S.C.M. Servicios y Mandatos S.A. (former Sudameris Capital Markets)		99.72	Banque Sudameris	Holding
S.E.P. Società Economia Parmense S.r.l.		19.00	Cariparma e Piacenza	Holding
S.I.F. Società Investimenti Fieristici S.p.A.		16.81	Cariparma e Piacenza	Holding
Sabaudia 29 S.r.l. in liquidation	95.00		Banca Intesa	Pledge
Saga S.p.A.	45.00		Banca Intesa	Pledge
Sailview Company		99.99	Private Equity International	Holding
Sant'Antonio Abate S.r.l.		75.00	Cariparma e Piacenza	Pledge
Saper Partecipacoes Ltda (former Saper Empreendim. Imobiliarios)		37.90	Soc. de Assessoria Tecnica e Administrativa	Holding
Scala Advisory S.A.		0.03	Société Européenne de Banque	Holding
	99.97		Banca Intesa	Holding
Scontofin S.A.	15.00		Banca Intesa	Holding
Seb Trust Ltd.		99.99	Société Européenne de Banque	Holding
Selezione Terza S.r.l.	50.00		Banca Intesa	Holding
Servicios Bancarios Compartidos S.A.		11.28	Banco Wiese Sudameris	Holding
Servitia S.A.		99.99	Société Européenne de Banque	Holding
Servizi Riscossione Tributi Terni S.p.A.		99.97	Cassa di Risparmio di Terni e Narni	Holding
		0.03	Cassa di Risparmio di Spoleto	Holding
Servizio Riscossione Tributi Rieti S.p.A. (SE.RI.T. Rieti)		100.00	Cassa di Risparmio di Rieti	Holding
S.Es.I.T. Puglia S.p.A.		99.99	Intesa Riscossione Tributi	Holding
Setefi S.p.A.	100.00		Banca Intesa	Holding
Shi-mi S.A.	99.99		Banca Intesa	Holding
Shoplà S.p.A.		100.00	Intesa e.lab	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
SI Holding S.p.A. (former Cartasì S.p.A., Servizi Interbancari S.p.A.)		0.22	Banca Trento e Bolzano	Holding
		0.18	Banca Popolare FriulAdria	Holding
		0.56	Cariparma e Piacenza	Holding
		0.37	Cassa di Risparmio di Biella e Vercelli	Holding
		0.01	Cassa di Risparmio di Spoleto	Holding
		0.14	Cassa di Risparmio di Viterbo	Holding
		0.10	Cassa di Risparmio di Ascoli	Holding
		0.14	Cassa di Risparmio di Città di Castello	Holding
		0.14	Cassa di Risparmio di Foligno	Holding
		0.14	Cassa di Risparmio di Terni e Narni	Holding
		0.14	Cassa di Risparmio di Rieti	Holding
	10.78		Banca Intesa	Holding
Sicil Power S.p.A.	97.00		Banca Intesa	Pledge
Sitia - Yomo S.p.A.	94.01		Banca Intesa	Pledge
Skillpass S.p.A.	12.50		Banca Intesa	Holding
Slovak Banking Credit Bureau Spol. Sro		33.33	Vseobecna Uverova Banka	Holding
SO.GE.A.P. Aeroporto di Parma S.p.A.		13.09	Cariparma e Piacenza	Holding
Soc. De Assessoria Tecnica e Administrativa S.A. - SATA		99.99	Banque Sudameris	Holding
Società Agricola Valserena S.r.l.		50.00	Cariparma e Piacenza	Pledge
Soc. Aree Ind. ed Artigianali - S.A.I.A. S.p.A.	10.08		Banca Intesa	Holding
Società Europea di Sviluppo S.r.l.	90.00		Banca Intesa	Pledge
Società Italiana Acciai Bolzano SIAB S.p.A.	45.18		Banca Intesa	Pledge
Società Italiana di Revisione e Fiduciaria S.p.A. - SIREF	100.00		Banca Intesa	Holding
Società per i Servizi Bancari - SSB S.p.A.		n.s.	Banca Cis	Holding
		0.23	Banca Trento e Bolzano	Holding
		0.21	Cariparma e Piacenza	Holding
		0.04	Cassa di Risparmio di Viterbo	Holding
		0.04	Cassa di Risparmio di Città di Castello	Holding
		0.04	Cassa di Risparmio di Rieti	Holding
		0.01	Cassa di Risparmio di Spoleto	Holding
		0.04	Cassa di Risparmio di Foligno	Holding
		0.11	Cassa di Risparmio di Biella e Vercelli	Holding
		0.06	Banca Popolare FriulAdria	Holding
		0.02	Cassa di Risparmio di Ascoli	Holding
		0.04	Cassa di Risparmio di Terni e Narni	Holding
	17.52		Banca Intesa	Holding
Societe d'Investiss. et de Financ. Immobiliers S.A - Finameris		99.99	Banca Intesa (France)	Holding
Sociéte Européenne de Banque S.A.		99.99	Intesa Holding International	Holding
Societe Fonciere Meyerbeer Sarl		99.56	Banque Sudameris	Holding
Sphera S.a.r.l.		100.00	Banca Intesa (France)	Holding
Spolocnost pre Bankovu Ochranu As		100.00	Vseobecna Uverova Banka	Holding
Strutture Centrali S.r.l.	25.00		Banca Intesa	Pledge
Sudameris Immobiliaria S.A. (Panama)		100.00	Banque Sudameris	Holding
Sviluppo Garibaldi Repubblica S.p.A.	33.00		Banca Intesa	Holding
Synesis Finanziaria S.p.A.	25.00		Banca Intesa	Holding
Tabby S.p.A. under bankruptcy procedures	73.81		Banca Intesa	Pledge
Tasa Finance Lux S.a.r.l. (1)	100.00		Banca Intesa	Holding
Tayar Receivables Company		17.16	Comit Investment - Ireland	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Tecnoarredamenti S.r.l.		100.00	Banca Popolare FriulAdria	Pledge
Tecnoforge S.p.A.	14.77		Banca Intesa	Pledge
Tehnolosko-Inovacijski Centar doo		11.20	Privredna Banka Zagreb	Holding
Termomeccanica S.p.A.	32.32		Banca Intesa	Holding
The Augustus Investment Company [(1)]	100.00		Banca Intesa	Holding
The Peru Privatisation and Development Fund Ltd.		0.89	Banco Wiese Sudameris	Holding
		9.92	Banque Sudameris	Holding
The Tiberius Fund [(1)]	100.00		Banca Intesa	Holding
The Titus Fund [(1)]		100.00	Intesa Investimenti	Holding
Transatlantic Telecommunications Fin. Alpha Ltd. [(1)]	100.00		Banca Intesa	Holding
Transatlantic Telecommunications Fin. Beta Ltd. [(1)]	100.00		Banca Intesa	Holding
Transatlantic Telecommunications Fin. Gamma Ltd. [(1)]	100.00		Banca Intesa	Holding
Tre Re S.p.A. in liquidation	39.99		Banca Intesa	Pledge
Trigoria 2000 S.r.l. in liquidation	95.00		Banca Intesa	Pledge
Tubitex S.r.l.	50.00		Banca Intesa	Pledge
Twice Sim S.p.A. (former Gemofin Sim)	19.95		Banca Intesa	Holding
Umbra Cuscinetti S.p.A.		51.70	Cassa di Risparmio di Foligno	Pledge
Villaggio Turistico Internazionale S.r.l. (former Sviluppo Marino S.r.l.)	100.00		Banca Intesa	Pledge
Vis Italiana S.r.l. in liquidation	11.08		Banca Intesa	Pledge
Viterie Bal.Bi S.r.l.		50.00	Banca Popolare FriulAdria	Pledge
Vobitech NV in liquidation	36.63		Banca Intesa	Holding
Vseobecna Uverova Banka As		96.49	Intesa Holding International	Holding
Vub Asset Management Sprav. Spol. As		100.00	Vseobecna Uverova Banka	Holding
Vub Factoring As		97.38	Vseobecna Uverova Banka	Holding
Vub Generali dochodkova spravcovska spolocnost A.S.		50.00	Vseobecna Uverova Banka	Holding
Vub Leasingova As		100.00	Vseobecna Uverova Banka	Holding
Wiese Sudameris Fondos S.A.		100.00	Banco Wiese Sudameris	Holding
Wiese Sudameris Leasing S.A.		99.82	Banco Wiese Sudameris	Holding
Wiese Sudameris Sociedad Agente del Bolsa S.A.		100.00	Banco Wiese Sudameris	Holding
Wiese Sudameris Sociedad Titulizadora S.A.		100.00	Banco Wiese Sudameris	Holding
Zao Banca Intesa	100.00		Banca Intesa	Holding
Zao International Business Consulting	55.00		Banca Intesa	Holding
Zet S.r.l.		55.00	Cariparma e Piacenza	Pledge
Zetesis.com S.p.A. in liquidation	39.91		Banca Intesa	Holding

[(1)] Equity investment for which there is a commitment to sell at a later date and at a predetermined price. This equity investment is accounted for as a repurchase agreement.
[(2)] 44.44% of which are ordinary shares.
[(3)] Percentage exclusively refers to registered shares.
N.S. = not significant since in the percentage is under 0.001.

Banca Intesa
Parent Company’s financial statements as at 30th June 2004

BANCA INTESA BALANCE SHEET

(in millions of euro)

	Assets	30/06/2004	31/12/2003	30/06/2003
10.	Cash and deposits with central banks and post offices	561	641	595
20.	Treasury bills and similar bills eligible for refinancing with central banks	2,105	1,357	1,646
30.	Due from banks	41,774	33,522	34,411
	a) repayable on demand	*3,802*	*2,924*	*2,939*
	b) other	*37,972*	*30,598*	*31,472*
40.	Loans to customers	102,842	112,016	118,239
	including			
	– with public funds under administration	*45*	*42*	*36*
50,	Bonds and other debt securities	23,846	16,046	19,980
	a) public entities	*6,336*	*3,247*	*5,306*
	b) banks	*9,660*	*7,215*	*8,553*
	including			
	– own bonds	*1,210*	*756*	*808*
	c) financial institutions	*6,253*	*4,183*	*4,374*
	d) other issuers	*1,597*	*1,401*	*1,747*
60.	Shares, quotas and other forms of capital	2,736	1,104	2,141
70.	Equity investments	3,957	4,010	3,059
80.	Investments in Group companies	9,753	9,609	10,679
90.	Intangibles	63	68	75
	including			
	– start-up costs	*3*	*2*	*3*
	– goodwill	*32*	*34*	*38*
100.	Fixed assets	1,114	1,108	1,401
	including			
	– leased assets	–	–	–
120.	Own shares or quotas (*nominal value € 378,441*) (*)	2	1,015	883
130.	Other assets	15,600	17,893	19,416
140.	Accrued income and prepaid expenses	1,840	1,699	3,495
	a) accrued income	*1,282*	*1,386*	*3,339*
	b) prepaid expenses	*558*	*313*	*156*
	including			
	– discounts on securities issued	*30*	*37*	*44*
	Total Assets	**206,193**	**200,088**	**216,020**

(*) In euro.

BANCA INTESA BALANCE SHEET

(in millions of euro)

	Liabilities and Shareholders' Equity	**30/06/2004**	**31/12/2003**	**30/06/2003**
10.	Due to banks	30,845	25,755	33,738
	a) repayable on demand	*4,265*	*6,697*	*10,051*
	b) time deposits or with notice period	*26,580*	*19,058*	*23,687*
20.	Due to customers	76,606	76,922	78,580
	a) repayable on demand	*65,811*	*63,123*	*64,318*
	b) time deposits or with notice period	*10,795*	*13,799*	*14,262*
30.	Securities issued	51,957	49,087	49,845
	a) bonds	*46,014*	*43,155*	*41,906*
	b) certificates of deposit	*4,777*	*4,907*	*6,755*
	c) other	*1,166*	*1,025*	*1,184*
40.	Public funds under administration	45	42	48
50.	Other liabilities	16,634	17,717	20,989
60.	Accrued expenses and deferred income	2,928	2,363	4,367
	a) accrued expenses	*1,437*	*1,554*	*3,988*
	b) deferred income	*1,491*	*809*	*379*
70.	Allowance for employee termination indemnities	812	892	923
80.	Allowances for risks and charges	1,970	2,197	2,611
	a) pensions and similar commitments	*102*	*103*	*99*
	b) taxation	*567*	*817*	*968*
	c) other	*1,301*	*1,277*	*1,544*
90.	Allowances for possible loan losses	–	–	–
100.	Reserve for general banking risks	–	–	–
110.	Subordinated and perpetual liabilities	10,130	10,368	10,860
120.	Share capital	3,561	3,561	3,561
130.	Share premium reserve	5,404	5,404	5,535
140.	Reserves	3,445	3,434	3,302
	a) legal reserve	*773*	*773*	*773*
	b) reserve for own shares	*2*	*1,015*	*883*
	c) statutory reserves	*1,085*	*61*	*61*
	d) other reserves	*1,585*	*1,585*	*1,585*
150.	Revaluation reserves	987	987	987
170.	Net income for the period	869	1,359	674
	Total Liabilities and Shareholders' Equity	**206,193**	**200,088**	**216,020**

BANCA INTESA BALANCE SHEET

(in millions of euro)

	Guarantees and Commitments	30/06/2004	31/12/2003	30/06/2003
10.	Guarantees given	22,141	21,300	21,656
	including			
	– acceptances	*388*	*268*	*338*
	– other guarantees	*21,753*	*21,032*	*21,318*
20.	Commitments	24,090	23,159	23,805
30.	Credit derivatives	40,881	34,694	33,351
	Total Guarantees and Commitments	**87,112**	**79,153**	**78,812**

BANCA INTESA STATEMENT OF INCOME

(in millions of euro)

		30/06/2004	31/12/2003	30/06/2003
10.	Interest income and similar revenues	3,202	3,731	7,056
	including from			
	– loans to customers	*2,271*	*2,774*	*5,245*
	– debt securities	*412*	*372*	*702*
20.	Interest expense and similar charges	(1,717)	(2,155)	(4,028)
	including on			
	– deposits from customers	*(338)*	*(508)*	*(943)*
	– securities issued	*(947)*	*(1,024)*	*(2,011)*
30.	Dividends and other revenues	576	659	814
	a) from shares, quotas and other forms of capital	*234*	*151*	*217*
	b) from equity investments	*50*	*62*	*67*
	c) from investments in Group companies	*292*	*446*	*530*
40.	Commission income	1,140	1,094	2,282
50.	Commission expense	(125)	(144)	(309)
60.	Profits (Losses) on financial transactions	16	149	322
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	1	1	2
70.	Other operating income	143	136	379
80.	Administrative costs	(1,821)	(1,885)	(3,823)
	a) payroll	*(1,031)*	*(1,085)*	*(2,156)*
	including			
	– wages and salaries	*(714)*	*(747)*	*(1,486)*
	– social security charges	*(200)*	*(210)*	*(419)*
	– termination indemnities	*(54)*	*(61)*	*(115)*
	– pensions and similar commitments	*(36)*	*(37)*	*(77)*
	b) other	*(790)*	*(800)*	*(1,667)*
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(1)	(1)	(2)
90.	Adjustments to fixed assets and intangibles	(55)	(69)	(138)
100.	Provisions for risks and charges	(59)	(43)	(64)
110.	Other operating expenses	(1)	(9)	(58)
120.	Adjustments to loans and provisions for guarantees and commitments	(557)	(595)	(1,142)
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	138	242	379
140.	Provisions for possible loan losses	–	–	–
150.	Adjustments to financial fixed assets	(22)	(96)	(319)
160.	Write-back of financial fixed assets	175	11	61
170.	**Income (Loss) from operating activities**	**1,033**	**1,026**	**1,412**
180.	Extraordinary income	125	330	1,202
190.	Extraordinary charges	(80)	(234)	(779)
200.	**Extraordinary income (loss), net**	**45**	**96**	**423**
210.	Change in the reserve for general banking risks	–	–	–
220.	Income taxes	(209)	(448)	(476)
230.	**Net income for the period**	**869**	**674**	**1,359**

Banca Intesa
Parent Company's financial statements as at 30th June 2004

compared to pro forma

as at 31st December 2003 and as at 30th June 2003

BANCA INTESA BALANCE SHEET

(in millions of euro)

	Assets	30/06/2004	31/12/2003 pro forma (1)	30/06/2003 pro forma (1)
10.	Cash and deposits with central banks and post offices	561	641	595
20.	Treasury bills and similar bills eligible for refinancing with central banks	2,105	1,357	1,646
30.	Due from banks	41,774	33,522	34,411
	a) repayable on demand	*3,802*	*2,924*	*2,939*
	b) other	*37,972*	*30,598*	*31,472*
40.	Loans to customers	102,842	112,016	118,239
	including			
	– with public funds under administration	*45*	*42*	*36*
50.	Bonds and other debt securities	23,846	16,046	19,980
	a) public entities	*6,336*	*3,247*	*5,306*
	b) banks	*9,660*	*7,215*	*8,553*
	including			
	– own bonds	*1,210*	*756*	*808*
	c) financial institutions	*6,253*	*4,183*	*4,374*
	d) other issuers	*1,597*	*1,401*	*1,747*
60.	Shares, quotas and other forms of capital	2,736	1,104	2,141
70.	Equity investments	3,957	4,010	3,059
80.	Investments in Group companies	9,753	9,609	10,679
90.	Intangibles	63	68	75
	including			
	– start-up costs	*3*	*2*	*3*
	– goodwill	*32*	*34*	*38*
100.	Fixed assets	1,114	1,108	1,401
	including			
	– leased assets	–	–	–
120.	Own shares or quotas (*nominal value € 378,441*) (*)	2	1,015	883
130.	Other assets	15,600	17,784	19,196
140.	Accrued income and prepaid expenses	1,840	1,699	3,495
	a) accrued income	*1,282*	*1,386*	*3,339*
	b) prepaid expenses	*558*	*313*	*156*
	including			
	– discounts on securities issued	*30*	*37*	*44*
	Total Assets	**206,193**	**199,979**	**215,800**

(*) In euro.
(1) Figures restated on a consistent basis.

BANCA INTESA BALANCE SHEET

(in millions of euro)

	Liabilities and Shareholders' Equity	30/06/2004	31/12/2003 pro forma [1]	30/06/2003 pro forma [1]
10.	Due to banks	30,845	25,755	33,738
	a) repayable on demand	*4,265*	*6,697*	*10,051*
	b) time deposits or with notice period	*26,580*	*19,058*	*23,687*
20.	Due to customers	76,606	76,922	78,580
	a) repayable on demand	*65,811*	*63,123*	*64,318*
	b) time deposits or with notice period	*10,795*	*13,799*	*14,262*
30.	Securities issued	51,957	49,087	49,845
	a) bonds	*46,014*	*43,155*	*41,906*
	b) certificates of deposit	*4,777*	*4,907*	*6,755*
	c) other	*1,166*	*1,025*	*1,184*
40.	Public funds under administration	45	42	48
50.	Other liabilities	16,634	17,717	20,989
60.	Accrued expenses and deferred income	2,928	2,363	4,367
	a) accrued expenses	*1,437*	*1,554*	*3,988*
	b) deferred income	*1,491*	*809*	*379*
70.	Allowance for employee termination indemnities	812	892	923
80.	Allowances for risks and charges	1,970	2,088	2,391
	a) pensions and similar commitments	*102*	*103*	*99*
	b) taxation	*567*	*708*	*748*
	c) other	*1,301*	*1,277*	*1,544*
90.	Allowances for possible loan losses	–	–	–
100.	Reserve for general banking risks	–	–	–
110.	Subordinated and perpetual liabilities	10,130	10,368	10,860
120.	Share capital	3,561	3,561	3,561
130.	Share premium reserve	5,404	5,404	5,535
140.	Reserves	3,445	3,434	3,302
	a) legal reserve	*773*	*773*	*773*
	b) reserve for own shares	*2*	*1,015*	*883*
	c) statutory reserves	*1,085*	*61*	*61*
	d) other reserves	*1,585*	*1,585*	*1,585*
150.	Revaluation reserves	987	987	987
170.	Net income for the period	869	1,359	674
	Total Liabilities and Shareholders' Equity	**206,193**	**199,979**	**215,800**

[1] Figures restated on a consistent basis.

BANCA INTESA BALANCE SHEET

(in millions of euro)

	Guarantees and Commitments	30/06/2004	31/12/2003 pro forma [1]	30/06/2003 pro forma [1]
10.	Guarantees given	22,141	21,300	21,656
	including			
	– acceptances	*388*	*268*	*338*
	– other guarantees	*21,753*	*21,032*	*21,318*
20.	Commitments	24,090	23,159	23,805
30.	Credit derivatives	40,881	34,694	33,351
	Total Guarantees and Commitments	**87,112**	**79,153**	**78,812**

[1] Figures restated on a consistent basis.

BANCA INTESA STATEMENT OF INCOME

(in millions of euro)

		First half 2004	First half 2003 pro forma [1]	2003 pro forma [1]
10.	Interest income and similar revenues	3,202	3,706	7,019
	including from			
	– loans to customers	*2,271*	*2,774*	*5,245*
	– debt securities	*412*	*372*	*702*
20.	Interest expense and similar charges	(1,717)	(2,155)	(4,028)
	including on			
	– deposits from customers	*(338)*	*(508)*	*(943)*
	– securities issued	*(947)*	*(1,024)*	*(2,011)*
30.	Dividends and other revenues	576	464	741
	a) from shares, quotas and other forms of capital	*234*	*115*	*168*
	b) from equity investments	*50*	*44*	*48*
	c) from investments in Group companies	*292*	*305*	*525*
40.	Commission income	1,140	1,094	2,282
50.	Commission expense	(125)	(144)	(309)
60.	Profits (Losses) on financial transactions	16	149	322
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	1	1	2
70.	Other operating income	143	136	379
80.	Administrative costs	(1,821)	(1,885)	(3,823)
	a) payroll	*(1,031)*	*(1,085)*	*(2,156)*
	including			
	– wages and salaries	*(714)*	*(747)*	*(1,486)*
	– social security charges	*(200)*	*(210)*	*(419)*
	– termination indemnities	*(54)*	*(61)*	*(115)*
	– pensions and similar commitments	*(36)*	*(37)*	*(77)*
	b) other	*(790)*	*(800)*	*(1,667)*
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(1)	(1)	(2)
90.	Adjustments to fixed assets and intangibles	(55)	(69)	(138)
100.	Provisions for risks and charges	(59)	(43)	(64)
110.	Other operating expenses	(1)	(9)	(58)
120.	Adjustments to loans and provisions for guarantees and commitments	(557)	(595)	(1,142)
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	138	242	379
140.	Provisions for possible loan losses	–	–	–
150.	Adjustments to financial fixed assets	(22)	(96)	(319)
160.	Write-back of financial fixed assets	175	11	61
170.	**Income (Loss) from operating activities**	**1,033**	**806**	**1,302**
180.	Extraordinary income	125	330	1,202
190.	Extraordinary charges	(80)	(234)	(779)
200.	**Extraordinary income (loss), net**	**45**	**96**	**423**
210.	Change in the reserve for general banking risks	–	–	–
220.	Income taxes	(209)	(228)	(366)
230.	**Net income for the period**	**869**	**674**	**1,359**

[1] Figures restated on a consistent basis.

Methodological Notes

Legislative Decree 37 of 6th February 2004 – as part of the coordination of the company law reform set forth by Legislative Decree 6 of 17th January 2003 with the discipline of the banking and credit system – provided for the abrogation of Art. 15, par. 3 of Legislative Decree 87/92 which permitted the registration of adjustments and provisions solely in application of tax regulations.
Following this abrogation, Banca Intesa's statement of income as at 30th June 2004 no longer includes adjustments and provisions recorded for fiscal reasons, formerly represented by accelerated depreciation on certain types of tangible assets.
Furthermore in the half-year financial statements, adjustments recorded for fiscal purposes in previous years were reversed. The reversal of such items, which occurred in the statement of income as set out by the specific instruction issued by the Bank of Italy, led to record extraordinary income, net of the tax effect, of 27 million euro.

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