

**REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSAL
OF AUTHORISATION FOR THE MEANS OF USE OF OWN
SHARES**

Distinguished Shareholders,

the agenda of the Ordinary Shareholders' Meeting includes the proposal of delegating the Directors the widest possible operating powers with regard to the ordinary shares acquired from the holders of *IntesaBci Put Warrants*. It must be noted that the Ordinary Shareholders' Meeting held on 1st March 2001 authorised the purchase of up to a maximum of 478,747,202 IntesaBci ordinary shares from the holders of *IntesaBci Put Warrants* at the price of 5.38 euro each. This resolution represented the necessary complement of the project for the merger of Banca Commerciale Italiana in Banca Intesa approved by the same Shareholders' Meeting and was connected to the Tender Offer made in 1999 by Banca Intesa on the ordinary shares and saving shares of Banca Commerciale Italiana which set forth that, if acceptances exceeded the number of ordinary and/or saving shares to which the Offer applied (respectively 70% of ordinary and saving share capital), Banca Intesa, when assigning the Intesa shares as payment, would give each Accepting Shareholder, for each BCI share tendered and not exchanged, one *Warrant* representing the right to exercise the option to sell one BCI ordinary or one BCI saving share, at a price of 7.80 euro each (notwithstanding any adjustments deriving from operations on BCI's share capital, as provided for by Art. 3 of the Regolamentoo of the *Put Warrants*). Since the shares tendered exceeded the number of shares to which the Offer applied, the holders of the shares tendered but not exchanged were assigned 330,170,484 *Put Warrants* exercisable in the period from 1st to 15th November 2002.

Due to the resolutions of the Shareholders' Meeting of 1st March

2001 and the merger which was subsequently realised on the basis of the exchange ratio of 1.45 Banca Intesa ordinary share for each BCI ordinary or saving share, each *Put Warrant* at the time of exercise included the right to sell to IntesaBci 1.45 IntesaBci ordinary share at a price of 7.80 euro - corresponding to a price of 5.38 euro per share - notwithstanding all the other conditions contained in the Regolamento.

The same Shareholders' Meeting authorised the sale of IntesaBci shares *ex Put Warrants* at a price no lower than purchase cost. The determination of a sale price no lower than 5.38 euro reflected stock market conditions at that time and also an increase in the Bank's share price, which at the time seemed reasonable to presume. However, the economic slowdown, the crisis which has been affecting financial markets for over a year and lower-than-forecasted results achieved by our Group, make the assumption of placing our own shares at that price no longer realistic.

Furthermore, it must be noted that IntesaBci will buy from the holders of *Put Warrants* a number of its own shares representing approximately 8.1% of voting share capital and approximately 7.1% of share capital and therefore will hold a number of shares with a precise strategic importance in the Group's management.

The proposal is to authorise the Board of Directors, pursuant to Art. 2357 ter of the Italian Civil Code, to dispose of IntesaBci shares with wide operating powers, so that the Board may choose the means of disposal among the numerous possibilities and to fix solely the minimum sale prices, set in any case in line with market prices and without indicating any time limits. With the prospective that, with the 2003-2005 Business Plan, which is already under implementation and in an improved market situation, satisfactory disposal prices will be realisable.

The Board, therefore, deems it appropriate to propose that, also as a partial modification of the previous resolution, the sale of IntesaBci shares be authorised at a unit price no lower than the lower between (a) the average of the official prices struck by the stock in the thirty days preceding each disposal and (b) the value obtained by applying a discount no higher than 5% to the minimum price registered by the IntesaBci ordinary share on the day of each disposal or, in any case, the last price available.

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Therefore, pursuant to Art. 2357 of the Italian Civil Code, the Board makes the following proposals:

1. to revoke the resolution made by the Ordinary Shareholders' Meeting held on 1st March 2001 with regard to the means of sale of the own shares purchased following the exercise of the *IntesaBci Put Warrants*;
2. to authorise the Board of Directors, pursuant to Art. 2357 ter of the Italian Civil Code, to dispose of the ordinary shares purchased following the exercise of the *IntesaBci Put Warrants* at a unit price no lower than the lower between (a) the average of the official prices struck by the stock in the thirty days preceding each disposal and (b) the value obtained by applying a discount no higher than 5% to the minimum price registered by the IntesaBci ordinary share on the day of each disposal or, in any case, the last price available;
3. for this purpose, to authorise the Board of Directors and the Executive Committee to dispose of IntesaBci shares, without any time limits, all or in part and at one or more times, according to the technical means deemed to be the most appropriate at the time of each operation;

4. to confer to the Chairman and each Director, separately, every necessary power to execute the sales and in any case to execute the herein resolutions, even via delegated third parties, in compliance with what is provided for by competent authorities.

Milano, 12th November 2002

The Board of Directors