

c.2 Company issuing securities (BCI Shares) subject to the Offer

Corporate name, legal status and registered offices

Banca Commerciale Italiana S.p.A ("BCI") is a joint stock company whose registered office is in Milan, Piazza della Scala n. 6; it is registered with n. 2774 in the Milan Company Register. BCI is registered in the National Register of Banks with n. 3 and it is the Parent Company of «Gruppo Banca Commerciale Italiana» which is listed on the National Register of Banking Groups.

BCI ordinary and saving shares are listed in Italy on the Italian Electronic Market of Borsa Italiana S.p.A. and on SEAQ International in London.

History

Banca Commerciale Italiana S.p.A was founded in Milan in 1894, partly with German, Austrian and Swiss capital. Within a short period of time, it became an important member of the Italian banking system, while at the same time extending its presence abroad.

In 1910, together with two French banks, BCI established Banque Française et Italienne pour l'Amérique du Sud, today Banque Sudameris SA (of which BCI now owns a 99.9% stake), which is currently the holding company for a network that includes seven banks and approximately ten other companies specialised in related businesses, mostly operating in Europe and the Americas.

In 1911 BCI opened its first foreign branch in London which was followed by the New York branch in 1918. In the following decade, BCI extended its presence abroad with the acquisition of equity investments in banks in Bulgaria, Hungary, Romania and Poland.

Until the beginning of the 1930s, BCI also operated as an investment bank, acquiring equity participations in industrial companies. In 1933, control of the Bank was transferred to IRI, an Italian Government agency. In 1936, with the introduction of the Banking Law, BCI was reclassified as an "ordinary credit institution", and hence could only collect deposits and grant loans essentially for maturities within 18 months. In 1937, together with Banco di Roma and Credito Italiano, BCI was designated a "Bank of National Interest", as all three were joint-stock companies with branches in at least thirty Italian provinces. After Italy's adoption of the European Community's Second Banking Directive, in 1993, this classification was eliminated together with banks' mandatory specialisation based on the pre-imposed restrictions on the range and maturities of operations that could be carried out.

After the Second World War, BCI founded Mediobanca with Banco di Roma and Credito Italiano. BCI currently holds 8.8% of Mediobanca's share capital. In the 1960s, BCI accelerated the expansion of its overseas network and, in Italy, acquired control of Banco di Chiavari e della Riviera Ligure (of which BCI currently owns a 69.6% stake) and Banca di Legnano (in which it now has a 55% stake). In the early 1980s, BCI founded Banca Commerciale Italiana of Canada and Banca Commerciale Italiana (Suisse), both wholly-owned.

In 1994, BCI was privatised. In 1997 BCI acquired a 20% stake in Cassa di Risparmio di Biella e Vercelli. This stake was increased to 40% in 1998 and will increase to 55% in 1999. In 1998 BCI acquired control of Central-European International Bank of Budapest (increasing its stake from 13.2% to 95%) and of Banco America do Sul, São Paulo (of which the BCI

Group currently holds 71% of the share capital). Banco America do Sul will be fully consolidated starting from 1999.

BCI's capital is held by approximately 150,000 shareholders, of which close to 40% are overseas investors. The main shareholders are Assicurazioni Generali, Commerzbank and Paribas, each holding approximately 5% of the share capital.

Share capital

At the date of this Offer Document BCI's subscribed and fully paid-up share capital totalled 1,784,365,691 ordinary shares and 10,393,674 saving shares of nominal value Lire 1,000 each, having an aggregate nominal value of Lire 1,794,759,365,000; taking into account stock splits and the reverse stock splits of old BCI shares, having a nominal value of, respectively, 5,000 and 500 Italian Lire each, pursuant to Art. 13 of BCI's Articles of Association.

Summary description of the BCI Group

BCI conducts, both directly and through other Group companies, a wide range of banking and financial activities that include collecting of deposits, granting of loans, offering collection and payment services, supporting international trade, securities intermediation, merchant banking, capital market services, securities custody and settlement, securities lending, operations in foreign currencies and derivatives, leasing, factoring, portfolio management, mutual funds, life insurance, supplementary pension schemes and electronic services.

BCI distinguishes itself by its international presence, technological innovation and the quality of its management methods. Due to these competitive advantages, BCI has always played a leading role in the Italian banking industry by providing high value-added services.

As at December 31, 1998, the BCI Group had a network of 1,512 branches (1,141 in Italy and 371 abroad), as well as 25 representative offices around the world. Taking into account its associated companies, the BCI Group has a presence in 42 different countries.

As at December 31, 1998, the BCI Group had consolidated total assets in excess of Lire 218,000 billion (Euro 113 billion), 70% of which was attributable to BCI. At the same date the BCI Group had loans to customers of over Lire 100,000 billion (Euro 52 billion), customer deposits in excess of Lire 97,000 billion (Euro 50 billion) and shareholders' equity in excess of Lire 9,000 billion (Euro 5 billion).

BCI's Banking activities in Italy

BCI Group's banking activities in Italy are carried out principally by BCI (present in every region of Italy, with 905 branches in 426 boroughs as at December 31, 1998) and by three subsidiary regional banks, Banca di Legnano (68 branches and total assets of Lire 4,828 billion), Banco di Chiavari e della Riviera Ligure (76 branches and total assets of Lire 4,250 billion) and Cassa di Risparmio di Biella e Vercelli (92 branches and total assets of Lire 7,049 billion). Approximately 50% of the Italian branches of the Group are located in Northern Italy, 15.4% in Central Italy and 25.3% in Southern Italy and the Islands.

The BCI Group has always been responsive to the needs of its corporate clients and offers a wide range of corporate banking services. For example, deposits and loans (in Lire, in Euro and in foreign currency, short and medium/long term, of various types, from the opening of current account credit facilities to bill discounting; from import/export financing to advances

on contracts and other receivables); leasing; factoring; operations in foreign exchange and money market instruments; derivatives; treasury support systems (cash management and cash pooling); collection and payment services, also using electronic procedures (remote banking, R.I.D., M.A.V. and R.I.B.A.).

BCI has a leading position in Italy in corporate finance services: it is ranked 39th in the world (the only Italian bank to be ranked among the top 50 worldwide). For the organisation of syndicated loans it is included among the top 5 European institutions operating in aerospace finance, with a portfolio amounting to U.S.\$ 1.1 billion. It also plays a leading role among Italian banks in project finance, acquisition finance and in export finance.

BCI has traditionally been the bank of Italy's major companies, but has increased, in recent years its presence in the small and medium-sized enterprises ("SMEs") market. A series of services specifically designed for SMEs was launched as part of a special agreement signed with Confindustria (the Italian Industrial Association) and Confcommercio (the Italian Distributors' Association). BCI boasts approximately 200,000 corporate customers.

In the retail banking sector, BCI offers household current accounts, savings deposits, certificates of deposit, bonds, mortgage loans, personal loans, student loans, consumer credit, current account overdrafts, debit and credit cards (it is ranked first in the business among Italian banks, with 255,000 active cards as at December 31, 1998), utility payment services, automated banking services (through over 1,200 ATMs Cash Dispensers and over 11,000 Point-of-Sale terminals as at December 31, 1998).

Comit on Line, BCI's telephone banking service, has been active since 1995. Due to the presence of specialised staff, customers may carry out most types of banking and financial transactions, as well as receive investment advice over the phone.

BCI, historically considered a corporate bank, has progressively moved towards the retail banking sector, and can now boast approximately 2.3 million retail customers.

International activities

BCI Group's international activities are carried out through a differentiated network of operating units, tailored to the characteristics of each foreign market and on the type of business that the Group intends to develop there. As at December 31, 1998, the Group was operating abroad with 15 direct branches and 20 overseas representative offices belonging to BCI, 356 branches and 5 representative offices belonging to the seven foreign subsidiary banks (Banca Commerciale Italiana -France, Banca Commerciale Italiana -Ireland, Banca Commerciale Italiana of Canada, Banca Commerciale Italiana -Suisse, Central-European International Bank, Société Européenne de Banque, Sudameris Group), and numerous associated and affiliated companies.

The foreign activities of BCI are mainly wholesale, geared to multinational corporations and large-sized companies: short-term financing of working capital, international trade financing, operations in foreign exchange and money market instruments. To this type of customer, BCI also offers capital market services mostly through head office specialised units: the organisation of syndicated loans, eurobond issues, buyer credit for the import of capital goods, project financing and derivatives transactions (swaps, options, futures and credit derivatives). In credit derivatives activities BCI is ranked fifth in the United States (the top non-American bank), with a portfolio of U.S.\$ 15 billion.

In its international activity of promoting Italian industry and exports, BCI dedicates particular attention to SMEs. In Italy, BCI grants loans and advances to importers and exporters, settles their commitments and forwards their cash collections through the international payment

system circuits, opens and negotiates documentary credits and offers services linked to transactions in foreign exchange and derivatives.

BCI has the highest market share in international trade settlements between Italy and the rest of the world (approximately 11%) and in payment services between Italy and the rest of the world (30%). It also has approximately 2,400 accounts in the name of foreign banks.

The BCI Group also carries out retail activities abroad in Canada, Hungary and South America. Banca Commerciale Italiana of Canada (18 branches and total assets of Lire 2,253 billion, as at December 31, 1998) offers commercial banking products to local medium-sized companies and private customers. The Hungarian subsidiary, Central-European International Bank (26 branches and total assets of Lire 3,017 billion) is mainly active in the field of corporate financial services. The Sudameris Group (306 branches and total assets of Lire 23,164 billion, excluding Banco America do Sul consolidated with the equity method as at December 31, 1998) offers a complete range of services, from commercial banking to merchant banking, representing the most widespread Europe-based banking presence in South America. It recently underwent further growth as a result of the acquisition of Banco America do Sul (179 branches and total assets of Lire 4,711 billion, as at December 31, 1998).

Banca Commerciale Italiana-Suisse (3 branches and total assets of Lire 1,033 billion) and Société Européenne de Banque (based in Luxembourg, with 1 branch and total assets of Lire 6,704 billion) mainly operate in the field of private banking. Société Européenne de Banque also provides services for incorporation, registration and management of holding companies and other international corporate structures.

Banca Commerciale Italiana-France (1 branch and total assets of Lire 6,744 billion) is largely focused on corporate banking and on providing financial services for international trade between Italy and France. Banca Commerciale Italiana-Ireland (1 branch and total assets amounting to Lire 2,231 billion) operates with wholesale Italian and foreign customers, in particular in the field of structured finance. It also manages a portfolio of fixed-income bonds issued by leading issuers.

Overall, the BCI Group has over 100,000 credit relationships with non-Italian clients, cash assets in excess of Lire 90,000 billion (Euro 47 billion) and guarantees and commitments in excess of Lire 40,000 billion (Euro 21 billion).

Investment Banking

In the primary bond market, BCI is one of the leading players in the placement of Italian Government bonds, Italian corporate bonds, including convertibles, and eurobonds. In the secondary bond market, BCI is a primary dealer on the Information System of the Italian Government Security Market and the MIF (the Italian Futures Market). It also has a seat on the London International Financial Futures Exchange (LIFFE) and operates in all of the main segments of the euromarket.

In the primary equity market, BCI has always distinguished itself in Italy for its participation as lead manager or co-lead manager in underwriting syndicates and for capital increases. In 1998 it was ranked first among Italian banks as «lead manager» of OPV/OPS, with 6 deals. In 1998, it was ranked first among Italian banks as «co-ordinator» and «advisor» of take-over offers, with 7 deals and a market share of 11.5% of the acceptances gathered. In connection with its merchant banking activities, BCI also managed, in recent years, the IPO of various medium-sized companies. BCI was one of the first Italian banks to offer securities lending services.

Asset Management

In the asset management business, the BCI Group held securities in custody and administration in excess of Lire 280,000 billion (Euro 145 billion) as at December 31, 1998, and managed funds of approximately Lire 76,000 billion (Euro 39 billion), net of Lire 11,000 billion of intra-group investments of portfolio management divisions in mutual funds and excluding bancassurance. Asset management services are offered by BCI (funds managed amounted to Lire 19,000 billion, (Euro 10 billion) as at December 31, 1998), the three regional banks (over Lire 3,000 billion, (Euro 1.5 billion) on an aggregate basis), S.I.R.E.F. Gestioni, a BCI Group company specialised in this area (Lire 1,000 billion, (Euro 500 billion)), and several foreign banks such as Banca Commerciale Italiana -Suisse and Société Européenne de Banque (Lire 7,000 billion, (Euro 3.6 billion) on an aggregate basis). S.I.R.E.F. - which controls S.I.R.E.F. Gestioni - is active in the field of fiduciary management (funds managed totalled Lire 5,078 billion, (Euro 2.6 billion) as at December 31, 1998).

BCI Group companies operating in mutual fund managements are GenerComit Gestione, with 14 funds managing over Lire 46,000 billion (Euro 24 billion) of assets and Comit Gestioni S.G.R. which manages mutual funds exclusively reserved for the Groups, Individual Portfolio Management Schemes invested in Mutual Funds - Gestioni Patrimoniali in Fondi (GPF) - (with 4 funds as at December 31, 1998 and total managed assets amounting to approximately Lire 6,000 billion, Euro 3 billion) and several foreign subsidiaries (with total managed assets in excess of Lire 4,000 billion, Euro 2 billion).

Regarding SICAVs and mutual funds subject to Luxembourg Law, Société Européenne de Banque offers a full range of services such as third party administration and custody.

In closed-end investment funds, the BCI Group operates, together with leading banking partners, through the fund management company FIDIA - *Fondo Interbancario d'Investimento Azionario*.

Merchant Banking

Among Italian banks, BCI has a leading role in the area of merchant banking, with Lire 250 billion invested in private equity. BCI presents itself to companies as their prime relationship bank ("Hausbank") offering a complete and integrated range of services. In particular, consulting services relating to mergers and acquisitions, due-diligence services, corporate reorganisations, management and leveraged buy-outs and acquisition of equity stakes in non-financial enterprises with a view to subsequent placement.

Bancassurance and supplementary pension schemes

The BCI Group operates in the field of bancassurance through AssiBa, whose share capital is equally held by BCI and Assicurazioni Generali. AssiBa offers life insurance products with a strong financial content, such as "Programma Risparmio", "Programma Pensione" and index, and unit-linked insurance policies. In 1998, collected premiums were in excess of Lire 2,000 billion (Euro 1 billion) and at the end of the year the company's portfolio consisted of 235,000 policies.

The BCI Group set up two companies in the area of supplementary pension schemes. One is Sim Co.Ge.F. (a joint-venture owned by BCI, Assicurazioni Generali and the Flemings Group) which provides consulting and asset management to pension funds. The other is Previnet (jointly held in equal parts by BCI and Assicurazioni Generali), which was established to provide customers the necessary IT and administrative services.

Main areas of activity of the BCI Group and main companies operating in each area as at December 31, 1998

Banking activities in Italy

Deposits, loans, debit and credit cards, payment system services, foreign exchange and money market instruments, derivative products

Banca Commerciale Italiana, Milan
Banca di Legnano, Legnano
Banco di Chiavari e della Riviera Ligure, Genoa
Cassa di Risparmio di Biella e Vercelli, Biella

Leasing

Banca Commerciale Italiana, Milan
Banca di Legnano, Legnano

Factoring

Banca Commerciale Italiana Factoring, Milan

Telephone banking

Banca Commerciale Italiana, Milan

International activities

*Wholesale, commercial and retail banking services, trade finance, local and international payment systems, foreign exchange and money market services, derivative products. Debit and credit cards**

Banca Commerciale Italiana *, Milan
America do Sul Administradora de Cartao de C redito e Assessoria*, São Paulo
Banca Commerciale Italiana (France), Paris
Banca Commerciale Italiana (Ireland), Dublin
Banca Commerciale Italiana of Canada*, Toronto
Banca Commerciale Italiana (Suisse), Zürich
Banco America do Sul SA*, São Paulo
Banco Sudameris Argentina SA*, Buenos Aires
Banco Sudameris Brasil SA*, São Paulo
Banco Sudameris Colombia SA*, Santa Fé de Bogotá
Banco de Lima*, Lima
Banco Sudameris Paraguay SA*, Asunción
Banque Sudameris SA*, Paris
Central-European International Bank*, Budapest
Société Européenne de Banque, Luxembourg

Factoring

Sudameris Soc.de Fomento Comercial e de Serviços Ltda, São Paulo

Leasing

America do Sul Leasing SA Arrendamento Mercantil, São Paulo
Leasing Sudameris SA - Companhia de Financiamento Comercial, San ta Fé de Bogotá
Lima Leasing SA, Lima
Sudameris Arrendamento Mercantil SA, São Paulo
Sudameris Leasing SA, Santiago

Forfaiting

Banca Commerciale Italiana Soditic Trade Finance Ltd, London

Telephone banking

Banca Commerciale Italiana, Milan
Banca Commerciale Italiana of Canada, Toronto
Banco America do Sul SA, São Paulo
Banco Sudameris Brasil SA, São Paulo
Banque Sudameris SA, Paris
Central-European International Bank, Budapest

Consulting, information technology and other corporate banking services

Consult-Ameris SA, Montevideo
SATA - Sociedade de Assessoria Tecnica e Administrativa SA, São Paulo
Servitia, Luxembourg
Société Européenne de Banque, Luxembourg
Sudameris Empreendimentos e Serviços Ltda, São Paulo

Establishment and administration of holding companies and other international corporate structures

SEB Trust Limited, St.Helier , Jersey
Société Européenne de Banque, Luxembourg

Investment Banking

1) Primary and secondary bond and equity markets

Banca Commerciale Italiana, Milan
Banca di Legnano, Legnano
Banco di Chiavari e della Riviera Ligure, Genoa
Cassa di Risparmio di Biella e Vercelli, Biella
Banco Financeiro e Industrial de Investimento SA, São Paulo
CIB Securities Co. Ltd., Budapest
Inversiones Mobiliarias SA «I.M.SA», Lima
Inversiones Sudameris Chile Ltda, Santiago
Société Européenne de Banque, Luxembourg
Sudameris Capital Markets SA, Argentina

2) Securities intermediation

Banca Commerciale Italiana, Milan
CIA America do Sul Corretora de Cambio Titulos e Valores Mobiliarios, São Paulo
CIB Securities Co. Ltd., Budapest
Société Européenne de Banque, Luxembourg
Sudameris Agencia de Valores SA, Santiago
Sudameris Casa de Bolsa SA, Asunción
Sudameris Corretora de Cambio e Valores Mobiliarios SA, São Paulo
Sudameris Perù SAB., Lima

Asset Management

Banca Commerciale Italiana, Milan
Banca di Legnano, Legnano
Banco di Chiavari e della Riviera Ligure, Genoa
Cassa di Risparmio di Biella e Vercelli, Biella
Banca Commerciale Italiana (Suisse), Zürich
Banco America do Sul SA, São Paulo
Banco de Lima, Lima
Banco Sudameris Argentina SA, Buenos Aires
Banco Sudameris Brasil SA, São Paulo
Banco Sudameris Colombia SA, Santa Fé de Bogotá
Banco Sudameris Paraguay SA, Asunción
Banque Sudameris SA, Paris
Société Européenne de Banque, Luxembourg

Individual Portfolio management

Banca Commerciale Italiana, Milan
Banca di Legnano, Legnano
Banco di Chiavari e della Riviera Ligure, Genoa
Cassa di Risparmio di Biella e Vercelli, Biella
S.I.R.E.F. Gestioni SIM, Milano
America do Sul Distribuidora de Titulos e Valores Mobiliarios, São Paulo
Banca Commerciale Italiana (Suisse), Zürich
Inversiones Sudameris Chile Ltda, Santiago
Société Européenne de Banque, Luxembourg
Sudameris Distribuidora de Titulos e Valores Mobiliarios SA, São Paulo

Fiduciary management

S.I.R.E.F., Milan
Banca Commerciale Italiana (Suisse), Zürich
Banque Sudameris SA, Paris
Fiduciaria Sudameris SA, Santa Fé de Bogotá
SEB Trust Limited, St.Helier, Jersey
Société Européenne de Banque, Luxembourg

Mutual funds

Banca Commerciale Italiana Gestioni S.G.R., Milan
GenerComit Gestione, Milan
Banca Commerciale Italiana Canada Securities Inc., Toronto
Banca Commerciale Italiana Lux Conseil, Luxembourg
CIB Investment Fund Management Ltd., Budapest
Equitypar Companhia de Participacoes, São Paulo
Banco Financeiro e Industrial de Investimento SA, São Paulo
Société Européenne de Banque, Luxembourg
Sudameris Perú SAF.M.I. - Sociedad Administradora de
Fondos Mutuos de Inversion en Valores y Fondos de Inversion SA, Lima

Closed-end funds

FIDIA, Milan

SICAs

Société Européenne de Banque, Luxembourg

Placement of financial products

Personal financial consultants network

GenerBCI Distribuzione SIM, Mogliano Veneto

Merchant Banking

Banca Commerciale Italiana, Milan

Banco Financeiro e Industrial de Investimento SA São Paulo

Banque Sudameris SA, Paris

Sudameris Investment Chile SA, Santiago

Bancassurance and supplementary pension schemes

1) Bancassurance

AssiBa, Milan

Banco America do Sul SA, São Paulo

Banco Sudameris Brasil SA, São Paulo

Banco Sudameris Colombia SA, Santa Fé de Bogotá

Banco de Lima, Lima

Providencia Compañía de Seguros de Vida SA, Buenos Aires

Sudameris Generali Companhia Nacional de Seguros SA, São Paulo

2) Supplementary pension schemes, pension funds

Sim Co.Ge.F., Milan

Previnet, Mogliano Veneto

Providencia Compañía de Seguros de Retiro SA, Buenos Aires

BCI RESULTS IN 1998

a) *BCI Group's reclassified consolidated balance sheet and statement of income for 1998 and 1997*

BALANCE SHEET

ASSETS	Lire (in billions)		Changes	Euro (in millions) 1998
	1998	1997 (*)	%	
10. Cash and deposits with central banks and post offices	994	1,102	(9.7)	514
20. Treasury bills and similar bills eligible for refinancing with central banks	6,704	5,810	15.4	3,462
30. Due from banks	53,752	63,417	(15.2)	27,760
40. Loans to customers	100,423	97,652	2.8	51,864
50. Bonds and other debt securities	33,842	23,954	41.3	17,478
60. Shares, quotas and other debt securities	599	835	(28.2)	309
70. Equity investments	2,116	2,199	(3.8)	1,093
80. Investments in Group companies	283	91	210.8	146
90. Goodwill arising on consolidation	510	118	-	263
100. Goodwill arising on application	89	52	69.5	46
110. Intangible fixed assets	517	540	(4.3)	267
120. Tangible fixed assets	2,752	2,846	(3.3)	1,422
150. Other assets	12,180	11,374	7.1	6,291
160. Accrued income and prepaid expenses	3,759	3,807	(1.3)	1,941
Total assets	218,520	213,797	2.2	112,856

(*) Data was reclassified for consistency purposes

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)		Changes	Euro (in millions)
	1998	1997 (*)	%	1998
10. Due to banks	85,165	82,522	3.2	43,984
20. Due to customers	74,499	73,421	1.5	38,476
30. Securities issued	23,136	25,866	(10.6)	11,949
40. Deposits and public funds under administration	28	29	(2.9)	14
50. Other liabilities	13,940	13,180	5.8	7,200
60. Accrued expenses and deferred income	3,606	3,574	0.9	1,862
70. Allowance for employee termination indemnities	1,043	999	4.4	539
80. Allowance for risks and charges	1,631	1,285	26.9	842
90. Allowance for possible loan losses	27	110	(75.5)	14
110. Subordinated liabilities	3,249	2,342	38.8	1,678
115. Subordinated perpetual liabilities	1,724	-	-	891
120. Negative goodwill arising on consolidation	114	109	5.5	59
140. Minority interest	952	1,415	(32.7)	491
150. Share capital	1,795	1,795	-	927
160. Share premium reserve	2,222	2,222	-	1,147
170. Reserves	3,970	3,980	(0.3)	2,050
180. Revaluation reserves	524	533	(1.7)	271
200. Net income for the year	895	415	115.7	462
Total Liabilities and Shareholder's Equity	218,520	213,797	2.2	112,856

GUARANTEES AND COMMITMENTS	Lire (in billions)		Changes	Euro (in millions)
	1998	1997 (*)	%	1998
10. Guarantees given	31,965	36,828	(13.2)	16,509
20. Commitments	38,656	39,041	(1.0)	19,964
Total Guarantees and Commitments	70,621	75,869	(6.9)	36,473

(*)Data was reclassified for consistency purposes

STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions)
	1998	1997 (*)	%	
10. Interest income and similar revenues	13,483	14,861	(9.3)	6,963
20. Interest expense and similar charges	(9,060)	(9,936)	(8.8)	(4,679)
30. Dividends and other revenues	153	128	19.6	79
40. Commission income	2,578	2,021	27.6	1,331
50. Commission expense	(313)	(272)	15.1	(162)
60. Profits on financial transactions	450	238	89.0	232
70. Other operating income	632	601	5.3	327
80. Administrative costs	(4,652)	(4,948)	(6.0)	(2,402)
90. Adjustments to tangible and intangible fixed assets	(582)	(519)	12.1	(301)
100. Provisions for risks and charges	(62)	(36)	73.4	(32)
110. Other operating expenses	(163)	(122)	34.1	(84)
120. Adjustments to tangible and intangible fixed assets	(1,333)	(1,270)	5.0	(689)
130. Write-backs of adjustments to loans and provisions for guarantees and commitments	340	332	2.6	176
140. Provisions for possible loan losses	(15)	(50)	(69.9)	(8)
150. Adjustments to financial fixed assets	(138)	(107)	29.4	(71)
160. Write-backs of financial fixed assets	1	13	(87.1)	1
170. Income from investments carried at equity	15	3	-	8
180. Income from operating activities	1,334	937	42.4	689
190. Extraordinary income	447	244	83.6	231
200. Extraordinary charges	(74)	(189)	(60.7)	(38)
210. Extraordinary income (loss) net	373	55	-	193
240. Income taxes for the year	(731)	(466)	57.2	(378)
250. Income attributable to minority shareholders	(81)	(111)	(27.4)	(42)
260. Net income for the year	895	415	115.7	462

(*)Data was reclassified for consistency purposes

RECLASSIFIED STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions)
	1998	1997 (*)	%	
10. Interest income and similar revenues	13,483	14,861	(9.3)	6,963
20. Interest expense and similar charges	(9,060)	(9,936)	(8.8)	(4,679)
30. Dividends and other revenues	153	128	19.6	79
170. Income from investments carried at equity	15	3	-	8
<i>Interest margin</i>	<i>4,591</i>	<i>5,056</i>	<i>(9.2)</i>	<i>2,371</i>
40. Commission income	2,578	2,021	27.6	1,331
50. Commission expense	(313)	(272)	15.1	(162)
60. Profits on financial transactions	450	238	89.0	232
70. Other operating income	632	601	5.3	327
110. Other operating expense	(163)	(122)	34.1	(84)
<i>Net profits on financial transactions and services</i>	<i>3,184</i>	<i>2,466</i>	<i>29.1</i>	<i>1,644</i>
<i>Net interest and other banking income</i>	<i>7,775</i>	<i>7,522</i>	<i>3.4</i>	<i>4,015</i>
80. Administrative costs				
- payroll	(3,018)	(3,169)	(4.8)	(1,558)
- other administrative costs	(1,634)	(1,779)	(8.1)	(844)
90. Adjustments to tangible and intangible fixed assets	(582)	(519)	12.1	(301)
100. Provisions for risks and charge s	(62)	(36)	73.4	(32)
<i>Operating charges</i>	<i>(5,296)</i>	<i>(5,503)</i>	<i>(3.8)</i>	<i>(2,735)</i>
<i>Operating margin</i>	<i>2,479</i>	<i>2,019</i>	<i>22.8</i>	<i>1,280</i>
120. Adjustments to loans and provisions for guarantees and commitments	(1,333)	(1,270)	5.0	(689)
130. Write-backs of adjustments to loans and provisions for guarantees and commitments	340	332	2.6	176
140. Provisions for possible loan losses	(15)	(50)	(69.9)	(8)
150. Adjustments to financial fixed assets	(138)	(107)	29.4	(71)
160. Write-back of financial fixed assets	1	13	(87.1)	1
<i>Income from operating activities</i>	<i>1,334</i>	<i>937</i>	<i>42.4</i>	<i>689</i>
190. Extraordinary income	447	244	83.6	231
200. Extraordinary charges	(74)	(189)	(60.7)	(38)
<i>Income before taxes</i>	<i>1,707</i>	<i>992</i>	<i>72.2</i>	<i>882</i>
240. Income taxes	(731)	(466)	57.2	(378)
250. Income attributable to minority shareholders	(81)	(111)	(27.4)	(42)
260. Net income for the year	895	415	115.7	462

(*)Data was reclassified for consistency purposes

Notes on the reclassified statement of income are to be found in the Report on Operations

BCI GROUP'S SELECTED FINANCIAL DATA FOR 1998 AND 1997

Selected Financial Data	Lire (in billions)		Changes %	Euro (in millions) 1998
	1998	1997 (*)		
<u>Balance sheet (Lire in billions)</u>				
Total assets	218,520	213,797	2.2	112,856
Total loans	154,175	161,069	(4.3)	79,624
<i>including: Loans to customers</i>	100,423	97,652	2.8	51,864
Securities	41,145	30,599	34.5	21,249
Equity investments	2,399	2,290	4.8	1,239
Total debts	182,828	181,838	0.5	94,423
<i>including: due to customers and securities issued</i>	97,663	99,316	(1.7)	50,439
Net interbank position (debt)	31,413	19,105	64.4	16,224
Subordinated liabilities	3,249	2,342	38.8	1,678
Subordinated perpetual liabilities	1,724	-	-	891
Shareholders' equity	9,520	9,054	5.1	4,916
<u>Statement of income (Lire in billions)</u>				
Interest margin	4,591	5,056	(9.2)	2,371
Net interest and other banking income	7,775	7,522	3.4	4,015
Operating margin	2,479	2,019	22.8	1,280
Income (loss) from operating activities	1,334	937	42.4	689
Income before taxes	1,707	992	72.2	882
Net income for the year attributable to the Group	895	415	115.7	462
<u>Operating ratios</u>				
Net income for the year attributable to the Group/Group's average shareholders' equity (ROE) (1)	10.37%	4.86%		
Net income for the year/average total assets (ROA) (2)	0.45%	0.26%		
Interest margin /net interest and other banking income	59.05%	67.22%		
Operating charges /net interest and other banking income	68.12%	73.16%		
Total fixed assets (3) / total assets	5.48%	5.88%		
Net non-performing loans /loans to customers (net)	2.87%	3.08%		
Accumulated adjustments on non-performing loans /Gross non-performing loans to Customers	36.07%	36.34%		
Tier 1 capital / risk-weighted assets (4)	6.56%	6.49%		
Total capital / risk-weighted assets (4)	8.87%	8.35%		
Income for the year per share	499	231		
<u>Other information</u>				
Staff (average number) (5)	28,479	29,061		
Branches (number) (6)	1,512	1,479		
<i>including: Italy</i>	1,141	1,127		
<i>including: Abroad</i>	371	352		

(*) Data was reclassified for consistency purposes

(1) Average of the year-end shareholders equity excluding net income for the year.

(2) Average total assets are calculated at the arithmetical average of total assets for the year-ended December 31, 1998 and total assets for the year ended December 31, 1997.

Net income for the year also includes minority shareholders.

(3) Securities held for investment, equity investments, tangible and intangible fixed assets and positive goodwill arising on consolidation and on application of the equity method

(4) Including market risk

(5) Part-time staff have been calculated using the standard practice of half their number

(6) Apart from 266 (formerly 212) automated branches inside Public entities or Companies and 25 (formerly 25) Representative offices abroad

Explanatory Notes

BCI's Group performance

During 1998 the BCI Group reinforced its position in the Italian market by transforming into majority stakes its equity investments in GenerComit Gestione, GenerComit Distribuzione and Cassa di Risparmio di Biella e Vercelli. The Group's Italian banks have tailored their approach to the market – harmonising it with the strategies adopted by the Parent Company – to better exploit the changing opportunities offered. The Group followed a growth model aimed at replacing lower profitability from lending and funding activities with increased revenues through offering specially tailored services to individuals. Accordingly, the Group pursued satisfaction of customer needs with investments capable of guaranteeing higher immediate or future returns than traditional bank deposits or direct investments in Government securities.

The best results, in terms of volumes and profitability were achieved not only by asset management activities carried out within each individual bank, but also as a result of the synergies offered by Group companies specialised in mutual fund management and in bancassurance. These companies are capable of offering to all customer segments a wide range of products, designed to ensure high customer satisfaction.

In accordance with the external growth strategy pursued, two important controlling interests in foreign groups were acquired. On the one hand, in Eastern Europe, characterised by strong growth projections for the banking sector, direct activity began through the Group Central European International Bank of Budapest. On the other hand, the acquisition of Group Banco America do Sul of Sao Paulo is consistent with the strategy of extending the existing network of controlled banks in Latin America, where the Group's local banks maintained an approach geared at prudent management, prompt reaction to market opportunities and maintaining adequate capital levels. In the first months of 1999, BCI agreed to acquire, through Group Sudameris, a controlling stake of the Banco Wiese Ltda. (BWL) based in Lima, ranked second, in terms of assets, among Peruvian banks with a 16.7% market share. The new conglomerate resulting from the integration with the local bank controlled by Group Sudameris will boast a 21.8% market share in terms of loans and 21.5% in terms of deposits.

Balance sheet trends

As at December 31, 1998, the Group recorded total assets amounting to Lire 218,520 billion. Within that value, the risk-weighted assets, determined according to the Supervisory Authorities Rules, totalled Lire 149,000 billion, corresponding (dividing by capital) to a capital ratio of 8.9%.

On the assets side, total loans amounted to Lire 154,174 billion, of which Lire 100,423 billion is due from customers. On the liabilities side, customers deposits totalled Lire 97,663 billion. Considering the credit lines provided by the banking system, total funding amounted to Lire 183,000 billion, almost Lire 188,000 billion if subordinated and perpetual notes are taken into account. The Sudameris Group contributed to overall assets and funding for approximately 11-12% of the total, and a similar amount in value terms to customer and interbank components.

The BCI Group in Italy and abroad managed funds in excess of Lire 78,000 billion, excluding Lire 11,000 billion deriving from investments in funds from individual portfolio management schemes and in bancassurance.

The securities portfolio increased to Lire 41,145 billion, mainly due to the substantial growth registered by the trading portfolio which accounted for approximately 86% of the total.

As at December 31, 1998 the Group's consolidated shareholders' equity amounted to Lire 9,520 billion which, adding subordinated and perpetual debt, resulted in a consolidated capital for supervisory purposes of Lire 13,200 billion, of which Lire 9,759 billion is Tier 1 capital and Lire 3,441 billion is Tier 2.

Economic performance

Net income for 1998, totalling Lire 895 billion, more than doubled the previous year's results. The Sudameris group and the new C.I.B. group contributed approximately 15% of the consolidated results.

Interest margin, totalling Lire 4,600 billion, was approximately 9% lower than that of the previous year. This result reflects the structural decline in interest rates all over the world and the local repercussions of negative international economic developments.

Net interest and other banking income rose by 3.4% to Lire 7,775 billion. This growth was mainly due to significant progress made by securities trading activities and customer services. Improvements were registered by all divisions. Net commissions increased by approximately 30% to Lire 2,264 billion, reflecting the highly effective strategies adopted in the areas of mutual funds and individual portfolio management.

Profits from trading in financial instruments (securities, currencies and derivatives) were also particularly impressive, with revenues of Lire 450 billion nearly doubling those of the previous years. Also noteworthy is the performance of other operating income (Lire 470 billion), largely attributable to the Parent Company's specialised activities, including merchant banking.

The improvements described above have resulted in operating margins of Lire 2,479 billion, corresponding to a 23% growth rate on the figure reported at year-end 1997. The rise also reflected the decreasing trend in operating costs which dropped by 3.8% to Lire 5,297 billion, due to containment of both personnel expenses (which decreased by approximately 5%) and other administrative expenses (which decreased by approximately 8%).

The improvements outlined above also positively affected income from operating activities, which increased by 42.4% to Lire 1,334 billion.

Net non-recurring income was also largely positive (Lire 373 billion) mainly due to the Parent Company's sale of non-strategic equity interests.

Independent Auditors' Report

The accompanying consolidated financial statements of the BCI group and its subsidiaries and the related Report on Operations as at December 31, 1998 have been audited by Arthur Andersen S.p.A.

The audit conducted by the Independent Auditors was carried out in accordance with the auditing standards recommended by CONSOB.

The auditing confirmed that the consolidated financial statements, taken as a whole, have been prepared clearly and give a true and fair view of the balance sheet and financial position and results of operations of BCI and its subsidiaries, in accordance with the law related to consolidated financial statements.

Therefore, Arthur Andersen S.p.A. issued the auditing report on the consolidated financial statements of Banca Commerciale Italiana and its subsidiaries as at December 31, 1998.

The financial statements of certain subsidiaries, which represent approximately 25% of the consolidated assets and approximately 40% of the consolidated net interest and other banking

income, have been audited by other auditing firms who provided Arthur Andersen with their reports.

b) BCI's reclassified balance sheet and statement of income for the years ended December 31, 1998 and 1997

BALANCE SHEET

ASSETS	Lire (in billions)		Changes	Euro (in millions) 1998
	1998	1997	%	
10. Cash and deposits with central banks and post offices	453	437	3.6	234
20. Treasury bills and similar bills eligible for refinancing with central banks	4,646	3,902	19.1	2,399
30. Due from banks	46,362	52,088	(11.0)	23,944
40. Loans to customers	72,294	72,508	(0.3)	37,337
50. Bonds and other debt securities	23,364	15,508	50.7	12,066
60. Shares, quotas and other forms of capital	503	730	(31.1)	260
70. Equity investments	1,743	1,963	(11.2)	900
80. Investments in Group companies	4,120	2,623	57.1	2,128
90. Intangible fixed assets	405	488	(17.0)	209
100. Tangible fixed assets	3,029	2,686	12.8	1,564
130. Other assets	10,660	9,028	18.1	5,506
140. Accrued income and prepaid expenses	3,022	3,124	(3.3)	1,561
Total assets	170,601	165,085	3.3	88,108

LIABILITIES AND SHAREHOLDER'S EQUITY	Lire (in billions)		Changes	Euro (in millions) 1998
	1998	1997	%	
10. Due to banks	72,873	70,645	3.2	37,636
20. Due to customers	54,359	53,677	1.3	28,074
30. Securities issued	13,298	15,669	(15.1)	6,868
40. Deposits and public funds under administration	28	29	(2.9)	14
50. Other liabilities	12,133	10,769	12.7	6,266
60. Accrued expenses and deferred income	2,973	2,930	1.4	1,536
70. Allowance for employee termination Indemnities	909	869	4.6	470
80. Allowance for risks and charges	901	599	50.5	465
90. Allowance for possible loan losses	-	30	(100.0)	-
110. Subordinated liabilities	2,643	1,631	62.0	1,365
115. Subordinated perpetual liabilities	1,724	-	-	890
120. Share capital	1,795	1,795	-	927
130. Share premium reserve	2,222	2,222	-	1,147
140. Reserves	3,481	3,388	2.8	1,798
150. Revaluation reserves	454	454	-	235
160. Profits brought forward	-	-	-	-
170. Net income (loss) for the year	808	378	114.1	417
Total liabilities and Shareholder's equity	170,601	165,085	3.3	88,108

GUARANTEES AND COMMITMENTS	Lire (in billions)		Changes	Euro (in millions) 1998
	1998	1997	%	
10. Guarantees given	28,057	32,387	(13.4)	14,490
20. Commitments	33,930	35,605	(4.7)	17,523
Total Guarantees and Commitments	61,987	67,992	(8.8)	32,013

STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions)
	1998	1997	%	1998
10. Interest income and similar revenues	8,561	9,625	(11.0)	4,421
20. Interest expense and similar charges	(6,005)	(6,820)	(12.0)	(3,101)
30. Dividends and other revenues	363	307	18.0	187
40. Commission income	1,761	1,307	34.8	910
50. Commission expense	(184)	(153)	20.1	(95)
60. Profits on financial transactions	285	215	32.6	147
70. Other operating income	772	728	6.1	399
80. Administrative costs	(3,002)	(3,187)	(5.8)	(1,550)
90. Adjustments to tangible and intangible Fixed assets	(654)	(608)	7.5	(338)
100. Provisions for risks and charges	(20)	(20)	-	(10)
110. Other operating expenses	(56)	(30)	85.1	(29)
120. Adjustments to loans and provisions for guarantees and commitments	(774)	(708)	9.3	(400)
130. Write-backs of adjustments to loans and provisions for guarantees and commitments	157	140	12.1	81
140. Provisions for possible loan losses	-	(30)	(100.0)	-
150. Adjustments to financial fixed assets	(173)	(144)	20.4	(89)
160. Write-backs of financial fixed assets	1	2	(53.1)	-
170. Income from operating activities	1,032	624	65.4	533
180. Extraordinary income	353	126	179.7	182
190. Extraordinary charges	(38)	(95)	(59.9)	(20)
200. Extraordinary income (net)	315	31	-	162
215. Provisions to reserves pursuant to Art. 7, par. 3, Law 218/90 and D.Lgs. 124/93	(9)	(7)	16.6	(4)
220. Income taxes for the year	(530)	(270)	96.3	(274)
230. Net income for the year	808	378	114.1	417

RECLASSIFIED STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes %	Euro (in millions) 1998
	1998	1997		
10. Interest income and similar revenues	8,644	9,718	(11.0)	4,464
20. Interest expense and similar charges	(6,005)	(6,820)	(12.0)	(3,101)
30. Dividends and other revenues	363	307	18.0	187
<i>Interest margin</i>	<i>3,002</i>	<i>3,205</i>	<i>(6.3)</i>	<i>1,550</i>
40. Commission income	1,761	1,307	34.8	910
50. Commission expense	(184)	(153)	20.1	(95)
60. Profits on financial transactions	285	215	32.6	147
70. Other operating income	422	410	3.2	218
110. Other operating expense	(56)	(30)	85.1	(29)
<i>Net Profits on financial transactions and services</i>	<i>2,228</i>	<i>1,749</i>	<i>27.5</i>	<i>1,151</i>
<i>Net interest and other banking income</i>	<i>5,230</i>	<i>4,954</i>	<i>5.6</i>	<i>2,701</i>
80. Administrative costs	(3,002)	(3,187)	(5.8)	(1,551)
90. Adjustments to tangible and intangible Fixed assets	(387)	(383)	1.1	(199)
100. Provisions for risks and charges	(20)	(20)	-	(10)
<i>Operating charges</i>	<i>(3,409)</i>	<i>(3,590)</i>	<i>(5.0)</i>	<i>(1,760)</i>
<i>Operating margin</i>	<i>1,821</i>	<i>1,364</i>	<i>33.5</i>	<i>941</i>
120. Adjustments to loans and provisions for guarantees and commitments	(774)	(708)	9.3	(400)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	157	140	12.1	81
140. Provisions for possible loan losses	-	(30)	(100.0)	-
150. Adjustments to financial fixed assets	(173)	(144)	20.4	(89)
160. Write-backs of financial fixed assets	1	2	(53.1)	-
<i>Income (Loss) from operating activities</i>	<i>1,032</i>	<i>624</i>	<i>65.4</i>	<i>533</i>
180. Extraordinary income	353	126	179.7	182
190. Extraordinary charges	(38)	(95)	(59.9)	(20)
215. Provision to reserves Art. 7, par. 3, Law 218/90 and D.Lgs.124/93	(9)	(7)	16.6	(4)
<i>Income before taxes</i>	<i>1,338</i>	<i>648</i>	<i>106.6</i>	<i>691</i>
220. Income taxes for the year	(530)	(270)	96.3	(274)
230. Net income (loss) for the year	808	378	114.1	417

The reclassified statement of income is commented on in the Report on Operations

BCI'S SELECTED FINANCIAL DATA FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

Selected Financial Data	Lire (in billions)		Changes	Euro (in millions) 1998
	1998	1997	%	
Balance sheet (in billions of Lire)				
Total assets	170,601	165,085	3.3	88,108
Total loans	118,657	124,597	(4.8)	61,281
<i>Including: Loans to customers</i>	72,294	72,508	(0.3)	37,337
Securities	28,513	20,140	41.6	14,725
Equity investments	5,864	4,586	27.9	3,028
Total debts	140,558	140,020	0.4	72,592
<i>Including: due to customers and securities issued</i>	67,685	69,375	(2.4)	34,956
Net interbank position (debt)	26,511	18,557	42.9	13,692
Subordinated liabilities	2,643	1,631	62.0	1,365
Subordinated perpetual liabilities	1,724	-	-	890
Shareholders' equity	8,760	8,236	6.4	4,524
<u>Statement of income</u> (in billions of lire)				
Interest margin	3,002	3,205	(6.3)	1,550
Net interest and other banking income	5,230	4,954	5.6	2,701
Operating margin	1,821	1,364	33.5	941
Income (Loss) from operating activities	1,032	624	65.4	533
Income before taxes	1,338	648	106.6	691
Net income for the year	808	378	114.1	417
<u>Other information</u>				
Staff (<i>average number</i>) (1)	17,549	17,935		
Branches (<i>number</i>) (2)	920	917		
<i>Including: Italy</i>	905	901		
<i>Including: Abroad</i>	15	16		

(1) Part-time staff has been calculated using the standard practice method that is considering half their number

(2) Not including 109 (formerly 107) automated branches inside Public entities or Companies and 20 (unchanged) Representative offices abroad

	1998	1997
Operating ratios		
Net income for the year/average Shareholders' equity (ROE) (1)	10.00%	4.73%
Net income for the year/ average total assets (ROA) (2)	0.48%	0.24%
Interest margin/Net interest and other banking income	57.39%	64.71%
Operating charges /Net interest and other banking income	65.18%	72.46%
Loans to customers /Due to customers and securities issued (3)	89.51%	90.64%
Total fixed assets (4) / Total assets	6.64%	5.98%
Net non-performing loans /Loans to customers (net)	2.11%	2.01%
Accumulated adjustments to non-performing loans /Gross non-performing loans to customers	30.73%	30.62%
Tier 1 capital / risk-weighted assets (5)	7.45%	6.38%
Total capital / risk-weighted assets (5)	10.31%	8.02%
Information regarding the share (lire)		
Net income for the year per share	450	210
Dividend per ordinary share	280	165
Dividend per saving share	310	195
Maximum stock price of BCI ordinary share (6)	14,550	6,150
Minimum stock price of BCI ordinary share (6)	6,260	2,670
Average stock price of BCI ordinary share (6)	10,165	4,106

(1) Monthly arithmetical average of share capital, share premium reserves, revaluation reserves and reserves from retained earnings.

(2) Average total assets are calculated as the arithmetical average of year -end total assets and total assets of the previous year.

(3) Average data relative to resident ordinary customer relationships in lire.

(4) Securities held for investment, equity investments, tangible and intangible fixed assets.

(5) Including market risks.

(6) Data adjusted on the basis of AIAF (Associazione Italiana degli Analisti Finanziari) multiples

Explanatory notes

BCI's balance sheet situation

At the end of 1998 BCI had total assets of 170,601 billion lire, with a 3.3% increase with regard to the previous year.

Total loans registered a slight decrease (down 4.8%) and totalled Lire 118,656 billion, among which loans to customers remained virtually unchanged at Lire 72,294 billion. This figure is the sum of a reduction to loans denominated in lire (down Lire 2,741 billion) which decreased to Lire 50,964 billion and an almost identical increase in loans denominated in foreign currency which reached Lire 21,330 billion. Interbank deposits totalled Lire 46,362 billion, with an 11% reduction compared to the figure as at December 31, 1997. Over 90% of the decrease is attributable to the liberation of funds deposited with the central bank following new compulsory reserve requirement regulations.

With regard to loans subject to more substantial fluctuations, non-performing loans equalled Lire 1,525 billion (up 4%). The increase did not significantly affect the ratio of non-performing loans to total loans to customers (2.1% compared to 2% recorded the previous year). Problem loans registered an 18.7% decrease to Lire 311 billion, whereas restructured loans increased to Lire 567 billion (up approximately 20%). Loans subject to country risk which have been written down totalled respectively Lire 892 billion (for loans in cash) and Lire 116 billion (for guarantees and commitments).

The Bank's total funding remained on the same levels reached the previous year at Lire 140,558 billion, of which Lire 67,685 billion of customer assets under administration (down 2.4%) and Lire 72,873 billion of interbank relationships (up 3.2%). If subordinated liabilities – ordinary and perpetual – are considered, third party funds managed by the Bank almost added up to Lire 145,000 billion (compared to the previous Lire 142,000 billion). The moderate decrease registered by customer deposits is mainly attributable to the portion denominated in lire (which decreased to Lire 53,520 billion, down 5.8%) which was partially offset by the 12.6% growth rate registered by the portion denominated in foreign currency which increased to Lire 14,165 billion. Including indirect deposits, total customer assets under administration exceeded Lire 244,000 billion (up approximately 11%). In indirect deposits, funds managed by GenerComit and Comit Gestioni mutual funds were in excess of Lire 52,000 billion (up 125%) corresponding to a 6.9% market share (compared to the previous 5.9%). Individual portfolio management schemes, almost touched Lire 19,000 billion (approximately up 50%). Securities held for trading rose to Lire 2,477 billion (up 46.9%) whereas securities held for investment decreased to Lire 2,036 billion (down 4%) corresponding to a 7.1% portion of the overall portfolio (compared to the previous year's 10.5%).

Equity investments totalled 5,863 billion lire at year-end. Of this, Lire 4,120 billion was attributable to investments in Group companies, whereas Lire 1,743 billion referred to other equity investments. The Lire 1,497 billion net increase in equity investments in Group companies is mainly attributable to the underwriting of the increase in capital carried out by Comit Holding International for the acquisition of majority stakes in Central-European International Bank Ltd. based in Budapest and in Banco America do Sul based in San Paolo – by means of the Sudameris Group. In Italy a second *tranche* – corresponding to a further 20% – of Cassa di Risparmio di Biella e Vercelli's share capital was acquired and the rights issue carried out by Mediobanca was subscribed for the part pertaining to the Bank.

At year-end, total shareholders' equity equalled Lire 8,760 billion which – after the inclusion of other components provided for by regulations issued by the Supervisory Authorities – led capital for supervisory purposes to sum up to Lire 12,057 billion, net of the compulsory deduction of equity investments in unconsolidated banks and financial companies which

amounted to Lire 72 billion. Before such deduction, total capital was made up of Lire 8,704 billion of Tier 1 capital and Lire 3,425 billion in Tier 2 capital. The solvency ratio equalled 10.31%.

BCI's statement of income results

Income from operating activities equalled Lire 1,032 billion, with a growth rate in excess of 65% compared to the previous year, whereas net income totalled Lire 808 billion, almost double the previous year's result of Lire 378 billion.

Interest margin amounted to Lire 3,002 billion, with a moderate reduction (down 6.3%) compared to the 1997 result, mostly attributable to the structural weakness in the level of market interest rates, also following monetary policy decisions which occurred just before the introduction of the single currency.

Due to the significant development in net profits on financial transactions and customer services, which increased to Lire 2,228 billion, with a growth rate in excess of 27%, net interest and other banking income rose to Lire 5,230 billion, corresponding to a 5.6% rise.

Net commissions increased from Lire 1,153 billion to Lire 1,577 billion. The Lire 424 billion rise (up 37%) is mostly attributable to net income from asset management, securities intermediation and consulting which increased to Lire 975 billion (from Lire 512 billion). In this area, commissions from placement of securities and individual portfolio and mutual fund management registered a Lire 270 billion increase up to Lire 574 billion. Of this Lire 433 billion (compared to Lire 192 billion) was generated by placement of GenerComit funds. Commissions on securities trading also registered a significant increase (up Lire 190 billion) attributable to the business rental agreement stipulated with SIM Comit S.p.A., a company which was merged into BCI during the year.

Net profits on financial transactions (on securities, currency and derivatives) showed a significant expansion (up Lire 70 billion, corresponding to a 33% growth rate) and totalled Lire 285 billion.

The lower contribution from other operating income – which net of other operating expenses equalled Lire 366 billion compared to Lire 380 billion – is exclusively attributable to lower benefits on a loan sale transaction which occurred in 1997.

The improvements registered by the different operational areas contributed to maintaining operating margin at satisfactory levels. It totalled Lire 1,821 billion as at December 31, 1998 with an increase in excess of Lire 450 billion (up 34%) compared to as at December 31, 1997. The improvement is mainly attributable to operating charges and expenses which decreased to Lire 3,409 billion. The drop referred to both staff costs (down 6.2%) and other administrative costs (down 5%). The reduction in administrative and structure costs led to a significant decrease in the cost/income ratio, a measure of the absorption of total income by general costs, to 65.2% compared to 72.5% in 1997.

Total adjustments, on the loan portfolio and related to permanent losses on financial fixed assets, net of respective write-backs remained virtually stable and rose from Lire 740 billion to Lire 789 billion. Therefore such adjustments did not significantly affect ordinary income which confirmed the significant growth rates registered by the other intermediate margins reaching Lire 1,032 billion, with a Lire 408 billion increase on the previous year's result.

The significant contribution made by extraordinary income (Lire 315 billion compared to Lire 31 billion (negative)) positively affected income before taxes which totalled Lire 1,338 billion, more than twice the Lire 648 billion recorded the previous year. After the deduction of income taxes, which increased proportionally with profitability and which included Imposta Regionale sulle Attività Produttive (IRAP, Regional Tax on Productive Activities), net income for the year totalled, as mentioned above, Lire 808 billion.

Independent Auditors' Report

The accompanying consolidated financial statements of BCI and the related Report on Operations as at December 31, 1998 have been audited by Arthur Andersen SpA.

The audit conducted by the Independent Auditors was carried out in accordance with the auditing standards recommended by CONSOB. Those standards require that the Independent Auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The auditing confirmed that the consolidated financial statements, taken as a whole, were prepared clearly and give a true and fair view of the balance sheet and financial position and results of operations of BCI, in accordance with the law related to financial statements.

c) *BCI Group's reclassified consolidated balance sheet and statement of income for the six month periods ended June 30, 1999 and 1998 (*)*

CONSOLIDATED BALANCE SHEET

ASSETS	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998 (**)	%	June 30, 1999
10. Cash and deposits with central banks and post offices	1,111	1,013	9.6	574
20. Treasury bills and similar bills eligible for refinancing with central banks	6,015	7,187	(16.3)	3,106
30. Due from banks	50,579	65,518	(22.8)	26,122
40. Loans to customers	113,679	102,617	10.8	58,710
50. Bonds and other debt securities	31,549	28,447	10.9	16,294
60. Shares, quotas, and other debt securities	3,598	1,476	143.8	1,858
70. Equity investments	1,862	2,090	(10.9)	962
80. Investments in Group companies	139	67	107.5	72
90. Goodwill arising on consolidation	744	426	74.6	384
100. Goodwill arising on application of the consolidation method	44	50	(11.1)	23
110. Intangible fixed assets	500	512	(2.3)	259
120. Tangible fixed assets	2,828	2,829	-	1,460
150. Other assets	12,375	13,882	(10.9)	6,391
160. Accrued income and prepaid expenses	4,233	3,954	7.1	2,186
Total assets	229,256	230,068	(0.4)	118,401

(*) The volume which contains BCI's report as at June 30, 1999 is available for the general public at the registered offices of the Offeror, the Issuer and at the Italian Stock Exchange (Borsa Italiana SpA) as of September 27, 1999

(**) Data has been reclassified for consistency purposes

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)		Changes %	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998 (*)		
10. Due to banks	84,672	89,873	(5.8)	43,730
20. Due to customers	77,921	78,813	(1.1)	40,243
30. Securities issued	26,918	24,016	12.1	13,902
40. Deposits and public funds under administration	28	29	(3.4)	14
50. Other liabilities	17,421	16,759	3.9	8,998
60. Accrued expenses and deferred income	4,526	4,219	7.3	2,338
70. Allowance for employees Termination indemnities	1,056	1,027	2.8	545
80. Allowance for risks and charges	1,248	1,546	(19.3)	644
90. Allowance for possible loan losses	16	121	(86.8)	8
110. Subordinated liabilities	3,350	3,300	1.5	1,730
115. Subordinated perpetual liabilities	1,794	-	-	926
120. Negative goodwill arising on consolidation	118	109	8.8	61
140. Minority interests	929	1,145	(18.8)	480
150. Share capital	1,795	1,795	-	927
160. Share premium reserve	2,222	2,222	-	1,147
170. Reserves	4,224	4,057	4.1	2,182
180. Revaluation reserves	524	524	-	271
200. Net income for the period	494	513	(3.8)	255
Total Liabilities and Shareholders' equity	229,256	230,068	(0.4)	118,401

GUARANTEES AND COMMITMENTS	Lire (in billions)		Changes %	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998 (*)		
10. Guarantees given	33,391	32,496	2.8	17,245
20. Commitments	52,132	43,341	20.3	26,924
Total Guarantees and Commitments	85,523	75,837	12.8	44,169

(*) Data has been reclassified for consistency purposes

STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes %	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998 (*)		
10. Interest income and similar revenues	6,864	7,125	(3.7)	3,545
20. Interest expense and similar charges	(4,986)	(4,765)	4.6	(2,575)
30. Dividends and other revenues	320	81	295.1	165
40. Commission income	1,434	1,338	7.2	741
50. Commission expense	(138)	(147)	(5.9)	(71)
60. Profits on financial transactions	315	222	42.0	163
70. Other operating income	419	291	44.0	217
80. Administrative costs	(2,441)	(2,410)	1.3	(1,261)
90. Adjustments to tangible and intangible fixed assets	(315)	(291)	8.2	(163)
100. Provisions for risks and charges	(52)	(34)	52.4	(27)
110. Other operating expense	(126)	(76)	65.7	(66)
120. Adjustments to loans and provisions for Guarantees and commitments	(815)	(630)	29.4	(421)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	105	125	(16.6)	54
140. Provisions for possible loan losses	(3)	(16)	(84.0)	(1)
150. Adjustments to financial fixed as sets	(33)	(16)	109.0	(17)
160. Write-back of financial fixed assets	6	2	-	3
170. Income from investments carried at equity	17	9	88.1	9
180. Income from operating activities	571	808	(29.4)	295
190. Extraordinary income	557	293	(90.2)	288
200. Extraordinary charges	(98)	(30)	-	(51)
210. Extraordinary income, net	459	263	74.5	237
240. Income taxes for the period	(499)	(495)	0.9	(258)
250. Income for the period attributable to minority shareholders	(37)	(63)	(41.4)	(19)
260. Net income for the period	494	513	(3.8)	255

(*) Data has been reclassified for consistency purposes

RECLASSIFIED STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998 (*)	%	
10. Interest and similar revenues	6,864	7,125	(3.7)	3,545
20. Interest expense and similar charges	(4,752)	(4,765)	(0.3)	(2,455)
30. Dividends and other revenues	86	81	5.9	45
170. Income from investments carried at equity	17	9	88.1	9
<i>Interest margin</i>	2,215	2,450	(9.6)	1,144
40. Commission income	1,434	1,338	7.2	741
50. Commission expense	(138)	(147)	(5.9)	(71)
60. Profits on financial transactions	315	222	42.0	163
70. Other operating income	419	291	44.0	217
110. Other operating expense	(126)	(76)	65.7	(66)
<i>Profits on financial transactions and services, net</i>	1,904	1,628	17.0	984
<i>Net interest and other banking income</i>	4,119	4,078	1.0	2,128
80. Administrative costs	(2,441)	(2,410)	1.3	(1,261)
90. Adjustments to tangible and intangible fixed assets	(315)	(291)	8.2	(163)
100. Provisions for risk and charges	(52)	(34)	52.4	(27)
<i>Operating charges</i>	(2,808)	(2,735)	2.7	(1,451)
<i>Operating margin</i>	1,311	1,343	(2.4)	677
120. Adjustments to loans and provisions for guarantees and commitments	(815)	(630)	29.4	(421)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	105	125	(16.6)	54
140. Provisions for possible loan losses	(3)	(16)	(84.0)	(1)
150. Adjustments to financial fixed assets	(33)	(16)	109.0	(17)
160. Write-backs of financial fixed assets	6	2	-	3
<i>Income) from operating activities</i>	571	808	(29.4)	295
190. Extraordinary income	557	293	90.2	288
200. Extraordinary charges	(98)	(30)	-	(51)
<i>Income before taxes</i>	1,030	1,071	(3.9)	532
240. Income taxes for the period	(499)	(495)	0.9	(258)
250. Income attributable to minority shareholders	(37)	(63)	(41.4)	(19)
260. Net income for the period	494	513	(3.8)	255

(*) Data has been reclassified for consistency purposes

BCI Group's selected financial data for the six month periods ended June 30, 1999 and 1998

Selected Financial Data	Lire (in billions)		Changes %	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998 (*)		
<u>Balance sheet</u>				
Total assets	229,256	230,068	(0.4)	118,401
Total loans	164,258	168,135	(2.3)	84,832
<i>Including: Loans to customers</i>	113,679	102,617	10.8	58,710
Securities	41,162	37,110	10.9	21,258
Equity investments	2,001	2,157	(7.2)	1,034
Total debts	189,539	192,731	(1.7)	97,889
<i>Including: due to customers and Securities issued</i>	104,867	102,858	2.0	54,159
Net interbank position (debt)	34,093	24,355	40.0	17,608
Subordinated liabilities	3,350	3,300	1.5	1,730
Subordinated perpetual liabilities	1,794	-	-	926
Shareholders' equity	9,377	9,220	1.7	4,843
<u>Statement of income</u>				
Interest margin	2,215	2,450	(9.6)	1,144
Net interest and other banking income	4,119	4,078	1.0	2,128
Operating margin	1,311	1,343	(2.4)	677
Income from operating activities	571	808	(29.4)	295
Income before taxes	1,030	1,071	(3.9)	532
Net income for the period attributable to the Group	494	513	(3.8)	255
<u>Operating ratios</u>				
Net income for the period attributable to the Group /Group's average shareholders' equity (ROE) (1)	11.28%	11.84%		
Net income for the period/average total assets (ROA) (2)	0.47%	0.52%		
Interest margin /net interest and other banking income	53.77%	60.08%		
Operating charges /net interest and other banking income	68.18%	67.07%		
Total fixed assets (3) / total assets	5.73%	5.39%		
Net non-performing loans /loans to customers (net)	2.58%	2.92%		
Accumulated adjustments to non -performing loans /Gross non -performing loans to customers	45.45%	37.11%		
Tier 1 capital / risk-weighted assets(4)	5.77%	5.98%		
Total capital / risk-weighted assets(4)	8.01%	8.48%		
Net income for the period per share	275	286		
<u>Other information</u>				
Staff (average number)(5)	29,737	29,047		
Branches (number) (6)	1,767	1,490		
<i>Including: Italy</i>	1,151	1,133		
<i>Including: Abroad</i>	616	357		

(*) Data has been reclassified for consistency purposes

- (1) Average of the year-end shareholders' equity excluding net income for the year
- (2) Average total assets are calculated at the arithmetical average of total assets for the period -ended June 30, 1999 and total assets for the year ended December 31, 1998. Net income for the year also includes minority shareholders. The ratio as been expressed in annual terms.
- (3) Securities held for investment, equity investments, tangible and intangible fixed assets and positive goodwill arising on consolidation and on application of the equity method
- (4) Including market risk
- (5) Part-time staff has been calculated using the standard practice method that is considering half their number
- (6) Without taking into account 461 (221 as at June 30, 1998) automated branches inside Public entities or Companies and 25 (unchanged compared to as at June 30, 1998) Representative offices abroad

Explanatory Notes

During the six months ended June 30, 1999 the BCI Group further developed its activities. The BCI Group's Italian banks modelled their approach to the market – in line with strategic guidelines set forth by BCI – in order to benefit from changing market opportunities. In traditional banking activities, initiatives aimed at developing deposits and loans generated growth rates higher than that of the system. More specifically, loans were sustained by leasing and factoring operations as well as by BCI's merchant banking activities. The BCI Group continued to focus on investment services by meeting customer needs regarding asset management by offering customised solutions on the basis of risk aversion, current and future income, social position and age. Apart from direct involvement in asset management and administration services, the BCI Group exploited the synergies with its companies specialised in mutual fund management and in the more innovative bancassurance and supplementary social security schemes.

As usual, the BCI Group was particularly active abroad and in particular in Latin America, where the Sudameris conglomerate has high levels of penetration in the different national socio-economic contexts, leveraging on its experience given by its long-standing presence on Latin American markets dating back to the first decades of the century. The structure of the South-American Group is constantly being strengthened as testified by the recent acquisition of important local banking groups such as Banco America do Sul in Brazil and Banco Wiese Ltda in Peru. In particular the latter's integration with BCI Group's existing network in Peru will lead to the creation of a banking group ranked second among Peruvian banks, in terms of assets, and with market shares of approximately 20% both in customer deposits and customer lending. In Eastern Europe, BCI's presence is ensured by Central European International Bank located in Budapest. The controlling equity stake in the latter was acquired in 1998 and may be considered a stepping stone for the expansion in the ex-Eastern block countries in which banking activities are expected to register attractive growth rates.

Consolidated balance sheet situation

BCI Group's consolidated balance sheet situation as at June 30, 1999 recorded consolidated total assets in excess of Lire 229,000 billion, with an approximately 5% increase compared with the same item as at December 31, 1998 and in line with the corresponding figure as at June 30, 1998 (down 0.4%). Total loans reached Lire 164,258 billion (up 6.5% with respect to as at December 31, 1998 and decreasing slightly with respect to as at June 30, 1998), of which Lire 113,679 billion involving customer relationships (up 13% and 10.8% with respect to December 31, 1998 and June 30, 1998, respectively). With regard to deposits, direct customer deposits – including subordinated deposits – rose to Lire 110,011 billion (up 7.2% with respect to December 31, 1998 and up 3.6% with respect to June 30, 1998); the value almost reached Lire 355,000 billion (up 10% with respect to December 31, 1998) if indirect deposits are included. If interbank deposits are taken into account, BCI Group's third party funds under administration exceeded Lire 439,000 billion, an 8% increase compared to the same figure as at December 31, 1998. Both deposits and lending aggregates granted by the Sudameris group represented approximately 11-12% of total amounts. BCI Group's individual portfolio management schemes, both in Italy and abroad, were in excess of Lire 94,000 billion as at June 30, 1999, showing a 20% increase with respect to December 31, 1998 and a 40% rise June 30, 1998.

The securities portfolio remained unchanged (Lire 41,162 billion), and was constituted mainly by securities held for trading (83% of total amount). The increase registered by shares is

mostly attributable to hedged equity swaps (Lire 2,300 billion with respect to as at December 31, 1998).

As at June 30, 1999, the Group's Tier 1 capital amounted to Lire 9,377 billion; the latter – integrated by the other components of capital set forth in regulations issued by Supervisory authorities – led capital for supervisory purposes to reach Lire 13,441 billion, net of the compulsory deduction of Lire 241 billion, relative to unconsolidated equity investments in banks and financial companies. Gross of such deduction, total capital was composed by Tier 1 capital of Lire 9,678 billion and by Tier 2 capital of Lire 4,004 billion.

The relative solvency ratio was in line with the minimum capital requirements set forth by regulations issued by supervisory authorities .

Consolidated statement of income results

Net income for the period totalled Lire 494 billion and registered a 3.8% decrease compared with the corresponding period of 1998, which had, however, benefited from particularly favourable market situations.

Interest margin dropped to Lire 2,215 billion (down 9.6%), as a consequence of the reduction in interest rate spreads, particularly relevant for BCI Group's Italian banks. On the other hand, net interest and other banking income (Lire 4,119 billion) confirmed previous levels, following the contribution of profits on financial transactions and customer services. The latter reflected improvements in all operational areas. Net commissions reached approximately Lire 1,300 billion and registered an 8.8% rise as a result of projects aimed at developing placement of financial products, in particular individual portfolio management schemes and mutual funds. Profits on financial transactions (shares, currencies and derivatives) increased considerably and reached Lire 315 billion, rising by 42%. Furthermore, other net operating income totalled Lire 293 billion and registered a substantial expansion, corresponding to a growth rate in excess of 36%.

Operating margin (Lire 1,311 billion) was positively affected by the positive economic performance registered by all of the BCI Group's business areas and remained virtually unchanged with respect to the corresponding figure as at June 30, 1998 (down 2.4%; down 3% excluding BAS group). The result was also influenced by the moderate increase (up 2.7%) registered by operating expenses, entirely due to the entrance of BAS group in the consolidated accounts, which had not yet occurred as at June 30, 1998. On a consistent basis the comparison showed an approximately 3% reduction in expenses.

Adjustments – mostly due to the evaluation of credit risk, following the introduction of tighter rules regarding country risk – absorbed a significantly higher portion of income than in the six month period ended June 30, 1998. This fact determined a significant contraction in ordinary income, which dropped to Lire 571 billion compared with Lire 808 billion registered in the same period the previous year (down 29.4%). The growth rate recorded by income before taxes (Lire 1,030 billion) is similar to that recorded in previous years following the positive impact of extraordinary income (Lire 459 billion) which mainly stemmed from the sale of equity investments which were no longer deemed to be strategic or economically attractive.

Auditing

On September 16, 1999 the Auditing firm Arthur Andersen issued its review of Intesa's half – year report (both consolidated and individual).

Events subsequent to the closing of the half-year report which can significantly affect BCI's economic, balance sheet and financial situation

Apart from the operation described in this Offer Document, it must be noted that in the first months of second half the acquisition of a controlling stake in Banco Wiese Ltda, Peru – by means of the Sudameris Group – received its final approval. The integration process between the former and the latter, which should be completed by the end of 1999, will lead to the creation of a banking group ranked second among Peruvian banks, in terms of total asset, and with market shares of approximately 20% both in customer loans and customer deposits.

Projected future developments for the BCI Group

The progressive improvement recently registered by the economies of the emerging countries, in spite of certain uncertainties regarding the stability of the recovery of South American and Asian areas, leads to a cautious optimism in forecasting the expected evolution of the international scenario. In this increasingly stable context, combined with progressive financial market integration, the rapid transformation process currently under way in credit markets should be further catalysed. The process also involved Italian institutions which must now face the competition from the major European global players. The BCI Group took part in this process by reorganising its domestic and international activities in accordance with the objectives contained in its industrial plan. With regard to the organisational aspect different initiatives aimed at enhancing synergies between BCI and its subsidiaries are already being implemented. These mainly refer to: the integration of the domestic distribution network, sharing production factors (information technology and human resources) and integrated management with regard to asset management.

The development of BCI's international vocation, BCI Group's distinctive element, is continuing through the expansion of the consolidation area and the diversification of profitability sources, which also reflects the improved economic outlook which may contribute to a further stabilisation of profits generated in the emerging markets.

By leveraging on competencies guaranteed by its presence in the international markets and the integration of structures and production factors in the domestic market, the BCI Group will be able to focus its business on high potential market segments and due to the definition of specific responsibilities and predefined objectives per business area – may improve efficiency and productivity and thus create value for its shareholders.

Programmed actions are aimed at reaching the objectives outlined above. In the six months ended June 30, 1999 the BCI Group is achieving budget forecasts.

d) BCI's reclassified balance sheet and statement of income for the six month periods ended June 30, 1999 and 1998 ()*

BALANCE SHEET

ASSETS	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Cash and deposits with central banks and post offices	381	339	12.2	196
20. Treasury bills and similar bills eligible for refinancing with central banks	3,971	5,423	(26.8)	2,051
30. Due from banks	48,378	52,807	(8.4)	24,985
40. Loans to customers	82,257	75,326	9.2	42,482
50. Bonds and other debt securities	20,895	20,832	0.3	10,791
60. Shares, quotas and other forms of capital	3,389	1,340	152.9	1,750
70. Equity investments	1,406	1,841	(23.6)	726
80. Investments in Group companies	4,354	3,282	32.7	2,249
90. Intangible fixed assets	361	423	(14.7)	187
100. Tangible fixed assets	3,138	2,742	14.4	1,622
130. Other assets	10,239	10,693	(4.2)	5,288
140. Accrued income and prepaid expenses	3,422	3,220	6.3	1,767
Total assets	182,191	178,268	2.2	94,094

(*) The volume which contains BCI's half-year report as at June 30, 1999 is available for the general public at the registered offices of the Offeror, the Issuer and at the Italian Stock Exchange (Borsa Italiana SpA) as of September 27, 1999.

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Due to banks	76,422	76,861	(0.6)	39,469
20. Due to customers	56,319	57,335	(1.8)	29,087
30. Securities issued	15,995	14,029	14.0	8,261
40. Deposits and public funds under administration	28	29	(3.4)	15
50. Other liabilities	14,563	13,622	6.9	7,521
60. Accrued expenses and deferred income	3,836	3,609	6.3	1,981
70. Allowance for employee termination indemnities	922	896	2.9	476
80. Allowance for risks and charges	882	840	5.0	456
90. Allowance for possible loan losses	-	30	(100.0)	-
110. Subordinated liabilities	2,694	2,652	1.5	1,391
115. Subordinated perpetual liabilities	1,794	-	-	927
120. Share capital	1,795	1,795	-	927
130. Share premium reserve	2,222	2,222	-	1,147
140. Reserves	3,789	3,474	9.1	1,957
150. Revaluation reserves	454	454	-	234
160. Profits brought forward	1	-	-	-
170. Net income for the period	475	420	13.1	245
Total Liabilities and Shareholders' equity	182,191	178,268	2.2	94,094

GUARANTEES AND COMMITMENTS	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Guarantees given	28,751	27,872	3.2	14,849
20. Commitments	48,404	39,756	21.8	24,999
Total Guarantees and Commitments	77,115	67,638	14.1	39,848

STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Interest income and similar revenues	3,591	4,579	(21.6)	1,854
20. Interest expense and similar charges	(2,649)	(3,231)	(18.0)	(1,368)
30. Dividends and other revenues	486	172	182.6	251
40. Commission income	973	927	5.0	502
50. Commission expense	(73)	(77)	(5.2)	(38)
60. Profits on financial transactions	141	145	(2.8)	73
70. Other operating income	454	366	24.0	234
80. Administrative costs	(1,510)	(1,557)	(3.0)	(780)
90. Adjustments to tangible and intangible fixed assets	(347)	(318)	9.1	(179)
100. Provisions for risks and charges	(20)	(20)	-	(10)
110. Other operating expenses	(44)	(22)	100.0	(22)
120. Adjustments to loans and provisions for guarantees and commitments	(510)	(352)	44.9	(263)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	32	25	28.0	16
150. Adjustments to financial fixed assets	(22)	(32)	(31.3)	(11)
170. Income from operating activities	502	605	(17.0)	259
200. Extraordinary income	373	219	70.3	193
215. Provisions to the Reserves Art. 7, par. 3 Law 218/90 and D.Lgs. 124/93	-	(4)	(100.0)	-
220. Income taxes for the period	(400)	(400)	-	(207)
230. Net income for the period	475	420	13.1	245

RECLASSIFIED STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998	%	
10. Interest income and similar revenues	3,662	4,625	(20.8)	1,891
20. Interest expense and similar charges	(2,455)	(3,231)	(24.0)	(1,268)
30. Dividends and other revenues	252	172	47.2	130
<i>Interest margin</i>	1,459	1,566	(6.8)	753
40. Commission income	974	927	5.0	504
50. Commission expense	(73)	(77)	(5.1)	(38)
60. Profits on financial transactions	141	145	(2.8)	73
70. Other operating income	249	197	26.2	128
110. Other operating expense	(44)	(22)	100.2	(23)
<i>Profits on financial transactions and services, net</i>	1,247	1,170	6.5	644
<i>Net interest and other banking income</i>	2,706	2,736	(1.1)	1,397
80. Administrative expense	(1,510)	(1,557)	(3.0)	(780)
90. Adjustments to tangible and intangible fixed assets	(174)	(196)	(11.5)	(90)
100. Provisions for risks and charges	(20)	(20)	-	(10)
<i>Operating charges</i>	(1,704)	(1,773)	(3.9)	(880)
<i>Operating margin</i>	1,002	963	4.0	517
120. Adjustments to loans and provisions for guarantees and losses	(510)	(352)	44.9	(263)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	32	26	23.8	16
150. Adjustments to financial fixed assets	(22)	(32)	(30.5)	(11)
160. Write-backs of financial fixed assets	-	-	-	-
<i>Income from operating activities</i>	502	605	(17.0)	259
180. Extraordinary income	414	238	74.1	214
190. Extraordinary charges	(41)	(19)	116.2	(21)
215. Provisions to reserves Art.7, par. 3 Law 218/90 and D.Lgs.124/93	-	(4)	(93.9)	-
<i>Income before taxes</i>	875	820	6.7	452
220. Income taxes for the period	(400)	(400)	-	(207)
230. Net income for the period	475	420	13.1	245

BCI's selected financial data for the six month periods ended June 30, 1999 and 1998

SELECTED FINANCIAL DATA	Lire (in billions)		Changes	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998	%	
<u>Balance sheet</u>				
Total assets	182,191	178,268	2.2	94,094
Total loans	130,635	128,133	2.0	67,467
<i>including: Loans to customers</i>	82,257	75,326	9.2	42,482
Securities	28,255	27,595	2.4	14,592
Equity investments	5,761	5,123	12.5	2,975
Total debts	148,764	148,254	0.3	76,832
<i>Including: due to customer and securities issued</i>	72,342	71,393	1.3	37,363
Net interbank position (debt)	28,044	24,054	16.6	14,484
Subordinated liabilities	2,694	2,652	1.6	1,391
Subordinated perpetual liabilities	1,794	-	-	927
Shareholders' equity	8,736	8,365	4.4	4,510
<u>Statement of income</u>				
Interest margin	1,459	1,566	(6.8)	753
Net interest and other banking income	2,706	2,736	(1.1)	1,397
Operating margin	1,002	963	4.0	517
Income (loss) from operating activities	502	605	(17.0)	259
Income before taxes	875	820	6.7	452
Net income for the period	475	420	13.1	245
<u>Operating ratios</u>				
Net income for the period /Average shareholders' equity (ROE) (1)	10.88%	10.39%		
Income for the period/Average total assets (ROA) (2)	0.54%	0.49%		
Interest margin/Net interest and other banking income	53.93%	57.22%		
Operating charges /net interest and other banking income	62.98%	64.80%		
Loans to customers /Due to customers And securities issued (3)	95.90%	86.60%		
Total fixed assets (4) / Total assets	6.41%	5.96%		
Net non-performing loans /Loans to customers (net)	1.86%	1.98%		
Accumulated adjustments to non -performing Loans /Gross non -performing loans to customers	33.75%	31.64%		
Tier 1 capital / risk-weighted assets (5)	6.68%	6.37%		
Total capital / risk -weighted assets (5)	9.13%	8.92%		
Net income for the period per share	265	234		
Maximum stock price of BCI ordinary share	15,184	10,916		
Minimum stock price for BCI ordinary share	10,183	6,260		
Average stock price for BCI ordinary share	12,912	8,881		
<u>Other information</u>				
Staff (average number) (6)	17,171	17,710		
Branches (number) (7)	922	920		
<i>Including: Italy</i>	908	905		
<i>Including: Abroad</i>	14	15		

- (1) Monthly arithmetical average of share capital, share premium reserves, revaluation reserves and reserves from undistributed income. The ratio has been expressed in annual terms.
- (2) Average total assets are calculated as the arithmetical average of period -end total assets and total assets of the previous year. The ratio has been expressed in annual terms.
- (3) Average data relative to resident ordinary customer relationships in EU currencies (in lire for 1998).
- (4) Securities held for investment, equity investments, tangible and intangible fixed assets
- (5) Including market risks.
- (6) Part-time staff was calculated using the standard practice method of considering half their number .

(7) Without taking into account 111 (108 as at as at June 30, 1998) automated branches inside of Public entities or Companies and 19 (20 as at June 30, 1998) representative offices abroad

Explanatory notes

BCI's balance sheet situation

BCI's balance sheet situation as at June 30, 1999 recorded total assets in excess of Lire 182,000 billion, corresponding to a 6.8% growth rate on figures as at December 31, 1998 and a 2.2% growth rate compared to the six month period ended June 30, 1998.

Total loans to customers reached Lire 130,635 billion (up 10.1% as at December 31, 1998 and up approximately 2% as at June 30, 1998) including Lire 82,257 billion of lending to ordinary customers (up 13.8% and up 9.2% as at December 31, 1998 and as at June 30, 1998, respectively). Average lending to resident customers registered a 12.9% growth rate which led market share to increase to 4.2% (previously 3.99%). Net non-performing loans totalled Lire 1,529 billion unchanged compared to the previous period, whereas their ratio to total loans to customers decreased to 1.8% (compared to 2.1% as at December 31, 1998). Restructured loans or loans being restructured registered a considerable drop and totalled Lire 414 billion. Loans subject to country risk and therefore subject to adjustments totalled Lire 867 billion (cash loans) and the Lire 103 billion (guarantees and commitments).

As to funding, total customer deposits rose to Lire 72,343 billion (up 6.9% as at December 31, 1998 and up 1.3% as at June 30, 1998). If subordinated deposits and indirect deposits are included, the value increased to Lire 272,083 billion (up 11.4% as at December 31, 1998 and up 15.6% as at June 30, 1998). Taking into account interbank funding, third party funds available for the Bank were in excess of Lire 348,000 billion, corresponding approximately to a 10% growth rate compared to December 31, 1998 and of approximately 12% compared to June 30, 1998. With regard to indirect deposits, in particular to asset management, funds managed by GenerComit and Comit Gestioni were in excess of Lire 64,000 billion, rising Lire 12,000 billion (up approximately 22%) compared to December 31, 1998. Individual portfolio management schemes registered a 4.6% growth rate compared to as at December 31, 1998 and almost reached Lire 20,000 billion (of which approximately Lire 10,000 billion were reinvested in BCI Group's mutual funds).

The securities portfolio held for trading, which represented 91% of the total securities portfolio, totalled Lire 25,837 billion, remained virtually constant compared to previous periods. As for this item, investments in shares increased considerably following the stipulation of equity swaps hedged against price risk. The securities portfolio held for investment increased to Lire 2,419 billion.

Total equity investments totalled Lire 5,761 billion, of which approximately Lire 4,355 billion was invested in BCI Group companies and Lire 1,406 billion in other equity stakes. The item recorded a Lire 477 billion reduction due to the sale of equity stakes deemed to be no longer strategic. Among the increases most important was the investment of Lire 150 billion relative to the purchase of a further stake in GenerComit Gestione and GenerComit Distribuzione as well as Lire 108 billion for the equity investment deriving from the conversion of structured loans.

At June 30, 1999, BCI's shareholders' equity amounted to Lire 8,735 billion which – with the integrations provided for by the regulations issued by Supervisory authorities – increased capital for supervisory purposes to Lire 12,338 billion, net of the compulsory deduction of equity investments in unconsolidated banks and financial companies which amounted to Lire 94 billion. Prior to the deduction, capital for supervisory purposes was constituted by Lire 9,022 billion of Tier 1 capital and Lire 3,410 billion of Tier 2 capital. The relative solvency

ratio was 9.13%, far higher than the minimum capital requirement contained in regulations issued by supervisory authorities.

BCI's statement of income results

Net income for the period totalled Lire 475 billion, corresponding to a 13% increase compared to the six month period ended June 30, 1999 which benefited from particularly favourable market conditions.

Interest margin totalled Lire 1,459 billion, corresponding to a 6.8% decrease which is mainly attributable to the reduction in the interest rate differential. Net interest and other banking income remained on the same levels as previous periods totalling Lire 2,706 billion which reflected the positive contribution of profits on financial transactions and customer services. All areas registered moderate improvements. Net commissions were in excess of Lire 900 billion (up 5.9%), with the increase mostly attributable to asset management which rose to approximately Lire 350 billion (up 26%). Trading on securities, foreign exchange and derivatives generated profits in line with the six month period ended June 30, 1998 (Lire 141 billion). Other operating income (net) – including income from merchant banking activities – increased to Lire 205 billion, corresponding to a 17% growth rate.

The positive performance registered in the six month period ended June 30, 1999 is confirmed by the operating margin which was in excess of Lire 1,000 billion (up 4%) also as a result of the effective measures taken to limit operating costs and charges which decreased to Lire 1,704 billion (down 3.9%). Economies involved both staff costs (approximately -3%) and other operating costs (down 4% approximately). The cost/income ratio therefore decreased from 65% to 63%, and was even lower if depreciation is excluded, 56% (compared to the previous 57%). Lire 20 billion was allocated to provisions to the allowance for future risks and charges for purely prudential purposes.

Adjustments were higher than in the six month period ended June 30, 1998, and thus significantly reduced income from operating activities (down 17%) which decreased to Lire 502 billion. The contribution of Lire 373 billion accounted for as extraordinary income – capital gains on the sale of equity investments which were no longer strategic – smoothed out the growth rate registered both by income before taxes, (up to Lire 875 billion) and by net income for the period.

With regard to net adjustments, those on loans increased to Lire 478 billion (up 46.6%). The Lire 152 billion increase mostly referred to country risk (Lire +91 billion) and restructured loans (Lire 42 billion), whereas adjustments on non-performing loans, loan losses and intrinsic risk remained virtually stable at approximately Lire 275 billion. Net adjustments on financial fixed assets totalled Lire 22 billion, corresponding to a 32% decrease.

Auditing

On September 16, 1999 the Auditing firm Arthur Andersen issued its review of BCI's half – year report (both consolidated and individual).

Projected future developments for BCI

Most recently BCI focused on three main lines of actions: i) reorganising the head office divisions – with the definition of areas of responsibility and specific objectives – and the branch network using a customer segmentation approach; ii) improving synergies with Italian

subsidiaries; iii) developing its international operations, which led to investments in Eastern Europe and Latin America.

As to revenues, BCI's main objectives are to defend interest margins, negatively affected by the contraction in average interest rate spread forecasted for 1999, as well as to make further efforts to recompose net interest and other banking income by increasing income from services.

Defence of the interest margin will be pursued by means of an increase in loans to customers by commercial policies aimed at optimising the price/volume combination targeted to specific customer segments. In particular, BCI will focus on: consolidating its position in loans to customers granted to large groups, penetrating the small - and medium - sized enterprises segment and expanding mortgages and personal loans to retail customers. The increase in income from services may benefit by a further increase in net commissions on total income. Commission income is expected to come from asset management, securities intermediation and consulting. A significant contribution to the attainment of the objective is expected to come from actions taken in the finance area which entail maintaining a forefront position on the primary market, developing less risky secondary market revenues and expanding global custody activities by centralising all functions in one highly specialised service.

Programmed actions are aimed at reaching objectives outlined above. In the six month period ended June 30, 1999 the bank was closer to achieving budget forecasts than at the end of the same period in 1998.

e1) *BCI Group cash flow and net financial position for the year ended December 31, 1998**

Statement of cash flow	Lire (in billions)	Euro (in millions)
Cash generated from operations		
Funds generated and collected		
<i>Cash generated from operations:</i>		
Net income	895	462
Adjustments to loans, provisions for guarantees and commitments and provisions for possible loans losses (net of write-backs of provisions for future risks of the previous years and write-back)	967	499
Provisions for risk and charges (net of write-back to the statement of income)	40	21
Provisions to the allowance for employee termination indemnities and for pensions and similar commitments	166	86
Adjustments to tangible and intangible fixed assets	582	301
Cash generated from operations	2,650	1,369
Income taxes, indirect taxes and income taxes for the period	688	335
Total	3,338	1,724
Other collected funds:		
Negative goodwill arising on consolidation and on application of the equity method	6	3
Subordinated liabilities and subordinated perpetual liabilities	2,898	1,497
Minority interests	(463)	(239)
Due to banks	2,643	1,365
Due to customers	1,078	557
Securities issued	(2,730)	(1,410)
Deposits and public funds under administration	(1)	(1)
Accrued expenses and deferred income	31	16
Other liabilities	786	406
Total	7,586	3,918
Funds used		
Dividends paid	296	153
Variation in Shareholders' equity net foreign exchange differences and other variations	138	71
Variation of "Funds" net foreign exchange differences	69	36
Decrease in subordinated liabilities	267	138
Uses of provisions to the Allowance for taxes, allowance for employee termination indemnities and for pensions and similar commitments	542	280
Cash and deposits with central banks and post offices	(107)	(55)
Due from banks	(9,575)	(4,945)
Loans to customers	3,650	1,885
Securities	10,546	5,447
Accrued expenses and deferred income	(48)	(25)
Equity investments	109	56
Intangible and tangible fixed assets	404	209
Goodwill arising on consolidation and on application of the equity method	489	252
Other assets	806	416
Total	7,586	3,918

(*) Reclassified data

e2) *BCI Group cash flow and net financial position for the six month periods ended June 30, 1999 and 1998*

Statement of cash flow	Lire (in billions)		Euro (in millions)
	June 30, 1999	June 30, 1998 (*)	June 30, 1999
Cash generated from operations			
Funds generated and collected			
Cash generated from operations			
Net income	494	513	255
Adjustments to loans, provisions for guarantees and commitments and provisions for possible loans losses (net of write -backs of provisions for future risks of the previous years and write -back)	712	511	368
Provisions for risk and charges (net of write -back to statement of income)	49	33	25
Provisions to the Allowance for employee termination indemnities and for pensions and similar commitments	83	84	43
Adjustments to tangible and intangible fixed assets	315	286	163
Cash generated from operations	1,653	1,427	854
Income taxes, indirect taxes and income taxes for the period	527	593	272
Total	2,180	2,020	1,126
Other collected funds:			
Negative goodwill arising on consolidation and on application of the equity method	4	-	2
Subordinated liabilities and subordinated perpetual liabilities	186	1,017	96
Minority interests	(22)	18	(11)
Due to banks	(493)	8,690	(255)
Due to customers	3,422	6,512	1,767
Securities issued	3,783	(1,742)	1,954
Deposits and public funds under administration	-	-	-
Accrued expenses and deferred income	920	680	475
Other liabilities	3,338	4,550	1,724
Total	13,318	21,745	6,878
Funds used			
Dividends paid	503	296	260
Variation in Shareholders' equity net foreign exchange differences and other variations	138	51	71
Variation of "Funds" net foreign exchange differences	(4)	(3)	(2)
Decrease in subordinated liabilities	16	59	8
Uses of the Allowance for taxes, Allowance for employee termination indemnities and for pensions and similar commitments	903	407	466
Cash and deposits with central banks and post offices	117	25	60
Due from banks	(3,077)	2,784	(1,589)
Loans to customers	13,870	6,603	7,163
Securities	17	7,635	9
Accrued expenses and deferred income	475	197	246
Equity investments	(397)	(135)	(205)
Intangible and tangible fixed assets	318	288	164
Goodwill arising on consolidation and on application of the equity method	245	334	127
Other assets	194	3,204	100
Total	13,318	21,745	6,878

(*) Data was reclassified for consistency purposes

e3) *BCI's cash flow and net financial position for the year ended December 31, 1998^(*)*

Statement of cash flow	Lire (in millions)	Euro (in billions)
Cash generated from operations		
Funds generated and collected		
<i>Cash generated from operations</i>		
Net income	808	417
Adjustments to loans, provisions for guarantees and commitments and provisions for possible loans losses (net of write -backs of provisions for future risks of the previous years and write-back)	587	303
Provisions for possible loan losses	-	-
Provisions for risk and charges (net of write -back)	20	10
Provisions to Reserve Art. 7 par. 3 Law 218/1990 and Reserve D.Lgs. 124/93	8	4
Provisions to the allowance for employee termination indemnities and for pensions and similar commitments	126	65
Adjustments to tangible and intangible fixed assets	387	200
Cash generated from operations	1,936	999
Income taxes, indirect taxes and income taxes for the period	490	253
Total	2,426	1,252
Other collected funds:		
Reserve from surplus from merged company	2	1
Subordinated liabilities, subordinated perpetual liabilities and foreign exchange differences	2,736	1,413
Due to banks	2,228	1,151
Due to customers	681	352
Securities issued	(2,371)	(1,225)
Deposits and public funds under administration	(1)	(1)
Accrued expenses and deferred income	42	22
Other liabilities	1,368	707
Total	7,111	3,672
Funds used		
Dividends paid	296	153
Uses of Allowances for taxes and Allowance for employee termination indemnities and for pensions and similar commitments	387	200
Cash and deposits with central banks	16	8
Due from banks	(5,638)	(2,912)
Loans to customers	351	181
Securities	8,344	4,310
Accrued expenses and deferred income	(102)	(53)
Equity investments	1,255	648
Intangible and tangible fixed assets	647	334
Other assets	1,555	803
Total	7,111	3,672

e4) *BCI's cash flow and net financial position for the six month periods ended June 30, 1999 and 1998*

Statement of cash flow	Lire (in billions)		Euro (in millions)
	June 30, 1999	June 30, 1998	June 30, 1999
Cash generated from operations			
Cash generated and collected			
Cash generated from operations:			
Net income for the period	475	420	245
Adjustments to loans, provisions for guarantees and commitments (net of the relative write -back of provisions for possible loan losses)	478	326	247
Provisions for possible loan losses	-	-	-
Provisions (net of write -back) for risks and charges	20	20	10
Provisions to Reserve Art. 7, par. 3, Law 218/1990 and Reserve D.Lgs. 124/93	-	4	-
Provisions to the Allowance for employee termination indemnities and pension and similar commitments	64	72	33
Adjustments to tangible and intangible fixed assets	174	196	90
Cash generated from operations	1,211	1,038	625
Income taxes, indirect taxes and income taxes for the period	466	466	241
Total	1,677	1,504	866
Other collected funds:			
Reserve from surplus from merged company	-	2	-
Subordinated liabilities, subordinated perpetual liabilities and foreign exchange difference	121	1,022	62
Due to banks	3,550	6,215	1,833
Due to customers	1,961	3,657	1,013
Securities issued	2,697	(1,639)	1,393
Deposits and public funds under administration	-	-	-
Accrued expenses and deferred income	-	679	446
Other liabilities and net foreign exchange difference	2,465	2,844	1,273
Total	13,334	14,284	6,886
Cash used			
Dividends paid	503	296	260
Use of Allowance for taxes, for employee termination indemnities and other funds and reserves	605	296	312
Cash and deposit with central banks	(73)	(98)	(38)
Due from banks	2,094	718	1,081
Loans to customer	10,470	3,202	5,408
Securities	(258)	7,413	(133)
Accrued income and pr epaid expenses	400	95	207
Equity investments	(224)	509	(116)
Tangible and intangible fixed assets	237	188	122
Other assets	(420)	1,665	(217)
Total	13,334	14,284	6,886