Half-Year Report
2000

This is an abridged translation of the Italian original
"Relazione sull'andamento della gestione del primo semestre 2000"
and has been prepared solely for the convenience of the reader.

The unabridged edition in Italian takes precedence and will be made available
to interested readers upon written request to
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Report and Consolidated Financial Statements
Half-Year 2000

Banca Intesa SpA
Share Capital lire 5,804,745,052,000 fully paid-up
Milano Company Register No. 2755/1998
Member of the National Interbank Deposit Guarantee Fund - Included on the National Register of Banks No. 5361
Parent Company of Gruppo Intesa, included on the National Register of Banking Groups

Contents

Board of Directors, Board of Statutory Auditors and General Management

Up-dated as at 12th September 2000

Board of Directors

Chairman	*GIOVANNI BAZOLI
Deputy Chairmen	*ALFONSO DESIATA JEAN LAURENT *SANDRO MOLINARI
Managing Director and Chief Executive Officer	*CARLO SALVATORI
Director, General Manager and Chief Operating Officer	*CHRISTIAN MERLE
Directors	GIAMPIO BRACCHI *GIANCARLO FORESTIERI *GILLES GRAMAT GIANFRANCO GUTTY HEINZ J. HOCKMANN FRANCO MODIGLIANI LUIGI AMATO MOLINARI *GIAN GIACOMO NARDOZZI EUGENIO PAVARANI ALBERTO PECCI JEAN-LUC PERRON SANDRO SALVATI JEAN SIMON GINO TROMBI *AXEL FREIHERR VON RÜDORFFER

* *Members of the Executive Committee*

Board of Statutory Auditors

Chairman	GIANLUCA PONZELLINI
Auditors	FRANCESCO PAOLO BEATO PAOLO ANDREA COLOMBO FRANCO DALLA SEGA BRUNO RINALDI
Alternate Auditors	ENRICO CERVELLERA PAOLO GIOLLA

Independent Auditors RECONTA ERNST & YOUNG SpA

Gruppo Intesa
Report on Operations and Consolidated Financial Statements

Report on Operations

Gruppo Intesa's Performance in the First Half of 2000

The new Group's model

The Board of Directors' approval of the guidelines of the new "Progetto Intesa" in the meeting held on 11th April 2000 and the work groups responsible for preparing the operational contents of the project, which also started their activities during the first half of 2000, marked the beginning of an intense programme which will last for various years at the end of which our Group's structure will be completely changed.

In fact, the "federal" model which characterised Intesa right from its establishment and was particularly important in determining the considerable growth recorded in the last two years, is not adequately suited to the needs of a rapidly evolving market, in which: the number of players is quickly increasing, new distribution channels are emerging and changes progress faster than before. This requires fast decision-making and operational processes.
The new model, defined as "divisional", will enable the Bank to react more rapidly to market requirements and competitive challenges and to better leverage on the new Group's potential emerging from the integration with Banca Commerciale Italiana (hereafter, BCI).

The implementation of this model - which is described in a specific chapter hereafter - sets out, as the first necessary step, the merger in Banca Intesa of Cariplo, Ambroveneto, Banca Carime and Mediocredito Lombardo and the transfer of BCI's Italian network to the Parent Company.
Three "domestic banking divisions" specialised by customer segment will be created within Banca Intesa: "Private", targeted to high net worth individuals; "Retail" for other individuals and small businesses; "Corporate" for medium-sized companies. These will be the result of the integration of the banking networks which will be reorganised with a customer-centric approach for each of these segments.
Territorial coverage will be guaranteed by the breakdown by regional area which will be maintained inside each division and the formation of Interdivisional Regional Committees, with consulting and proposing capabilities. The banks' brand names will be maintained.

The new Group's model will be implemented via numerous company operations, the most important of which will be perfected within 2001. The first step, as already pointed out, is the merger in Banca Intesa of the Group's main banks, which will occur within the end of the present year and will come into accounting effects as of 1st January 2000. Later, and in any case before the end of the financial year, Banca Intesa will spin off and contribute to BCI the activities required to carry out its new responsibilities as the Group's Wholesale Bank; in particular, Intesa will confer the Large corporate clients unit, Merchant banking and Private equity operations and its equity investment in Caboto Holding Sim.
During 2001, BCI will transfer its Italian banking network to Intesa, to complete the divisional model.
The Master plan for the new project will be approved by the Board of Directors at the beginning of autumn and will then be disclosed to the market.

Internet initiatives

Also in the first half of 2000 Intesa started on a composite project aimed at developing its presence in the strategic sector of remote banking services, through a series of initiatives which are in the charge of Intesa e-Lab. The first of these initiatives is IntesaTrade, an on line trading service which may be considered second generation in terms of the range and quality of services offered.
Another initiative is FundsWorld, a "funds supermarket" targeted to European customers in which Intesa has important foreign partners.
The first direct bank with European projection which will have the objective of gaining domestic market leadership is currently being developed and will be launched the first

few months of 2001. Later, the Group will work on another two initiatives: one destined to corporate customers (business to business) for the realisation of a virtual marketplace for corporate procurement and another, business to consumer, to capitalise on this other growth opportunity and reach a primary role in the on line payment area.

Half-year financial highlights

The following table shows Gruppo Intesa's main balance sheet and statement of income data as at 30th June 2000 compared with those recorded as at 31st December and 30th June 1999, restated in order to consider the acquisition of BCI carried out at the end of 1999.

Gruppo Intesa - Financial Highlights

	30/6/2000		31/12/1999		30/6/1999		Changes	
	in billions of lire	in millions of euro	in billions of lire	in millions of euro	in billions of lire	in millions of euro	31/12/99	30/6/99
Balance sheet								
Loans to customers	337,980	174,552	314,830	162,596	297,096	153,437	7.4%	13.8%
Securities	123,701	63,886	117,431	60,648	133,291	68,839	5.3%	(7.2%)
including Investment portfolio	*25,692*	*13,269*	*27,024*	*13,957*	*21,542*	*11,126*	*(4.9%)*	*19.3%*
Total assets	643,674	332,430	591,880	305,681	602,266	311,044	8.8%	6.9%
Direct customer deposits	352,665	182,136	339,895	175,541	337,997	174,561	3.8%	4.3%
including Subordinated liabilities	*17,909*	*9,249*	*16,604*	*8,575*	*13,326*	*6,882*	*7.9%*	*34.4%*
Indirect customer deposits	627,954	324,311	582,470	300,821	562,262	290,384	7.8%	11.7%
including Managed funds	*296,005*	*152,874*	*294,034*	*151,856*	*281,556*	*145,412*	*0.7%*	*5.1%*
Customer deposits under administration	980,619	506,447	922,365	476,362	900,259	464,945	6.3%	8.9%
Net interbank position (debt)	(83,480)	(43,114)	(75,417)	(38,950)	(63,069)	(32,572)	10.7%	32.4%
Shareholders' equity [(1)]	20,637	10,658	17,975	9,283	17,953	9,272	14.8%	15.0%
Statement of income								
Interest margin	7,226	3,732	10,992	5,677	5,721	2,955		26.3%
Net commissions	4,120	2,128	7,380	3,811	3,632	1,876		13.4%
Net interest and other banking income	11,943	6,168	19,867	10,260	10,396	5,369		14.9%
Operating costs	(7,157)	(3,696)	(14,390)	(7,432)	(6,948)	(3,588)		3.0%
including Personnel expenses	*(4,025)*	*(2,079)*	*(7,930)*	*(4,096)*	*(3,962)*	*(2,046)*		*1.6%*
Operating margin	4,786	2,472	5,477	2,829	3,448	1,781		38.8%
Income (Loss) from operating activities	3,371	1,741	2,013	1,040	1,734	896		94.4%
Net income for the period/year	1,514	782	2,108	1,089	1,351	698		12.1%
Other information								
Staff *(number)*	73,451		73,861		74,933		(410)	(1,482)
Branches *(number)*	4,393		4,374		4,331		19	62
including Abroad	*718*		*725*		*733*		*(7)*	*(15)*
Economic and financial ratios								
Balance sheet ratios								
Loans to customers/Total assets	52.5%		53.2%		49.3%			
Securities/Total assets	19.2%		19.8%		22.1%			
Direct customer deposits/Total assets	54.8%		57.4%		56.1%			
Managed funds/ Indirect customer deposits	47.1%		50.5%		50.1%			
Statement of income ratios								
Net commissions/Net interest and other banking income	34.5%		37.1%		34.9%			
Operating costs/Net interest and other banking income	59.9%		72.4%		66.8%			
Net income for the period-year/ Total assets (ROA) [(2)]	0.2%		0.4%		0.2%			
Net income for the period-year/ Shareholders' equity (ROE) [(2)]	7.2%		13.0%		7.6%			
Risk ratios								
Net non-performing loans/Total loans	3.8%		3.9%		4.3%			
Total adjustments/Gross non-performing loans	51.3%		50.2%		48.5%			

(1) Excluding net income for the period/year and the change in the reserve for general banking risks.
(2) The change in the reserve for general banking risks was added to net income for the period/year.

Statement of income

Gruppo Intesa half-year financial statements present a consolidated net income for the period of 1,514 billion lire (782 million euro), with a 12.1% increase compared to 1,351 billion lire (698 million euro) registered in the pro forma statement of income for the first half of 1999.
1999 accounts were restated in order to consider the changes in the consolidation area, which essentially refer to the entrance of BCI and its subsidiary companies.

The statement of income for the first half of 2000, like in the previous year, was significantly influenced by a series of components referring both to operating and non-recurring activities.
Furthermore, excluding recurring components, income from operating activities for the first half of 2000 would in any case present an over 418 billion lire (216 million euro) improvement compared to the same period the previous year, corresponding to a 24.1% growth rate.

With regard to various statement of income aggregates for the first six months of the year, the significant rise in the interest margin (+ 26.3%) was particularly noteworthy and essentially attributable to the increase in dividends.
The rise registered by the latter mostly reflects an interim dividend of 1,222 billion lire (631 million euro) which was accounted for by BCI and referred to the capital gain realised by the Luxembourg subsidiary Huit II for the sale of part of the equity investment in Seat Pagine Gialle, as illustrated in greater detail in the comment on BCI’s half-year results.
However, excluding the aforesaid interim dividend, interest margin registered a significant increase (+ 4.9%).
Net commissions registered a more contained though appreciable growth, reaching 4,120 billion lire (2,128 million euro), with a 488 billion lire improvement (252 million euro) compared to the first half of 1999 (+ 13.4%); this improvement was mainly due to financial consultancy, asset management and trading with customers.

The increase in interest margin and the appreciable rise in commissions on services offset the contraction in profits on financial transactions, negatively affected by the low but progressive rise in interest rates and consequent market volatility.
This led net interest and other banking income to reach almost 12,000 billion lire (6,168 million euro), with a 14.9% improvement compared to the first half of 1999.
The modest rise in operating costs generated by the Group’s Italian companies (+ 0.7% by Intesa and + 2.8% by BCI), corresponded to a more considerable increase registered by the foreign companies, as a result of the integration and restructuring process currently involving BCI’s Latin American subsidiaries.
Therefore, operating margin for the first half of 2000 totalled 4,786 billion lire (2,472 million euro), with a 1,338 billion lire (691 million euro) increase compared to the same period the previous year, corresponding to a 38.8% growth rate.

Income from operating activities, which amounted to 1,734 billion lire (896 million euro) in the first half of 1999, reached 3,371 billion lire (1,741 million euro), with a 1,637 billion lire improvement (845 million euro), corresponding to an almost 95% rise.
A considerable part of this improvement reflected lower provisions and adjustments recorded in the period, which totalled almost 300 billion lire (155 million euro), mainly as a result of lower net adjustments to loans.

In both periods, extraordinary items were particularly significant, for different reasons.
A positive balance of 1,169 billion lire (604 million euro) was registered as at 30th June 1999 and was virtually zero in the current year. In the first six months of 1999, both Intesa and BCI recorded significant capital gains deriving from the sale of equity investments and other financial fixed assets, whereas in the first half of 2000 capital gains were far more contained. Extraordinary charges totalled 400 billion lire (207 million euro) and included the extraordinary requirement for credit risk pertaining to the Sudameris Group, Brazil, as a consequence of the application of compulsory regulations issued by the local supervisory authorities, as already described in the quarterly Report on operations and

illustrated in further detail in a specific chapter dedicated to BCI's consolidated financial statements.
The fact that such charges are not deductible made the tax burden particularly high.
In the first half of 2000, net income pertaining to the Group reached 1,514 billion lire (782 million euro), with a 163 billion lire (84 million euro) increase compared to the same period the previous year, corresponding to a 12.1% growth rate. Semi-annual ROE totalled 7.2%, compared to 7.6% as at 30th June 1999, whereas ROE recorded as at 31st December 1999 amounted to 13%.
Projections lead to forecast that operations will continue to register a positive trend in the remaining part of the year, with a consolidated net income for the year far higher than that recorded in the 1999 pro forma accounts (2,108 billion lire, or 1,089 million euro), and substantially in line with budget projections.

Balance sheet

The most important balance sheet aggregates presented appreciable improvements.
Total assets reached 643,674 billion lire, with a 6.9% increase compared to the figure recorded as at 30th June 1999 and an 8.8% increase compared to as at 31st December 1999.
Loans to customers registered a significant rise, with a 13.8% increase compared to as at 30th June 1999 and a 7.4% growth rate compared to as at 31st December 1999.
Also direct customer deposits, both ordinary and subordinated, recorded an appreciable improvement: 4.3% compared to as at 30th June 1999 and 3.8% compared to as at 31st December 1999.
Indirect customer deposits totalled almost 628,000 billion lire (324.3 billion euro) and recorded a more considerable growth rate: 11.7% and 7.8% respectively compared to the previous reference dates. Consequently, customer deposits under administration exceeded 980,000 billion lire (506.4 billion euro) with an 8.9% increase compared to the first half of 1999 and a 6.3% growth rate compared to as at 31st December 1999.

Intesa Group map: see separated .pdf file

The Group's New Model and the Integration with BCI

The selection of a new model

As already pointed out, last April Banca Intesa's Board of Directors made certain important decisions regarding both Group structure and the integration with BCI.
In fact, an adaptation of the Group's strategic programme and organisational model was imperative considering the significant changes in the competitive scenario, in production factors and in the relationship between companies and the market which occurred in the last few months.

The "federal" model

Intesa's "federal" model was developed in 1997, when the Italian market was still greatly fragmented, universal banks relied on distribution channels designed with territorial rationales and low customer focus, limited competition, no foreign competitors and a limited efficiency gap between the different players.

and the new competitive scenario

In this short period of time and, especially, in the last few months, this competitive scenario changed dramatically and the following new trends started to emerge:

- the system is now centred on a few large banking groups;
- entrants with customised offers to suit specific customer segments are emerging aside these large banking groups;
- new distribution channels are being implemented which, on the one hand, require substantial investments in technology and, on the other hand, will enable banks to considerably reduce operating costs and therefore apply competitive prices;
- specialised intermediaries, which normally operate through the new channels, are experiencing considerable growth rates and generating higher profitability than traditional banks;
- foreign competitors are entering the Italian market with new penetration strategies aimed at targeting specific customer segments and relying on new distribution channels;
- the efficiency gap between "new banks" and traditional banks and between the various traditional banks is increasing as a result of specialisation and the adoption of new technology.

The search for a new model

The realisation of the importance of the evolution currently under way and its irreversible nature led Banca Intesa to search for solutions better suited to face the challenges posed by the new competitive scenario and develop a strategic model which was more consistent with the changed market scenario.
In particular, results of the preliminary analyses for the integration of the BCI Group showed that lower value would have been generated if integration had been conducted with the federal model.
In fact, Banca Intesa's federal model had been developed in 1997 in a completely different situation: the Italian banking system was extremely fragmented and closely dependant on local peculiarities. Only a model capable of integrating numerous local banks and uniting them under a single direction function while enabling each bank to maintain its legal identity, would have enabled Intesa to set its roots and prosper so effectively.
Operations carried out in 1998 (the integration of Banca Popolare FriulAdria and Cassa di Risparmio di Parma e Piacenza) and the acquisition of BCI prove the validity of this model.
However, in the meantime, as already mentioned above, the market has greatly changed and with it also competition.

The acquisition of BCI

The acquisition of BCI also led top management to re-think the previous structure.
In fact, contrary to other banks which had previously joined Intesa, the BCI Group is a far larger entity, with a noteworthy international presence, specific expertise in the corporate and affluent customer segments and also a branch network which extends all over Italy.
The mere integration of BCI in the federal model would have been difficult to enact and

at the same time its impact in terms of value creation would have been relatively low considering the Bank's potential. The combination of BCI's branch network which extends fairly homogeneously all over Italy with a greater concentration in Northern Italy (Lombardia and Piemonte) and in the South would have decreased the overall efficiency of the new Group and further increased internal competition by introducing new difficult-to-manage overlap areas.

The "divisional" model

Gruppo Intesa's new model - which has been defined "divisional"- is not a complete change from the federal model. The two models "reflect" different moments in the Group's development: the federal model was best suited to the Group's formation and vigorous growth period, whereas the divisional model will accompany the Group in its consolidation and rationalisation.
The new model enables Intesa to adapt to the changed scenario, react more rapidly to market signals and prevent potential problems.

The "divisional" model

Intesa's first strategic objective was to build on the territorial positioning of Group banks and the privileged relations they have with local customers. This objective has been pursued by maintaining existing logos and ensuring each bank's autonomy in lending and commercial policies within the strategic guidelines drawn up by the Parent Company. This strategy has not changed.

The "divisions": responsibilities

The new bank will be organised in "domestic banking divisions" present all over Italy and specialised by customer segment: "Private" (high net worth individuals), "Retail" (other individuals and small businesses), "Corporate" (medium-sized companies).
The divisions will be further broken down by territory in "Regions" (North-West, Lombardia and Emilia, North-East, Centre and South) and in "Areas".
The ability to cultivate and develop the relationship with the local markets will be pursued by the establishment of "Interdivisional Regional Committees" with advisory and proposing capabilities, made up of eminent local entrepreneurs and professionals. These committees will have the responsibility of proposing local lending, commercial or service initiatives.
Lastly, the new model will not loose the relationship with local markets but, on the contrary, it should make it even more intense through new, different solutions suited to local needs.

and know-how

The new model entails the transformation of Banca Intesa from Parent Company which holds the equity investments in the entire Group and carries out limited banking activities into a large Bank though it will continue to hold equity investments. The new bank will be organised into business units and will therefore be articulated in divisions. This is why it has been defined a "divisional" model.
According to the new model Banca Intesa will continue to be the Group's engine which just like today will be in charge of all direction, control and co-ordination functions. Certain operational activities will be transferred from Intesa to BCI: capital markets operations, relationships with large customers and the foreign network.
As already described, three domestic banking divisions specialised by customer segment/market will be created inside Banca Intesa and will have nation-wide responsibility:

Private division

- Private division: dedicated to high net worth individuals, that is customers who are not entrepreneurs but have high personal wealth and, therefore, demand particularly innovative products.
  This division will be established by the aggregation of the "Private branches" of Ambroveneto, Cariplo and, later, BCI and will be organised in a network of approximately 40-60 marketing units;

Retail division

- Retail division: will be dedicated to medium and low net worth individuals and to small businesses. This division will be based on the retail distribution structures of Ambroveneto, Cariplo and Carime, which are already broken up in divisions and sufficiently homogeneous. Afterwards these which will be joined by BCI branches with similar characteristics, for a total of approximately 2,200 retail outlets all over Italy, divided in territorial areas deriving from the integration and the re-design of current areas;

Corporate division

- Corporate division: will be dedicated to medium-sized companies and will be made up of the existing “Corporate centres” of Banco Ambrosiano Veneto and of the “Corporate units” which will derive from the break up in divisions of Cariplo and Carime branches and, later, BCI branches.

Operational

As already illustrated in detail, the new distribution model will enable the Bank to meet the changes in the competitive scenario and its future challenges more effectively.
In fact, the acceleration of the competitors’ actions requires faster decision-making, enhanced strategic consistency and higher investments (in brands and communication, in innovative products and services, in new remote channels). The new model is better suited to this context since it:

- leads to a faster decision-making process (since decisions will not be negotiated between Intesa and the individual federal banks);
- favours powerful and consistent actions on brands, products, channels, services, technologies;
- concentrates investments on most important initiatives, thus increasing their overall impact.

and economic benefits

From an economic standpoint, a customer-centric model has greater potential compared to one which is mostly organised by territorial areas. Greater segment focalisation ensures higher revenue generating potential by leading to improved service quality standards and increasing cross selling opportunities.
Also with regard to costs the divisional model offers greater opportunities in terms of rationalisation and cost saving, since it:

- leads to a more effective territorial presence, which in any case remains a fundamental element, especially in the regions where Intesa has a grass-root presence, with a consequent improvement in the overall cost/income ratio;
- simplifies information system management: with the new model not only will all entities converge to a single system but also management costs, once the single system is in place, will be lower.

Benefits and charges of the new model

Revenue synergies

The re-design of the Group according to the divisional model should lead - according to the first version of the model which is subject to confirmation in the Master plan - to integration synergies and higher revenues for approximately 1,500-2,000 billion lire per year, as of 2004.
Revenues will be positively affected both from the divisions’ greater commercial focus, and by the possibility to divert to new business areas qualified resources currently present in the wholesale activities carried out by the two Groups. Net interest and other banking income will have a growth potential which may be prudentially estimated in approximately 1,100 billion lire per year once the model is fully implemented (2003) compared to the 900 billion lire increase forecasted for the federal model.
The most important sources of revenues will be:

- strengthening the retail and corporate segments: the integration of the branch networks and their specialisation, according to the “best practice per segment” approach, will lead to an increase in the Group’s market share and, consequently, in the profitability associated to each segment.
  In total, greater revenues forecasted from these two customer segments total 550 billion lire, net of approximately 350 billion lire which will be lost following the rationalisation of the branch network and of approximately 80 billion lire of lower revenues deriving from the rationalisation of exposures on customers which are common to the Intesa and BCI Groups;
- Private customers: it is deemed that the Group can rely on approximately 50,000-60,000 affluent customers, of which only 14,000 are currently served by dedicated structures. The development of the Private division will enhance service quality to this segment and increase revenues, with an estimated potential of approximately 150 billion lire of higher revenues per year in 2003;
- another strong impulse to Group profitability will come from the Wholesale Bank (discussed in detail in a specific chapter below) which, thanks to the unification of

investment banking with large corporate clients management, the rise in volumes traded on the capital markets and higher placing power inside and outside the Group, may further develop its presence in the Corporate finance area. All these factors will lead to an approximately 380 billion lire increase in net interest and other banking income.

and cost synergies

With regard to costs, the divisional model has a far greater value creation potential than the previous integration. The Bank will be able to: unify and rationalise the distribution networks and the relative governance structures, sell a certain number of overlapping and non-strategic branches and converge to a simpler and more homogeneous IT and process structure. All this will lead to cost savings amounting to approximately 980 billion lire.
The forecasted economic benefits also reflect higher excess personnel (5,200 resources when the model is fully operational), in addition to the 2,700 excess resources already forecasted in the cost containment programmes of the individual banks. The overall surplus therefore equals 7,900 resources.

Integration charges

Overall integration and restructuring charges may be prudentially quantified in 820 billion lire, of which approximately 270 billion lire for Human resources management and approximately 370 billion lire mostly for the convergence of IT systems to a single platform. In the latter case charges refer to “actual expenses”, that is expenses which must be charged in the year of the write-off of discarded systems and of extraordinary migration charges.
In view of these extraordinary charges, provisions of 500 billion lire were accounted for in specific allowances in the 1999 consolidated financial statements.

Human Resources

Management of excess personnel

Excess personnel is certainly one of the most sensitive problems to be dealt with in merger operations and in organisational structure rationalisations.
This problem had already arisen at the time of the integration between Ambroveneto and Cariplo and, on that occasion, specific interventions aimed at reducing the social impact of staff cuts had been negotiated.
This will occur again this time by: re-qualifying personnel, limiting turnover, extending part-time contracts and favouring with appropriate incentives early retirement schemes and exit plans.
Excess personnel - as already mentioned above - has been estimated to total approximately 7,900 resources, of which 2,700 already forecasted in the cost containment programmes of the individual banks.
Surplus personnel will be entirely dealt with over the next 3-4 years with the appropriate measures and also via the sale of branches.

The responsibilities of the “work groups”

Building the Master plan

In order to “build” the Master plan for the Integration programme, approximately 400 resources involved in 28 projects (“cantieri”) and 48 sub-projects (“sottocantieri”) have been working since the beginning of the summer.
The programme entails two “macro-phases”. The first, to define the plan, will be completed before the end of September 2000 with the approval of the Master plan by the Steering Committee, which will then be examined by the Board of Directors. The second, to implement the plan, will finish by 2003.
The work groups, which are proceeding according to schedule, are currently defining:

- the new organisational model, that is the new Gruppo Intesa structure;
- the Industrial plan, which will specify how to realise the revenue and cost synergies which have already been quantified;
- the actions to be taken to implement the new model and their timing.

The merger of the large banks

The Shareholders' Meetings held in July

As is generally known the relevant Shareholders' Meetings held at the end of July resolved upon the merger in Banca Intesa of Banco Ambrosiano Veneto, Cariplo, Banca Carime and Mediocredito Lombardo.
The merger in the Parent Company of the Group's large banks and the subsequent transfer to Intesa of BCI's Italian network, represent the precondition to re-organise the distribution network in divisions.
Once it was decided to follow a customer-centric approach in the design of the Group's distribution structure (which will no longer reflect the individual bank or the territory), the merger became a necessary step. When all the banks are merged into one, their distribution structure will be re-organised according to the divisional model.

Timing

The merger will be completed before the end of the year, with accounting and fiscal effects as of 1st January 2000; consequently, Banca Intesa's 2000 financial statements will include the balance sheet and statement of income items of all merged banks.

The banks' brand names

With the merger the legal identity of the merged banks will no longer exist; however their "name" or, more precisely, their "brand name" or "franchise" will be maintained. In fact, brand names are an invaluable asset for any company, especially when they are connected - as in our case - to a long history and to long-established relationships.
For the purpose of better safeguarding their value, Art. 1 of the Articles of Association has been modified by the Shareholders' Meeting held at the end of July and, in the second paragraph, sets forth that Banca Intesa may use the names of the merged banks as brand names and logos.

BCI's new mission

The "new" BCI

In the Group's new divisional structure, BCI will be responsible for the management of Large corporate clients, Investment banking, Global custody and Correspondent banking, of the Group's international subsidiaries and international network, as well as other related activities, such as Merchant banking.
Banca Intesa's Large corporate client unit and the related lending and service relations with Group banks will be transferred to BCI. The Caboto Group will also be transferred to BCI.
BCI will be autonomous in the development of its procedures and systems in order to have utmost flexibility and specialisation in the supports to its core business.

"Wholesale Bank"

These are the guidelines given to the work group which started its activities some time ago and which will be responsible for designing the model for the Wholesale Bank.
Its indications will become part of the Master plan which will be completed next month.

The implementation programme

Gruppo Intesa's transformation according to the new model and the simultaneous integration with BCI represent a tremendous task. However, it is imperative to create a highly competitive Group in the new European market.

The "target" system

The transformation will take time, since interventions will affect numerous areas: business strategies, head office structures, distribution structures and, especially, IT systems.
In particular, for the latter the Integration plan sets out that all Group banks will converge to a single target system. Only the Wholesale Bank (BCI-Caboto), due to the peculiarity of its operations, will maintain its systems and procedures.
The banks' convergence to the target system is essential to simplify and rationalise operational tools, in order to attain significant cost savings. The unification of the

information systems will last through the whole of the implementation period.
The "bridge" systems necessary to manage all the banks being merged in Intesa are already being developed. This activity - as regards administrative and back office activities - will be completed by the end of the year.

The objectives of the Master plan

To facilitate the transformation, the Master plan is aimed at:

- minimising uncertainty and problem situations;
- maintaining territorial coverage;
- reducing the time span before the Group's new management team is able to manage the integration and transformation process.

In short, the implementation of the new model will require three lines of action to be taken:

- integration of the Group's operational structures in Banca Intesa and creation of the three domestic banking divisions specialised by customer segment (Private, Retail, Corporate);
- focalisation of BCI as the Group's Wholesale Bank;
- migration of the information systems and integration of the operative platforms.

The implementation programme is divided in four phases which will occur in three and a half years and will be completed at the end of 2003, even though the most important actions will be concentrated in 2001 and 2002.
The time schedule identifies four different moments.

First phase

Before the end of December 2000
During the year, all actions necessary for the merger and the reorganisation in divisions of Ambroveneto, Cariplo, Carime and Mediocredito Lombardo and the spin-off and break up in divisions of the BCI network, as well as the establishment of the Wholesale Bank, must be completed. In particular, before the end of 2000, the banks will be merged in Banca Intesa whereas the Large corporate clients unit, Merchant banking operations and the equity investment held in Caboto Holding will be contributed to BCI.
Also before the end of the year, Banca Intesa divisions and departments will be re-designed to suit the new Group model, the migration to the target system will continue as well as its customisation.
Provisional IT solutions necessary to manage existing systems before the migration to the target system will also be developed.
In this first phase the impact on Group structures and networks will be very limited.

Second phase

Before the end of July 2001
Operations regarding BCI and the reorganisation in divisions of Banca Intesa will be completed.
BCI will be broken up and its Italian network and equity investments will be spun off to Banca Intesa.
The Group's excess branches will be sold and Caboto will be merged in BCI.
The three domestic banking divisions will be created in Banca Intesa and the transformation of the merged bank networks to customer-centric divisions organised by customer segment will commence for the former networks of Ambroveneto, Cariplo and Carime.

Third phase

Before the end of December 2002
In July 2001 the first series of operations involving Group companies will be completed, while interventions regarding the organisation and the IT systems will continue.
As regards the first aspect, Banca Intesa's re-organisation will be completed with the integration of the former-BCI branches in the new divisional structure.
In parallel the reorganisation of the other banks according to the new divisional model will occur.
The migration of the former-Cariplo network to the Banca Intesa system will be completed and the migration of the former-BCI network will commence.

Fourth phase

Before the end of 2003
All organisational and IT interventions within Banca Intesa will be completed and the former-BCI branches will migrate to the target system.

The Development of Internet Banking Activities

In the past few months numerous players have been paying increasing attention to on line finance. This has occurred, on the one hand, due to the development of on line trading and, on the other hand, due to the multiplication of bank initiatives in this area - involving major banking groups as well as small and medium banks - aimed at preventing the forecasted drop in market share in favour of competitors capable of more rapidly offering the products and services typical of this new distribution channel.

Outlook for the sector

Even though the power of the Internet and the repercussions of its widespread use have and will have on the strategies of numerous players are generally accepted, there are different opinions with regard to the timing and intensity of the possible effects. The prevailing opinion states that in 2002 approximately 5.5% of Italian households will be potential on line investors (1,200,000 investors according to Eurisko-Prometeia), stock trading will be the main activity and more than 5% of funds will be distributed through this channel. The figures in this forecast are undoubtedly significant, however they limit the Internet phenomenon, at least in the next two years, to a restricted portion of the population. Total commissions generated by on line trading (according to Eurisko-Prometeia estimates totalled approximately 414 billion lire in 2000, corresponding to just under 2% of total income from services), in the three-year period 2000-2002 should increase, on average, by 44% per annum, to reach 870 billion lire in 2002 (equal to 3% of total income from services).
Apart from quantitative effects, which are hard to evaluate considering information available and the lack of evidence from other comparable Countries, Internet poses new problems to incumbents with regard to selection, integration and rationalisation of distribution channels, by influencing offer strategies in two fundamental ways: the drastic reduction in boundaries between activities and the need to integrate the different distribution channels more effectively. Traditional networks and personal financial consultants will remain an important distribution channel; however, services and consulting to customers must reach higher quality standards.

Group initiatives

In line with the attention that Group banks dedicated over the years to the development of new remote distribution channels (Cariplo and Ambroveneto are operational on the Web as of 1997 and together they serve over 100,000 clients), the project for the establishment of a new dedicated company in charge of designing, implementing and managing Gruppo Intesa's Internet initiatives - Intesa e-Lab - was approved and financed via an increase in capital amounting to over 1,300 billion lire. This initiative shortly followed the recent agreement with IBM and Telecom-Tin.it to offer the Group's almost 10 million retail clients an integrated multimedia package including a personal computer and a contract with an ISP.

Intesa e-Lab

Intesa e-Lab will be responsible for: selecting and developing business ideas related to the Web and, in general, to innovative distribution channels both at domestic and international level; promoting and managing joint ventures and tailor-made financial initiatives on the new channels. It will also follow a venture capitalist approach and operate as an excellence centre supporting the Group in managing relationships, technologies and marketing in this sector.
As already described above, Gruppo Intesa decided to invest a considerable amount in the new company, of which 80-90% is currently being allocated to projects which may have positive fallouts for the Group's business strategy and the remaining 10-20% to venture capital investments in this sector which include the promotion of the listing of the most successful initiatives.
The areas of activity of Intesa e-Lab are second generation on line trading (IntesaTrade), the promotion of a supermarket for the sale of mutual funds throughout Europe (FundsWorld), direct e-bank business to business and business to consumer and payment systems.

IntesaTrade

In particular, with the objective of achieving a strong market positioning in a short period of time and thus enable customers of both Gruppo Intesa and other banks to exploit a high-quality service at contained costs, Banca Intesa launched a second-generation on line trading service, called IntesaTrade.

IntesaTrade is an investment and trading securities company, with cutting-edge characteristics for the Italian market in terms of range and quality of services offered: extending from dealing in securities traded on the most important stock exchanges worldwide to purchasing mutual funds, from providing information, prices and tools to support investors' decisions, to offering exclusive analyses and researches, till now available solely to institutional investors.
The development of the web-site focused on creating an easy-to-use platform for surfing, executing transactions and managing portfolios. Furthermore, the site ensures speedy operations, resulting from the innovative technological structure, and the safety of transactions and personal data.
IntesaTrade is currently accessible through Caboto Sim for the execution of transactions; by the end of the year it will also be available through current accounts at the main Gruppo Intesa banks and will be integrated with the existing Internet services (QuiCariplo and Risponde il Banco).
In the first two months of operations IntesaTrade registered over 15,000 clients.

FundsWorld

In parallel, the Group is completing the FundsWorld project, another internet banking initiative, aimed at developing an on line fund supermarket (offering proprietary and non proprietary funds) for European customers which is being developed in joint venture with a US professional player in the fund management market.

Other

Later on, the Group will implement new initiatives targeted to corporates (business to business) and consumers (business to consumer).

The Economy, the Financial Markets and the Banking System in the First Half of 2000

International economy and Italy

US economy

After a period of instability and weakness, world economy is moving toward sustained growth.
To this regard the US economy played a key role with an unprecedented growth mainly in private consumption and investment, while the state sector gave a very marginal contribution.
The United States are traditionally net importers to satisfy their very high domestic consumption. This has progressively led the United States to become the locomotive of world economy.
The strong economic growth forced the Fed to rise interest rates: starting from August 1999 the Federal Funds Rate was increased six times from 4.75% to current 6.50%.
As to growth rate, in 2001 it should be considerably lower than the long-term trend, it should be set at an yearly average of 2.9%, slowing down to 2.6-2.7% at the end of 2001.

EU economy

EU economy too is in a favourable phase of the business cycle, even if so far its growth is not comparable to the one of the United States in the last quarters. The Countries taking part in the European Monetary Union show differing growth rates and prices. Such differences should be reduced by the Monetary Union itself, but timing is not easily predictable. The Euro area growth forecasts over next years were adjusted upwards in the last months by most analysts. Currently forecasted yearly growth varies from 3.3% to 3.5% in 2000 and from 2.9% to 3.3% in 2001. The European economy however will be highly dependent on the US economy until domestic European demand will not show a strong recovery.
In the first quarter of 2000 consumption contributed 0.82% to the region’s growth and investments 1.08%. Growth from investments is, in perspective, good, while growth from consumption appears unsatisfactory, particularly compared to the levels of the last four quarters. This trend however should be temporary in view of the consumer confidence index which is still very high, even if slightly declining in the second quarter of 2000 compared to the first quarter. Furthermore the rise in employment and good stock market performance should lead to higher consumption in the near future. Foreign trade contributed 0.8% to growth in the first quarter of 2000, even if with very different contributions from individual national economies. This situation is a consequence of the weak currency and should not last long. Overall it could be concluded that the EU economy is in a longer-than-average cycle.
A key role to this regard will be played by monetary policy and by the ECB’s ability to utilise monetary measures to control price dynamics without jeopardising growth. Euroland’s inflation is forecasted at 2.2% in 2000 and 1.9-2.0% in 2001.
The 2001 forecast is based on the assumption that the ECB will achieve its medium-term objective of 2% inflation. According to our analysis and in line with the monitored price dynamics, current monetary policy, characterised by rising interest rates, is destined to continue over next months and to be prolonged into the first part of 2001.

Italian economy

As to the Italian economy’s dynamics, on the basis of current data, in the first quarter of 2000 GDP recorded growth rates of 1% (q/q) and 3% (y/y), far higher than expected.
A substantial contribution to growth (+ 1.4%) was given by private consumption, up by 1.3% compared to the previous quarter. Also gross fixed investments grew considerably with investments in machinery the most dynamic. Our Country benefited also from a recovery in foreign trade (net exports contributed 1.3% to growth). However, it must be noted that for Italy the inflationary impact is particularly strong: in June inflation was 2.7%, in July and August 2.6% and a significant rise is expected for September.
This year’s average to date is 2.4% and it should remain at approximately that level. During 2001 inflation is expected to fall to 2.0-2.1%.

Economic growth should be 3.0% this year and 2.7% next year. A positive outlook is therefore forecasted also for Italy, but the growth rate for our Country will be lower than the average in the Euroland while inflation will be higher.
Unemployment declined during the last two years (from 11.8% in 1998 to 11.4% in 1999) thanks to a rise in the number of employed people not balanced by an increase in work force. During the year 2000 the number of employed people rose also as a result of a wider utilisation of new contractual agreements. Employment is predicted to grow over the next years both in response to the positive economic cycle and as a consequence of possible tax incentives to companies. The employment gap between the North and South of Italy persisted. The improved labour market and the measures to reduce the household tax burden constituted positive steps toward greater consumption, which showed steep growth in the first quarter 2000: + 1.3% (q/q) and + 2.4% (y/y).
Investments should rise at an average rate of 1.6% in 2000 and 1.3% in 2001. This is a very optimistic forecast, justified partly by a projected rise in profitability (thanks to the economic recovery as well as to the restrained dynamic of labour cost) and partly by the development of new information technologies.
After a bad period between the end of 1998 and the beginning of 1999. exports increased again brilliantly: growth rate was 3% (q/q) in the last four quarters, 3.8% in first quarter 2000 (12% y/y). The trend is the result of a particularly favourable situation which should not last long: exports should in fact slow down (the q/q growth rate in 2001 will be half the one forecasted for 2000: 1.2% against 2.2%).
The balance of trade showed a deficit of 1,246 billion lire in May, mostly due to increased oil prices. The total deficit from January to May 2000 is now 2,700 billion lire and in view of the projected development of the exchange rate and of the oil prices, it is likely that imports will exceed exports at the end of 2000.

Monetary policies and banking activities

In the first half of 2000, the continuation of the expansive phase of the US economy, which started almost ten years ago, raised fears concerning the increase in inflation and the worsening of the heavy deficit in the balance of payments. In order to favour a slowdown in the productive cycle and to prevent abrupt stock market corrections, the Federal Reserve maintained the gradually restrictive monetary policy adopted in the second half of 1999. It raised its base rate to 6.5%, the highest level in the last ten years, through three successive interventions for a total of 100 basis points.

The ECB's strategies

The European Central Bank too maintained a restrictive orientation in view of inflationary signals in the EU economies and it raised its base rate to 4.25%, through four interventions for a total of 125 basis points. Such measures were aimed at opposing strongly inflationary expectations, caused by higher oil prices and weaker euro exchange rates.
The effectiveness of the policies adopted by the ECB is proved by the dynamics of market interest rates. Short-term interest rates started to shift up strongly since February, with the three-month Euribor reaching 4.5%, more than one point up from the beginning of the year. On the contrary long-term interest rates, which had been rising since the beginning of 1999, reversed their trend after having touched their maximum in January, showing that the expectations of an increase in long-term inflation had subsided. The ten-year Bund, for example, reached a yield of 5.7% at the beginning of the year, 1.5 percentage points higher than in January 1999, to move down to 5.35% later in June. As a consequence of such fluctuations, the inclination of the yield curve dropped considerably.

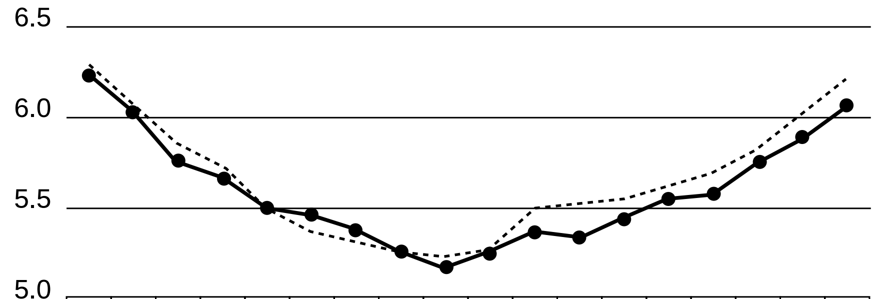
Interest rates on loans

Bank rates progressively incorporated the indications of the monetary policy somewhat more slowly for liabilities. In this context interest rates applied by Gruppo Intesa to customers, calculated as the weighted average rates of the seven main banks - BCI, Cariplo, Ambroveneto, Carime, Cariparma, FriulAdria and Mediocredito Lombardo, which represent approximately 95% of customer deposits and loans to customers - moved in line with

Short-term loans

the trend of the national market average. More in detail, in the first six months of the year, the nominal rate on short-term loans to customers applied on average by Italian banks rose by 68 basis points, recording an average of 5.84% (Graph 1). The corresponding average rate applied by the main Gruppo Intesa banks, even if up by 72 basis points from the beginning of the year, equalled 5.73% average for the first half, thus lower than the national average. It has to be remembered that such difference with respect to the system's average reflects the peculiar geographical composition of Gruppo Intesa's reference market, which is skewed to the regions in Northern Italy where, due to lower risk and higher competition, rates are structurally more contained compared to other areas in the Country.

Graph 1 - Average interest rate on short-term loans



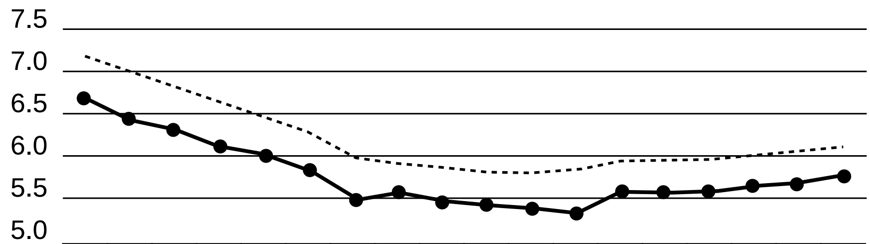
	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	6.24	6.03	5.78	5.68	5.52	5.48	5.40	5.28	5.19	5.27	5.39	5.36	5.46	5.57	5.59	5.77	5.90	6.08
System	6.28	6.08	5.85	5.72	5.51	5.37	5.32	5.27	5.25	5.30	5.51	5.55	5.57	5.64	5.71	5.84	6.04	6.23

values %

Source: Bank of Italy

The rise in nominal rates on medium- and long- term loans proved more contained as a result of positions closed at previously agreed conditions. For the whole banking system the average medium- and long- term interest rate recorded a rise of 26 basis points in the first six months of the year with an average for the period of 6.02% (Graph 2).
The same rate, referred to Gruppo Intesa, was lower than the system's, in spite of a higher increase (+ 49 basis points since the beginning of the year), and totalled 5.69% average for the first half.

Graph 2 - Average interest rate on medium- and long- term loans



	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	6.63	6.43	6.29	6.11	6.01	5.85	5.51	5.53	5.47	5.45	5.39	5.38	5.61	5.61	5.63	5.71	5.73	5.87
System	7.12	6.95	6.78	6.61	6.43	6.27	5.98	5.93	5.87	5.83	5.85	5.89	5.96	5.96	5.97	6.03	6.07	6.15

values %

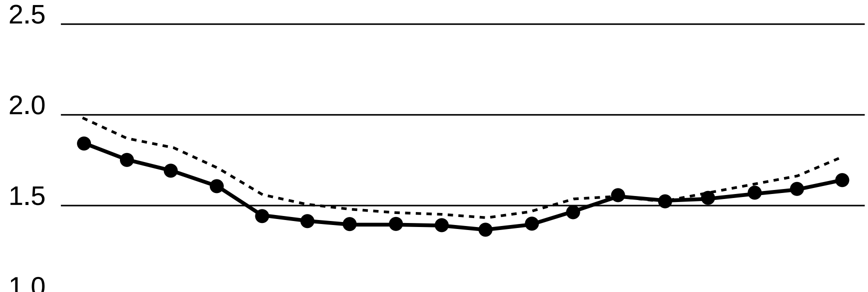
Source: Bank of Italy

Interest rates on short-term funding

Turning to examine the cost of funding, it is noted that the nominal rate applied on average by Italian banks on customer deposits rose from beginning of year by 26 basis points, from 1.52% to 1.78%, equalling 1.63% as average of first half (Graph 3).
In the same time period, Gruppo Intesa benefited by a nominal average funding rate,

which was slightly lower than the system's (1.58%) and registered a 19 basis points increase from the beginning of the year.

Graph 3 - Average interest rate on customer deposits



	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	1.82	1.72	1.67	1.59	1.45	1.40	1.39	1.39	1.39	1.38	1.41	1.48	1.56	1.51	1.55	1.58	1.61	1.67
System	2.00	1.85	1.83	1.73	1.56	1.51	1.48	1.46	1.45	1.44	1.46	1.52	1.56	1.54	1.58	1.64	1.69	1.78

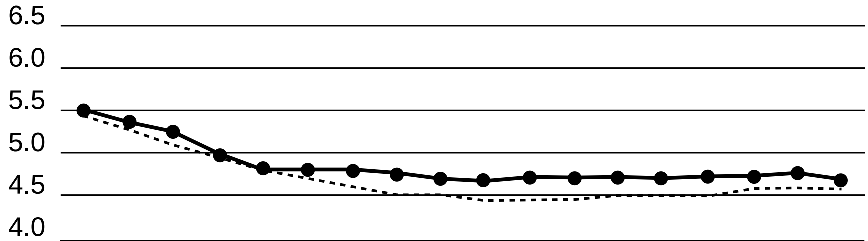
values %

Source: Bank of Italy

Issued bonds

Intesa's lower funding cost for on demand deposits, although it is slowly converging to the system's average, seems to confirm the persisting competitive advantage deriving from the fact that Gruppo Intesa banks are deeply rooted in their respective local markets. As to the bond market, in the first half of the year the banking system paid an average nominal rate of 4.55% on issued bonds, approximately 1/4 basis point lower than 4.79% registered on average by Intesa (Graph 4). The higher interest rate paid by the Group on issued bonds is a result of the fact that most bonds were issued in the past at higher interest rates than at present, particularly by the subsidiary Cariplo.

Graph 4 - Average interest rate on issued bonds



	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	5.49	5.33	5.24	4.98	4.86	4.84	4.85	4.80	4.74	4.69	4.76	4.76	4.79	4.76	4.77	4.81	4.81	4.78
System	5.39	5.25	5.09	4.96	4.85	4.74	4.63	4.52	4.52	4.45	4.45	4.45	4.49	4.49	4.50	4.55	4.58	4.66

values %

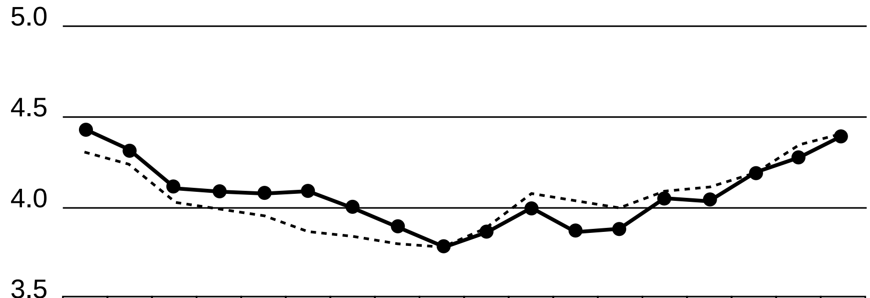
Source: Bank of Italy

Spread

The different speed with which interest rates on loans and deposits adjusted to changing market conditions, gave the Italian banks the opportunity to operate with a substantial short-term spread - the difference between the rate on short-term loans and deposits - which rose 42 basis points from December 1999 to June, touching 4.45 points and exceeding the level recorded at the beginning of 1999 (Graph 5).

The corresponding spread calculated for Gruppo Intesa, which was approximately 15 basis points below the system's at the end of 1999, recovered more than half a point in the first half of 2000, returning steadily above 4 percentage points and, at a level of 4.41%, approaching the national average in June.

Graph 5 - Short-term spread



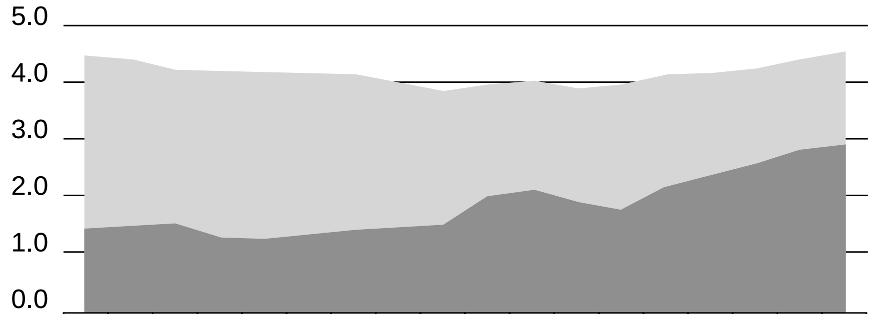
	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	4.42	4.31	4.11	4.09	4.07	4.08	4.01	3.89	3.80	3.89	3.98	3.88	3.90	4.06	4.04	4.19	4.29	4.41
System	4.28	4.23	4.02	3.99	3.95	3.86	3.84	3.81	3.80	3.86	4.05	4.03	4.01	4.10	4.13	4.20	4.35	4.45

values %

Source: Bank of Italy

With reference to the composition of the Group's short-term spread (Graph 6), in the period considered, similarly to what happened for the system, the unit contribution of funding, called mark-down, increased. Mark-down is equal to the difference between three-month Euribor and the average rate on deposits, which reached 2.83 points in June. In the formation of the spread on short-term activity, on the contrary, the contribution of loans to customers (mark-up) decreased to 36% in June, against 54% at the beginning of the year.

Graph 6 - Composition of Gruppo Intesa's short-term spread



	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Mark up	3.10	2.94	2.73	2.98	2.94	2.85	2.72	2.58	2.46	1.89	1.92	1.92	2.12	2.03	1.84	1.84	1.55	1.58
Mark down	1.32	1.37	1.38	1.11	1.13	1.23	1.29	1.31	1.34	2.00	2.06	1.96	1.78	2.03	2.20	2.35	2.74	2.83

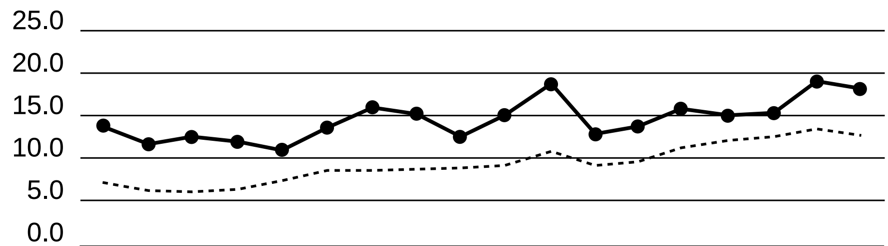
values %

Source: Bank of Italy, ECB

Loans

Turning to examine the trend of intermediated volumes, the strengthening of the expansive phase of the economic cycle in the first part of the year contributed to support a strong rise in loans in the whole Euroland, favoured by low interest rates.
In particular, the rise in loans to non-financial companies accelerated, supported not only by the improved economic environment but also by the rising demand to finance extraordinary financial operations. Instead, the rise in household loans, although at high level, recorded a slight slowdown.
In Italy, since the beginning of the year, loans to customers increased more than the average of the Union: in the first six months of the year performing loans, net of repurchase agreements, recorded on average a growth rate in excess of 11.7% compared to the same period of 1999 (Graph 7). In particular, very strong demand for household loans continued and was directed toward investment in real estate and the purchase of tangible assets.

Graph 7 - Performing loans (% variation on an annual basis)



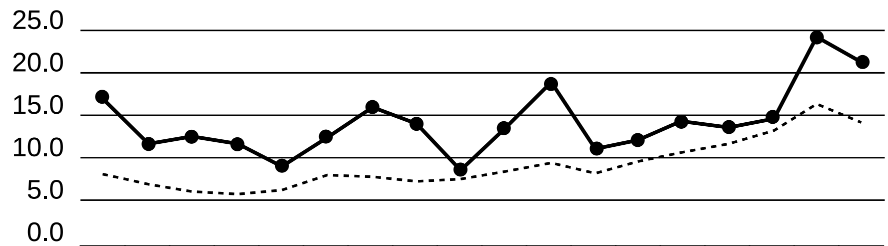
	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	14.0	11.7	13.2	12.7	12.3	14.5	16.2	15.5	12.7	15.0	18.0	13.7	13.8	15.6	15.0	15.2	18.9	17.8
System	7.3	6.7	6.4	6.6	7.5	8.9	8.9	9.1	9.0	9.9	10.8	9.5	9.9	11.2	11.7	12.5	13.1	11.7

values %

Source: Bank of Italy

With reference to the duration of financing, short-term loans recorded an average growth rate slightly higher (+ 12%) than medium- and long- term loans (+ 11.3%; Graph 8 and Graph 9). For Gruppo Intesa as a whole (total volumes of all Group banks), the rise in loans was higher than the national average, with reference to both short-term lending (+ 16.5% average growth rate in the first six months of 2000) and to medium- and long- term lending (+ 15.6%). Consequently, Gruppo Intesa improved its market penetration: with regard to short-term loans, market share rose from 17.7% as at June 1999 to 19% as at June 2000, whereas as regards medium- and long- term loans, market share increased from 15.8% to 16.3% in the same period.

Graph 8 - Short-term loans (% variation on an annual basis)

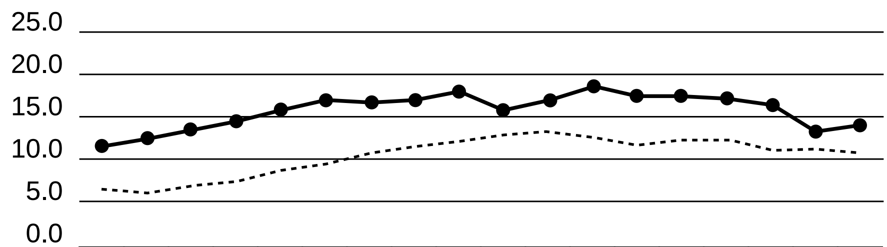


	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	16.1	11.2	13.0	11.2	8.8	12.5	16.0	14.2	8.6	13.9	19.2	10.3	11.4	14.7	13.6	14.6	23.7	20.8
System	8.1	7.0	5.7	5.4	6.2	8.0	7.1	6.9	6.2	7.5	9.4	6.8	8.3	10.4	11.6	13.9	15.4	12.7

values %

Source: Bank of Italy

Graph 9 - Medium- and long- term loans (% variation on an annual basis)



	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	11.6	12.3	13.4	14.5	16.3	16.9	16.6	16.9	17.5	16.3	16.6	17.7	16.7	16.7	16.5	15.8	13.6	14.4
System	6.6	6.4	7.1	7.8	8.8	9.7	10.6	11.3	11.8	12.1	12.3	12.2	11.6	11.9	11.7	11.2	10.9	10.8

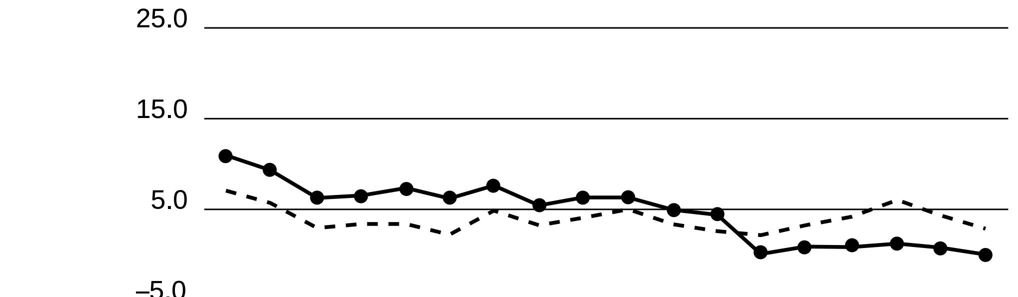
values %

Source: Bank of Italy

Direct customer deposits

With reference to direct customer deposits, the trend recorded in the first months of 2000 is generally in line with last year: as in Euroland, for Italian banks direct customer deposits recorded a 4% average growth rate for the first six months of the year, far lower than the rise in loans (Graph 10). The polarisation of funding on current accounts and bonds continued: the rise in current accounts is deemed to be the result of higher propensity for liquidity in a phase of volatile financial markets. The growth rate recorded by bonds was more moderate, but still positive, while the elimination of certificates of deposit and the stagnation of saving deposits persisted.

Graph 10 - Direct customer deposits (% variation on an annual basis)



	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa	11.0	9.2	6.7	6.5	7.4	6.2	7.9	5.1	6.5	6.4	5.0	4.3	−0.2	0.9	0.6	1.1	0.1	−1.1
System	6.7	5.2	3.4	4.0	4.0	3.1	5.0	3.9	4.7	5.0	3.8	2.9	2.7	3.8	4.7	5.2	4.7	2.9

values %

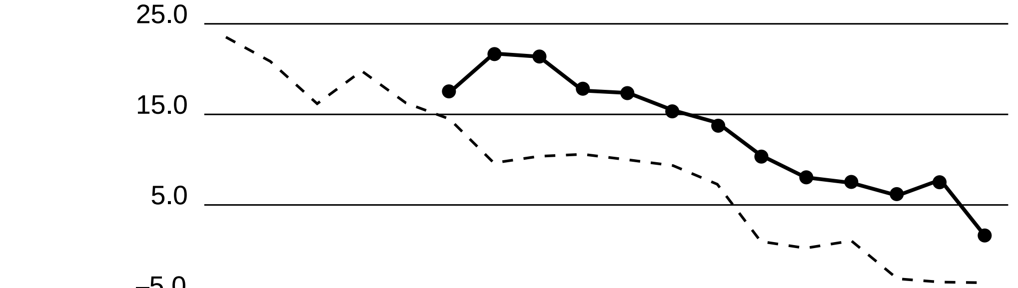
Source: Bank of Italy

In the first part of the year the growth in funding for the Gruppo Intesa banks was lower than the system's average: volumes in fact rose by 0.2% on average. Market share therefore dropped by 0.7%, down to 16.6% in June 2000.

Indirect customer deposits

The trend recorded by direct customer deposits was partly the result of the sustained commercial priority given by Group banks to asset management products. If compared to the system, Intesa's growth on indirect customer deposits (customer securities deposits net of own bonds, Graph 11) appeared extremely satisfactory, in a shrinking market. In the first six months of the year, deposits managed and administered by Gruppo Intesa banks rose by 7% on average, whereas the system recorded an average drop of 1.2%. High specialisation and the rising appreciation of the products offered by the Group's banks in this segment, which is of strategic importance for banking activity, are testified by the yearly rise in market share which, since June 1999, increased by almost 1.5 percentage points up to 27.2%.

Graph 11 - Indirect customer deposits (% variation on annual basis)



	Jan 1999	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2000	Feb	Mar	Apr	May	Jun
Gruppo Intesa						17.8	21.7	21.6	17.6	17.3	15.2	14.1	10.7	8.1	7.7	5.7	8.0	1.6
System	23.7	20.8	16.4	20.1	16.1	14.9	9.6	10.2	10.8	10.0	9.6	7.4	1.5	−0.2	1.6	−3.2	−3.5	−3.6

values %

Source: Bank of Italy

Investment services and asset management

The first half of the year was characterised by intense competition involving the securities industry, mainly following the entry of new operators, alternative negotiation systems, new electronic stock exchanges, the Internet.
Regulated markets are changing their organisational and operational structures, in a context of global trading.
The aggregations and partnerships between the different European capital markets, the creation of the two great stock market poles Euronext (merger of Paris, Bruxelles and Amsterdam Stock Exchanges) and iX (merger of the London and Frankfurt Stock Exchanges, which also involves the Madrid and Milano Stock Exchanges and Nasdaq), are aimed at achieving the critical mass necessary for survival in a competitive context characterised by the proliferation of dealing systems.

The stock market

After the brilliant start of stock markets in the first quarter of the year, in April a more subdued phase prevailed with stock quotations, led by technological stocks, suffering considerable drops compared to the maximum levels reached in March, in a context of high volumes traded.

In any case, at the end of June, the Mib index recorded an 8.94% rise compared to values recorded at the end of 1999, the best performance among the European Stock Exchanges. The value of volumes traded reached 466 billion euro, rising by 86% compared to a year ago, and an average daily volume of almost 3.7 billion euro.
At the end of the first half, also due to the increase in the number of listed companies, capitalisation of companies listed on the three markets (Borsa, Mercato Ristretto, Nuovo Mercato) reached 820.7 billion euro, corresponding to 70.9% of nominal GNP, much higher than the percentage one year ago, 47.9%. The number of listed companies in the three markets increased to 271, with only a one-unit increase compared to the end of 1999: 12 admissions against 11 withdrawals.
Most noteworthy is the sustained rise of the Nuovo Mercato (the Italian high-growth companies market), operational as of June 1999, with the floatation of 9 new companies (compared to 6 IPOs in 1999). Its capitalisation reached 20 billion euro in June 2000.

Trading on covered warrants more than doubled compared to the levels recorded in June 1999 with an average daily volume of 129.4 million euro and a total turnover of 16.4 billion euro, corresponding to 3.3% of the market’s total turnover.
With regard to the derivatives market, the slight decline registered by volumes traded in futures continued whereas trading on Mib 30 index options and on stock options significantly increased.
On the contrary, the markets launched by the Italian Stock Exchange during the first half are still in a start-up phase with negligible traded volumes.
The MOT (the information system of the Italian Bond Market), registered a slight rise in volumes traded compared to last year.
As regards the MTS (the information system of the Government securities market), the decrease in volumes traded continued; however, since April 1999, the decrease was offset by the EuroMTS.

Investment services

In trading, Gruppo Intesa is affected by the structural change of the stock exchange market, characterised by the growth rate of the Borsini (the over-the counter trading desks) of the big banks and/or of the on line brokers. IntesaTrade, the Group’s new trading on line platform, is, in fact, operational only since mid June 2000. Its contribution will be perceived in the second part of this year.
As to stockbroking, Caboto Sim’s market share equalled 6.97% at the end of the first half, with an almost 2 percentage points reduction over the twelve months. Similarly, BCI registered in this segment a market share of 1.7% with a reduction of almost half a percentage point.
Gruppo Intesa dealt 6.68% of volumes exchanged on the MTS (the information system of the Government securities market): Caboto Holding Sim and BCI traded respectively 3.52% and 3.16%.

Asset management

In the last few years, asset management in Italy grew at a very sustained rate and achieved dimensions comparable to those of the main European markets.
However, starting with 1999, domestic and international conditions which determined this trend partly changed: on the domestic market the shift from State securities to asset management gradually ebbed, whereas the generalised increase in interest rates penalised the performance of fixed-income funds and of portfolio management schemes.
For the near future a growth less impetuous than in the past is envisaged and will be more diversified by type of investment and objective; the mutual fund industry in Italy is now comparable to that of the more developed European Countries; however, a considerable delay in the segment of insurance products persists.

The expansion of asset management was supported by strong household demand, which was mostly directed to mutual funds, subscribed directly or through individual portfolio management schemes invested in mutual funds (GPF).
In the first six months of 2000 assets managed by mutual funds incorporated under the Italian law recorded a slowdown in their growth rate (+ 3.9% on a six-month period basis) due mainly to the enduring crisis which affected the bond market in the second half of the previous year.
Market demand is heading toward equity funds and above all toward foreign products managed by Italian asset managers (funds and Sicavs incorporated under Luxembourg and Irish law).
Gruppo Intesa was confirmed leader in that segment in spite of an erosion in its market share calculated in terms of managed assets, which went down from 20.8% to 19.7% in the first half. Such result is partly due to the halt of collection flows from certain networks not belonging to the Group (Bipop-Carire, Banco di Sicilia, Banca del Monte di Parma) which initiated commercial policies directed to the sale of own products. It is also worth noting that the composition of Group’s managed products portfolio, which is specialised in fixed-income funds, accentuated the negative effects on subscriptions derived from the above-mentioned difficulties in the segment, in spite of a context of performances higher than the system’s.
Within the process of integration of Gruppo Intesa asset management activities at Intesa Asset Management SGR, the revision and rationalisation of the broad range of offered products continues: from mutual funds to Sicav incorporated under foreign law, from mono-brand to multi-brand individual portfolio management schemes invested in mutual funds (GPF), from private banking to pension funds.
With specific reference to the latter, there are good growth prospects for open pension funds, segment in which Intesa Asset Management SGR already holds a market share of 22.1% (January 2000) with more than 32,000 clients.

In the first six months of 2000, assets managed by individual portfolio management schemes (GPM) did not register significant increases, while more sustained seemed to be the rise in individual portfolio management schemes invested in mutual funds (GPF), which mostly benefited from the rise in foreign funds and the flow of funds from GPM, because of the increase in the minimum investment threshold of the latter.
In a context of rapid technological evolution of the distribution of financial products, Gruppo Intesa took actions directed to maintain the leadership in investment services and in the placement of asset management products, in particular with the recent start-up of the on line broker IntesaTrade and with the forthcoming start-up of FundsWorld, the first Italian distributor of multi-brand funds.

As far as concerns the more traditional channels, the remembered difficulties of bond products affected the banking channel above all, whilst the different product mix placed by the financial consultants network, more oriented to equity products and characterised by a closer customer relationship generated higher protection from the risk of customer disloyalty.
In the first quarter of 2000, in fact, the activity of Sim financial consultants distribution networks rose considerably: gross volumes traded by such networks registered a 117.8% increase compared to the same period the previous year and reached 84,336 billion euro.
The Group recorded a rise in Intesa Italia Sim’s market share, from 3.4% in 1999 to 3.5% in the first quarter of 2000, and a drop in the market share of Genercomit Distribuzione Sim, from 1.3% to 1.1%.

Bancassurance

With regard to the life insurance market, gross premiums equalled 19,200 billion lire in the first quarter of 2000, with a 20% increase compared to the same period of 1999. Alleanza resulted leader in the life insurance market in Italy, with premiums collected amounting to 1,570 billion lire (+ 22.7%) and with an 8.2% market share.
In the first quarter of 2000, Gruppo Intesa (Carivita, Alleanza policies distributed by Ambroveneto, Po Vita and Assiba) collected premiums for 1,997 billion lire corresponding to 10.4% of amounts collected by total life insurance market for the period. Carivita, which collected 925 billion lire of premiums (+ 8.1% with respect to the first quarter of 1999) and had a 4.8% market share, was ranked in seventh place.
According to the latest available estimates, sales of life insurance policies through bank branches in the first five months of the year should have reached the value of 17,000 billion lire, with an 8% rise compared to the same period of 1999. The sales of unit-linked policies in May equalled approximately 1,700 billion lire. The market of index-linked policies, which is highly concentrated (the first four competitors represent above 50% of the new production), registered a new production of 4,300 billion lire (+ 13% compared to the first five months of 1999).

Parent Company's Activities

Company operations

Acquisition of the minority stakes in Cassa di Risparmio di Parma e Piacenza

The Extraordinary Shareholders' Meeting held on 30th May 2000 approved the project for the merger with Cassa di Risparmio di Parma e Piacenza (Cariparma) after the spin-off of banking activities. The operation was carried out as follows:

Spin-off of banking activities

- Cariparma's contribution of its banking activities, with the exception of certain balance sheet items, to a new, wholly-owned company called Cassa di Risparmio di Parma e Piacenza SpA;

Merger in Intesa

- subsequent merger of Cariparma in Banca Intesa, with the annulment, without substitution, of the Cariparma ordinary shares held by Banca Intesa and annulment with substitution of the shares held by other shareholders according to an exchange ratio of one Banca Intesa ordinary share, starting to accrue dividends as of 1st January 2000, for every 3.1 Cariparma shares held;
- related increase in Banca Intesa's share capital, for a maximum amount of nominal 89.7 billion lire to service the merger.

Both the contribution and the merger were closed at the end of June and came into legal effects as of 1st July 2000.

This operation enabled Banca Intesa to acquire a 100% stake in the newly-established Cassa di Risparmio di Parma e Piacenza SpA and, at the same time, allowed Cariparma's existing minority shareholders to become shareholders of the Parent Company Banca Intesa, according to the agreements defined at the time of Cariparma's entrance in Gruppo Intesa.

Spin-off of Banco Ambrosiano Veneto in favour of Banca Popolare FriulAdria

Spin-off of Ambroveneto

Again in the first half of 2000, the subsidiaries Banco Ambrosiano Veneto and Banca Popolare FriulAdria approved the spin-off to the latter of Banco Ambrosiano Veneto's 60 branches located in the Friuli-Venezia Giulia region, certain real estate properties and minority stakes in companies operating mostly in that region. The spin-off - completed at the end of June with legal effects as of 1st July - required an increase in Banca Popolare FriulAdria's capital amounting to 5.8 billion lire, through the issue of 5,829,327 ordinary shares, assigned to Banca Intesa, sole shareholder of Banco Ambrosiano Veneto. Banca Intesa therefore increased its controlling equity stake in Banca Popolare FriulAdria to over 76%.
This operation was also contained in the agreements, which had led Banca Popolare FriulAdria to join Gruppo Intesa.

Other operations involving Group companies

As part of the project aimed at rationalising Group presence abroad, at the end of last May, Banca Intesa opened its branches in London, New York, Grand Cayman, Hong Kong and Singapore.

The coexistent Banco Ambrosiano Veneto and Cariplo branches will be closed by the end of this year.

The management of equity investments

Banca Intesa's initiatives regarding equity investments in the first half of 2000 are not very significant. Operations which are deemed to be more important in terms of size of the investment or strategic prospectives are briefly described hereafter.

Banco Comercial Portugues (BCP)

In February 2000 Banca Intesa acquired a 3.6% interest in Banco Comercial Portugues thus increasing its stake to 8.6%.
The operation strengthens Banca Intesa's position as one of the Portuguese bank's reference shareholders and is part of the partnership and co-operation agreements between the two Groups.
Furthermore, following the increase in capital carried out by BCP to service the acquisition of 100% stakes in three important Portuguese banks, Banca Intesa's interest was diluted to 4.2% of BCP's share capital even though Banca Intesa remained the Company's fourth most important shareholder.

Cassa di Risparmio di Terni e Narni

Again in the semester, Cariplo acquired an important equity stake (35%) in Cassa di Risparmio di Terni e Narni whereas it sold its equity investment in Cassa di Risparmio di Pescara. The equity investments held by Cariplo and other Group banks in ICCRI were also sold.
Cariplo increased its stake in Carivita from 60% to 80%. This acquisition is part of the strategy aimed at augmenting the interests in Group companies by buying the stakes held by minority shareholders if the latter do not add value to the companies involved in terms of marketing potential or specific know-how.

Banca CIS

Mediocredito Lombardo acquired from the Ministero del Tesoro the controlling stake (53.2%) in Banca CIS, a bank with 10 branches in which the Group, through Banco Ambrosiano Veneto, already held a minority interest and to which it provided IT services in outsourcing. With this acquisition the Group, which was already present in Sardegna with 28 Cariplo branches, further expanded its presence on the island.

NordEst Sicav

Last May, Banco Ambrosiano Veneto took part in the establishment of NordEst Sicav, a company created with the agreement of the Veneto Region for the purpose of raising funds from privates, companies and institutions present in the "Tre Venezie" area to be invested in local initiatives. Financing will be distributed by Group banks operating in this area and by Intesa Italia Sim and will be managed by Intesa Asset Management.

Capitalisation

The increase in capital

In order to provide Intesa e-Lab, the new company responsible for the development of the Group's Internet banking initiatives, with the funding necessary to sustain its activities, Banca Intesa's Board of Directors in its Meeting held on 16th March 2000 resolved upon an increase in capital, thus exercising the power it had been delegated by the Extraordinary Shareholders' Meeting held on 28th July 1998.
For this purpose 195,932,406 new ordinary shares were issued and were offered at a ratio of 1 new share for 28 of any class of shares/convertible bonds held. Issue price was fixed at 6,700 lire per share, corresponding to 3.46 euro per share for a total transaction value of 1,313 billion lire (678 million euro).
The increase in capital, which was subscribed by the members of the Voting syndicate and which was guaranteed by a syndicate organised by Salomon Brothers International Ltd., took place between 8th and 29th May and was fully subscribed.
The newly-issued shares will have regular dividend rights and start to accrue rights as of 1st January 2000.

Exercise of warrants and conversion of bonds

In the first half of 2000 Banca Intesa's shareholders' equity was also affected by numerous variations following the ordinary and extraordinary exercise of warrants and the conversion of bonds issued at the beginning of 1998. The extraordinary exercise periods are related to the merger projects which have been approved during the semester and the aforementioned increase in capital. In January and in April two conversion periods were opened for bond holders following, respectively, the project for the merger of Cassa di Risparmio di Parma e Piacenza carried out on 1st July 2000 and the project for the merger in Banca Intesa of Cariplo, Banco Ambrosiano Veneto, Banca Carime and Mediocredito Lombardo. An extraordinary exercise period for warrants was opened last March following the approval of the project for the increase in capital carried out in May. These extraordinary periods led to the issue of 7,413,205 ordinary shares and 6,749,320 saving shares with the consequent 37.4 billion lire rise in the Bank's shareholders' equity. In the ordinary periods for the exercise of warrants and conversion of bonds, 88,703,685 ordinary shares and 10,501,875 saving shares were issued with a 306 billion lire increase in shareholders' equity.

Lending activities

The new lending model

Improving loan portfolio quality is one of Gruppo Intesa's strategic objectives. From this point of view, intense activities continued the first half of the year aimed at implementing, in the Group's different entities, the instruments and processes set out in the project books which make up the new "Gruppo Intesa lending model".
The new lending model is a business process re-engineering which guides the management and realisation of the process in all its phases (analysis, granting, monitoring, managing of problem loans) by adopting integrated and consistent instruments and processes.

Loan performance measurement and monitoring methods are mostly based on "Gruppo Intesa risk level". This instrument is made up of three modules: analysis of the evolution of the relationship; credit scoring and guarantee coverage. The risk index is a central element of the structure which is the interface with the numerous procedures and management (position review, lending requests, problem loans), monitoring (control framework, auditing, management control) and planning and development processes (budget, marketing).
Excluding the BCI Group and foreign branches, as at 30th June 2000 more than 65% of loans to ordinary customers granted by Group banks was monitored with the automated controls based on the Intesa risk level.
The exchange of basic information between Banca Intesa and other Group companies is guaranteed by the Group's "Centrale Rischi", an essential tool for the analysis of risk indicators referred to the single client or group of economically related clients both for each Group bank/company and for Gruppo Intesa as a whole. The internal "Centrale Rischi" contains over one million clients.
In the main Group banks the "problem loan process" has already been implemented, with the objective of integrating and standardising the identification and management of problem loans. The process, which is supported by a specifically developed programme, is differentiated according to the severity and the diffusion of the problem within the Group and it is structured according to predefined steps, timing and responsibilities.

Granting

Banca Intesa, as part of its Parent Company functions, apart from defining the rules, the processes and the instruments for granting loans and controlling risks, also carries out a direction and co-ordination function related to credit risk on large exposures.
Direct lending activities registered a significant increase. Apart from interventions aimed at centralising Group finance and transferring foreign branches' activities, Banca Intesa took part in large financing for tender offers and/or M&A transactions. Total counter value of contracts closed in the first half of the year amounted to - including portions allocated to Group banks - over 12,000 billion lire.

Securitisation of performing loans

The securitisation of a portfolio of Cariplo's mortgage loans which commenced in the first half of 2000 through Intesa Sec., a special purpose company established and

controlled by Intesa, is an extremely important circumstance considering its future implications for the Group's operations.
The sale of performing loans, which came into effects as of 1st July 2000, referred to over 20,000 performing mortgages granted to individuals, with a residual capital of 993 billion lire. The new Company purchased the mortgages at book value and issued rated securities for 978 billion lire, which were placed with institutional investors and listed on the Luxembourg Stock Exchange. Furthermore, a second unrated tranche amounting to 16 billion lire, acquired by Cariplo, embedded the possibility to benefit from an additional return connected to amounts realised on the performing portfolio exceeding the cost of the transaction after the remuneration of the rated securities.

The transaction will lead to an improvement in the return on capital through the re-investment in lending activities of liquidity generated by the liberation of shareholders' equity required for compulsory capital requirements.
In any case Cariplo will maintain its relationship with customers who were granted the loans since it will be responsible for the service of the contracts. Therefore the securitisation will not have any operational impact on customers who were granted the securitised mortgages: Cariplo will remain their sole contact for all queries related to the mortgage.

Group finance

At the beginning of February, Group finance activities started operations within Banca Intesa.
The transfer of these activities - set out in the previous Master plan - and the centralised management of finance and treasury activities are aimed at maximising the profitability of the Group's significant financial resources and more effectively controlling interest rate and liquidity risk.
Banca Intesa provides its subsidiaries with financial resources necessary to carry out their operations, manages their liquidity on the market and applies standard market conditions to both lending and funding.

Proprietary portfolio management strategies

At the same time as the start-up of finance activities within Banca Intesa, the new model for finance activities, which clearly separates speculation from so-called structural positions, became operational.
The former has the objective of exploiting market opportunities within the risk limits set by top management; the second is aimed at immunising from interest rate risk the portfolios generated by the commercial activities of the single subsidiary banks, at the same time, providing them with a satisfactory return.
The new model led to satisfactory returns according to the strategies described below.

Speculative finance

With regard to fixed-income, with the objective of anticipating market evolution, positions were set up during the first half of the year, which would benefit from the flattening of the euro and dollar Government yield curves.
Since in the first months of the year the level of volatility quoted by the markets was extremely high, the Bank "sold volatility" on ten-year Bund for substantial amounts (for a notional value of 5 billion euro) by using swap options expiring before the end of the year, which have thus far benefited from the fact that volatility halved compared to the beginning of the year.

As regards investments in Corporate issues, in a context of restrictive monetary policy and lower global risk propensity, it was decided not to set up strategic positions and to focus on issues in the Euro area. Positions were constantly maintained greatly under the predefined limits. Equally prudent strategies were adopted with regard to the Emerging Markets asset class.

With regard to the monetary market, in the first part of the year the Bank set up positions close to the predefined limits to benefit from an increase in short-term interest rates on the euro and on the dollar, with a greater weight of the European currency. Toward the end of the first half of the year, after the last interest rate rise decided by the ECB, such positions were closed to exploit the short-term financial margin. Strategic positions were combined with continuous trading activities.

As regards the forex market, the most important results were achieved through spot positions in January, March and May. Operations on the cross euro/dollar rate was particularly satisfactory, especially at the time of the euro's greatest weakness during May, which was followed by the sharp increase of the euro resulting from the slowdown of the US economy.

Lastly, operations on the equity markets pursued a generally prudent approach even at the time of market euphoria, with investment strategies which favour picking of stocks with high asset base and large capitalisation. At the beginning of the year, Intesa built up a position in telecoms and, to a lesser extent, in insurance companies and utilities. Later, the portfolios were progressively sold in view of the negative correction forecasted for March, which proved to be longer and deeper than expected.

Option trading was less intense; in particular, strategies aimed at selling volatility at the time of higher tension led to satisfactory results.

The structural portfolio

As already pointed out, in the first part of the year the credit spread on investment grade corporate securities increased, both as a result of sector trends (the consolidation of the Telco sector, the antismoke judicial proceedings for Tobacco) and general trends (mostly, an increase in investors' risk aversion).
In this area, asset allocation turned to asset-backed securities and bank issues which, in spite of considerable market volatility and the negative performance on spread products, remained stable. Marginal activities were carried out on the corporate issues segment by carefully selecting single issuers for the purpose of minimising the effect of the widening of the spread.

With regard to the Government bond market, a satisfactory performance was registered on BTP (Italian fixed rate Government bonds) and on asset swaps, which was partly offset by the negative performance recorded by CCT (Italian floating rate Government bonds). The latter were negatively affected by emerging negative prospects for the evolution of the BOT-Libor spread, which however we believe should ebb.

IT system organisation and management

The organisational activity carried out in the first half of the year was mostly aimed at:

- implementing the banks' integration programme and the consequent development of the target IT system;
- rationalising the organisation of services centralised at the Parent Company, with particular attention paid to the Finance unit which was recently implanted in Banca Intesa;
- increasing efficiency and improving operational processes.

The target IT system

As part of activities related to the development of the target IT system, the programme for the creation of the "Nuovo Sportello Intesa" (New Intesa Branch) continued.
This project leads to the standardisation and rationalisation of the operations of the branches of Group banks. In the first half of the year the new applications were tested in 80 test branches; in the second half of the year the roll out will affect approximately 80% of branches. The completion of activities is forecasted for the first months of 2001.
Again with regard to the definition of the target information system, a new distribution model called "Modì" was also developed. This project is also aimed at standardising and rationalising the distribution models present at Group banks.
Lastly, as concerns the loan granting, management and monitoring process, activities aimed at completing the new lending model were completed and the installation of its application programmes (electronic loan application programme, Group's "Centrale Rischi", loan granting programme, problem loan management programme, etc.) are currently under way at Group banks.

Bank finance

At the beginning of the year, Banca Intesa started operations on the financial markets, the operational and IT programmes were completed in January and subsequently the

Parent Company filed the mandatory requests to become member of the organisms managing the various financial markets. A management reporting system was also developed and return/performance criteria for various financial instruments were also defined. Furthermore, the IT system, specifically developed for Banca Intesa's foreign branches which opened in May, was also completed during the first half of the year.

Operational processes

As regards the rationalisation and the upgrading of operational processes, starting from last January the review of the main operational processes of Banco Ambrosiano Veneto and Cassa di Risparmio di Parma e Piacenza branches was carried out for the purpose of focusing resources in commercial and high-value-added activities. Furthermore, during the first half of the year, a complex programme for the rationalisation of transport and processing of valuables for the most important Group banks was completed. The programme should: reduce management costs, liberate branch personnel which may be dedicated to more productive activities and standardise to a single model the behaviour currently adopted by Group banks. Following our analyses, cash counting was outsourced and the filling and management of ATMs assigned to an external service company.

IT systems

After managing the impact of the problem of the year 2000 (the change of date did not lead to any particular problems for either software or hardware) interventions on the IT systems, apart from the activities outlined above, were directed to the migration of Banca Popolare FriulAdria to the target IT system. This migration was completed within the 1st July 2000, date of the spin-off of 60 Banco Ambrosiano Veneto branches. The migration was necessary in order to manage all of the Bank's branches on a single IT system.
Furthermore, Intesa Sistemi e Servizi - which has been charged with the management of the passive cycle and the accounting of suppliers - started a project for the realisation of an analytical accounting system to support management decisions, analysis and containment of costs. The new procedure for the passive cycle should become operational as of January 2001.

Internal audit system

The overall design of the risk control system set out in Banca Intesa's industrial plan is inspired by principles issued by the Basle Committee for banking supervision and is consistent with instructions set forth by the Bank of Italy. The regulatory framework sets out that banks must take initiatives aimed at identifying, measuring and controlling risks and at the same time evaluate the efficiency and effectiveness of the internal auditing systems with regard to single processes. The Parent Company must also define criteria and means for verifying effectiveness of solutions adopted by single Group members.
The model defined by Banca Intesa meets these requirements. The risk control system is applied to every unit within Gruppo Intesa, for the aspects for which it is responsible, from the Parent Company's Board of Directors to the single branch of each commercial bank.
The Board of Directors and top management define strategies, policies and objectives of the internal auditing systems with regard to all risks identified: the former also defines the exercise of delegated powers aimed at ensuring articulated and effective management of the different risk levels.
Distribution networks are responsible for controls relative to sale of products and services, according to means set out by the commercial banks on the basis of guidelines formulated by the Parent Company.

Risk management

Identification, measurement and control of quantifiable risks have been centralised in an autonomous structure (the Risk management division) established within the Parent Company, with the objective of guaranteeing constant control of the Group's present and prospective exposure to market, credit and Country risk. From an organisational viewpoint the division is in staff to the General Manager and Chief Operating Officer and is therefore functionally separated and hierarchically independent from the structures responsible for operational risk management.

Auditing

Internal review activities are attributed to Banca Intesa's Internal audit division which has wide responsibilities and may also act in the interest of the different Group companies. This division has three main areas of responsibility:

- institutional: it directly carries out the internal auditing of all of Banca Intesa's operational and management processes, develops control models, methods and instruments for the entire Group and verifies that the behaviour of Group companies complies with Parent Company guidelines;
- governance: it carries out the direction, support and supervision of the internal auditing structures within Group banks;
- service: it carries out internal auditing activities for various Group companies, with which the Parent Company must programme internal auditing and the necessary information flows required for connected activities.

The Internal audit division comprises three staff units (technical secretariat, anti-money laundering, audit development) and four line sectors (finance, commercial banking, systems and services, equity investments) each of which is dedicated to supervising the respective area in the Group. The division directly reports to the General Manager and Chief Operating Officer and it is competent for and has access to all data, information and physical premises both within the Group and outside the Group (for all activities which have been outsourced to third parties according to specific agreements).

Financial and credit risk management and control

As has already been outlined in previous Reports on operations, Banca Intesa's risk management and monitoring system involves first of all the Board of Directors and top management, which have ultimate strategic responsibility. These bodies, with the support of Group Committees, define the strategies, policies and objectives for risk management and monitoring of all types of risks.
Identification, measurement and control of market, credit and Country risk have been centralised in the Risk management division, an autonomous structure which is hierarchically independent from the structures responsible for operational management of risks (the Finance and the Lending areas). The division has been set up within the Parent Company and reports directly to top management.
Risk monitoring of intergroup relationships is managed with “in service” contracts for all Group commercial banks (excluding BCI and its subsidiaries), Caboto Holding and Caboto Sim, for Intesa Asset Management and Carivita, and with second level controls on all other Group companies.
As of the current year, following the start of Banca Intesa's operations on the financial markets and the redefinition of the Bank finance operating system, with the separation of speculative and structural activities and the centralisation of Group liquidity management, the Risk management division created a new system of operating limits and a revised version for Bank finance and Caboto Holding. Such limits, defined in terms of capital absorbed, VaR, sensitivity and Greek letters, are monitored daily as regards Bank finance but also, in certain cases, more times a day for Caboto.

Valuation methods and quantitative information

Market risk

The Risk management division carries out its monitoring responsibilities through an information system directly fed by the front-office platform which allows the Bank's exposure to market risk to be monitored daily according to the Value at Risk approach. VaR is calculated with reference to all types of market risk (interest rate, foreign exchange and equity) and, via the use of appropriate correction factors, overall VaR is also calculated. Starting from this year, VaR is also calculated for issuer's risk on the securities in the portfolio. The flexibility of the IT system enables the quantification of exposure to market risk for different aggregations of operational units (desk, portfolio, bank, Gruppo Intesa) and/or for different groups of instruments/currencies. Calculation of market VaR occurs based on a parametric approach (Riskmetrics), which requires sufficiently short processing periods. VaR is calculated daily and is based on a parameterisation with a 99% confidence interval and a 10-day holding period. If necessary, the system can also use simulation approaches (Montecarlo, Historical VaR).

A report on market risks is prepared daily and contains VaR and other more traditional indicators (sensitivity, Ten Year Equivalent position). Banca Intesa can boast a reporting system for each level of responsibility (with the same risk indicators calculated for different operational aggregates) which allows single managers responsible to easily identify their respective exposures.

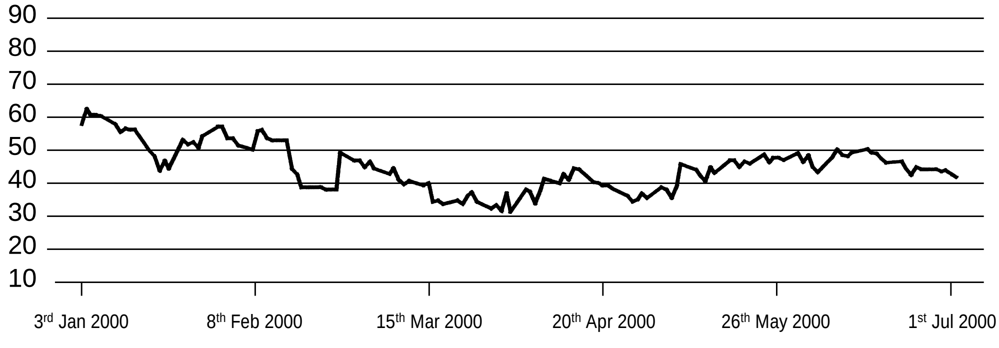
Bank finance

Consistently with the new operational model adopted by the Group's Bank finance division, during the first months of the year all banks - excluding obviously BCI - progressively transferred their securities portfolios to the Parent Company (with the exception of their investment portfolios and limited trading portfolios). Consequently, market risk is now concentrated in and managed by the Parent Company, contrary to what happened until last year.
The new operational model is based - as already mentioned above - on a clear distinction between purely speculative activities and so-called structural activities. During the first half of the year both the structural portfolio and the speculative portfolio had a very low Average Interest Rate VaR, of 9 and 17 billion lire respectively. The extremely short duration (approximately six months) of the structural portfolio meant that it had low interest rate risk (liquidity coming from Group banks was mostly invested in floating-rate corporate bonds hedged by swaps) and a high issuer's risk (Average Credit VaR equalled approximately 130 billion lire). The lack of significant speculative positions (operations mostly referred to intraday trading) implies that the speculative portfolio had a very low Interest Rate VaR and a very limited exposure to issuer's risk (Average Credit VaR equalled approximately 1 billion lire).

The new operational model has enabled Group banks, on the one hand, to focus on commercial activities and, on the other hand, to reduce and rationalise market risk.
In the first half of 2000, Bank finance recorded an Average Interest Rate VaR of approximately 85 billion lire, with an approximately 115 billion lire reduction compared to that recorded last year on the proprietary portfolio which was managed and monitored in the trading room in Milano, and comprised the portfolios of Cariplo, Banco Ambrosiano Veneto, Banca Carime, Cassa di Risparmio di Parma e Piacenza, Banca di Trento e Bolzano, Banca Popolare FriulAdria, and so on.
This corresponds to an Interest Rate Sensitivity (10 b.p.) of approximately minus 30 billion lire, with an approximately 38 billion lire reduction in absolute terms. The investment portfolio impacted on the Interest Rate VaR for approximately 25 billion lire.

The graph below illustrates Banca Intesa's Interest Rate VaR during the first half of the year.

Banca Intesa Interest Rate VaR



Data in millions of euro

In the first half of the year, Banca Intesa’s Average Equity VaR totalled approximately 41.5 billion lire; total counter value as at 30th June 2000 amounted to approximately 254 billion lire.
Banca Intesa’s Average Foreign Exchange VaR was extremely low (approximately 400 million lire) and reflected the extremely low foreign exchange exposure of the Forex desk.
As regards foreign branches, a Risk management unit is operational at the London branch. In March 2000 the latter has been charged with the installation and implementation of the risk control measures present in London in the other foreign branches (New York, Singapore, Hong Kong) and was assigned the monitoring and the management of the limits for the aforementioned branches.

Caboto Holding Sim and Caboto Sim

Inside Banca Intesa’s new organisational structure, the Risk management division seconded a Risk unit at Caboto Holding. This unit’s main activity entails the definition and control of the system of limits which governs trading room operations. This series of structured limits is based, for the various desks, on different sensitivity parameters among which: VaR (Value at Risk), TYE (Ten Year Equivalent), MtM (Mark-to-Market), Nominal value and Greek letters.
VaR measures are currently being extended to all desks. These use both parametric approaches (such as Riskmetrics) and simulation approaches (Historical VaR).
Daily reports which furbish senior management with a daily MtM valuation and the risk profile of all desks are among the most important responsibilities of this unit.

During 1999 the activities of each desk were valued in terms of Risk Adjusted Performance Measurement (RAPM) which lead to a more effective allocation of capital at risk and, therefore, favour value creation. During the first half of 1999 VaR measures that will be used to evaluate the risks of the various desks have been calculated (this activity will continue in the second half of the year).

Caboto is among the principal players in Italy on most market segments, both in terms of stock and bond trading as well as activities on derivative and structured products markets.
In particular, with regard to interest rate risk, Caboto Holding’s position as at 30th June 2000 equalled approximately 650 billion lire in Ten Year Equivalent (considering operations on Government and non-Government securities and Swaps); floating rate securities in its portfolio amounted to approximately 2,440 billion lire of nominal value, among which approximately 1,000 billion lire referred to the management of the securitisation of INPS (National Institute for Social Security Benefits) loans.
Exposure to foreign exchange risk was limited in spite of intense trading activities carried out by the desks. With regard to equity risk, Caboto Sim’s Mib 30 delta equivalent position at the same date amounted to approximately 66 billion lire. Caboto Holding also operates on equity-linked products even though it holds far more limited exposures.

Asset and liability management

The Risk management division also controls interest rate and liquidity risk in an integrated asset and liability management context applied to the entire Group. Interest rate risk is monitored with “Interest Rate Gap” and Sensitivity models, while the “Structural Liquidity Gap” is used to monitor liquidity risk. Sensitivity is measured in terms of modified duration (sensitivity to parallel shifts in the yield curve of 100 basis points, expressed in percentage terms). Gap analysis is conducted on monthly time bands for the first 24 months and biannual for longer maturities.
As at June 2000 the Risk management division monitored the medium- and long- term exposures of Cariplo, Ambroveneto, Mediocredito Lombardo, Cariparma, Banca di Trento e Bolzano, Banca Carime and Intesa Leasing. The last two Group companies were integrated in the analysis during the first half of the year. The integration of BCI data is currently being analysed.
Exposure to interest rate risk in the medium- and long- term segment remained limited. Data as at 31st May presented a modified duration which on average equalled approximately 1.36 for assets and 1.10 for liabilities. Considering individual Group banks and companies, during the first half of 2000 there is a generalised reduction in the gap between the durations of assets and liabilities. This has the positive effect of reducing exposure to the risk of variations in market interest rates.
Structural liquidity gap analysis is carried out according to time bands. This involves all main Group banks. The integration with the BCI’s ALM structure is under way and in an advanced stage.

Credit risk

The credit risk management model, which was commenced in 1997, is now in its final phase. The methodology used to produce synthetic valuations of the loan portfolio's risk exposure according to the Value at Risk approach has been implemented and, when fully operational, it will lead to the progressive integration between credit risk and market risk management.
In the first half of the year the Risk management division started its expansion to the database relative to all borrowers, which is necessary to accurately and consistently feed the internal model for the quantification of credit risk, with a VaR approach, for all Group banks.
As regards counterpart valuation methods, the project for the creation of an internal rating system for larger companies has finished the methodology development stage and is entering in the test and "calibration" phase. The project is forecasted to be completed before the end of the year 2000.

Relationships with Group companies and Associated companies

Intergroup relationships

Relationships with Group companies mostly refer to the management of centralised services and the distribution of financial products.

As is generally known, the management of numerous functions has been centralised to various degrees with the Parent Company or with specialised service companies for the purpose of improving the effectiveness and the efficiency of management and therefore increasing the Group's profitability.

Service activities

All direction and control functions are centralised with the Parent Company as well as the Bank finance function. The most important services carried out for other Group companies refer to the auditing of operational process and of IT systems, legal and fiscal consulting, mandatory requirements and accounting, management control and risk monitoring, organisational consulting, human resources consulting and market and economic research. The price paid to Banca Intesa for such services is competitive considering the quality of services rendered and in any case reflects the costs sustained for providing such services. In order to carry out these activities, Banca Intesa mostly used seconded personnel from Cariplo and Banco Ambrosiano Veneto, before the stipulation of the new national labour contract. The need to transfer this personnel no longer exists following the decision to merge the two banks in Banca Intesa.

The following specifically-established support service companies have been charged with other activities: Intesa Sistemi e Servizi, Intesa Gestione Crediti and Intesa Formazione.
Intesa Sistemi e Servizi is responsible for the centralised management of: development and maintenance of IT and telecommunication systems, data processing, management of infrastructural services and the call center, management of processes related to collection and payment services, management of the general database, management of valuables and archives, back-office activities, management of purchases and insurance. Again in this case, the price paid for these services is competitive and reflects the expenses which Intesa Sistemi e Servizi must support both in terms of general costs, and depreciation and amortisation of investments.

The management of non-performing loans has been progressively centralised in the doubtful loan management and recovery company, Intesa Gestione Crediti. Each year main Group banks (in the future all Group banks) sell the non-performing positions which arose the previous year to this Company. Furthermore, the same banks have given Intesa Gestione Crediti the mandate for the management of positions which are accounted for as non-performing during the year and for the management of litigations which may arise on the request of the bodies responsible for court proceedings.
As payment for these mandates Intesa Gestione Crediti receives commissions which are, in part fixed for each position managed and, in part, variable depending on amounts recovered.

Lastly, Intesa Formazione stipulated agreements with other Group companies which set out that it will provide personnel training programmes and will be paid on the basis of man-days and area of training.

Commercial relationships

Commercial relationships between Group companies mostly referred to the distribution of financial products provided by the Group's product companies through the branch networks. In particular, banks distribute the mutual funds managed by Intesa Asset Management, leasing granted by Intesa Leasing, factoring of Mediofactoring, the products of Intesa Fiduciaria Sim (the Group's fiduciary company). Similarly, the network of personal financial consultants, Intesa Italia Sim, distributes the products of the various Group companies. Commissions paid for these activities reflect standard market conditions.

Relationships with companies belonging to the former BCI Group are standard interbank relations since the Master plan relative to their integration in Gruppo Intesa is currently being prepared.

Relationships with Associated companies

With regard to so-called "Associated" companies, as defined by CONSOB Recommendations 97001574 of 20th February 1997 and 98015375 of 27th February 1998, relationships which Gruppo Intesa, and the companies which comprise it, have with Associated companies refer to normal banking, financial or auxiliary services. Such relationships are also evaluated in terms of potential conflicts of interest and are regulated at conditions normally applied to top clients.
As far as Group operations are concerned: commercial agreements have been stipulated between Banco Ambrosiano Veneto and Alleanza Assicurazioni whereas Cariplo, Banca Carime, Cassa di Risparmio di Viterbo, Cassa di Risparmio di Rieti and Cassa di Risparmio di Città di Castello have each signed a commercial agreement with Carivita, the insurance company controlled by Cariplo but which is not subject to full consolidation. In each these cases, the agreements refer to the distribution of life insurance policies using bank branches. Commission income registered by Group companies for this activity reflected normal market conditions for this specific type of service.
Lastly, Fondazione Cariplo appointed Cariplo and Intesa Asset Management SGR managers of part of the liquidity coming from the sale of Cariplo SpA to Banca Intesa. Such relationships are regulated at the conditions normally applied to top clients and reflect standard market rates.

Ownership structure

According to the records in the Shareholders' Register, the notices received pursuant to Art. 120 of the Testo Unico sull'Intermediazione Finanziaria (combined regulations on investment services) and other information in Banca Intesa's possession as at 28th July 2000, date in which the last Shareholders' Meeting took place, the top ten Shareholders are listed below:

	Shareholders	Number of shares	% of ordinary share capital
1	Caisse Nationale de Crédit Agricole	814,986,054	16.22
2	Fondazione Cariplo	498,125,809	9.92
3	Fondazione Cariparma	242,339,723	4.82
4	Alleanza Assicurazioni SpA	184,523,983	3.67
5	Banca Lombarda SpA	130,198,395	2.59
6	Commerzbank International SA	120,123,116	2.39
7	UBS AG - London	83,613,988	1.66
8	Deutsche Bank AG	81,397,414	1.62
9	Commerzbank AG	66,194,070	1.32
10	Assicurazioni Generali SpA	63,085,349	1.26
Total		**2,284,587,901**	**45.47**

Voting syndicate agreement

On 11th April 2000, the most important Banca Intesa Shareholders concluded a Voting syndicate agreement which modifies and/or integrates the previous agreement stipulated on 15th April 1999. Details of the Voting syndicate agreement have been reported to CONSOB and to the Bank of Italy and an excerpt was published in a specific announcement which appeared in the daily paper "Il Sole 24 Ore" on 21st April 2000 and filed with the Milano Company Register on the same day.
The updated situation of shares deposited in the Voting syndicate by the parties to the agreement currently in force between most important Banca Intesa Shareholders is indicated below, as published in an announcement which appeared in the daily paper "Il Sole 24 Ore" on 8th July 2000.

Shareholders and parties to the Voting syndicate	Shares deposited in Voting syndicate	% of Syndicate holding	% of ordinary share capital
1 Caisse Nationale de Crédit Agricole	814,986,054	36.64	16.22
2 Fondazione Cariplo	498,125,809	22.40	9.92
3 Generali Group	317,005,757	14.25	6.31
• Assicurazioni Generali SpA	63,085,349	2.84	1.26
• Alleanza Assicurazioni SpA	184,523,983	8.29	3.67
• Other subsidiaries	69,396,425	3.12	1.38
4 Fondazione Cariparma	200,912,598	9.03	4.00
5 Gruppo "Lombardo"	206,870,866	9.30	4.12
• Banca Lombarda SpA	130,198,395	5.85	2.59
• IOR (*)	42,917,536	1.93	0.85
• Mittel SpA	20,427,036	0.92	0.41
• Istituto Centrale di Banche e Banchieri SpA	13,327,899	0.60	0.27
6 Commerzbank Group	186,317,186	8.38	3.71
• Commerzbank AG	66,194,070	2.98	1.32
• Commerzbank International SA	120,123,116	5.40	2.39
Total	**2,224,218,270**	**100.00**	**44.28**

(*) *With a beneficial interest in favour of Mittel SpA.*

Comments on the Consolidated Half-Year Financial Statements

Consolidated balance sheet data

Loans to customers

(in billions of lire)

Loans	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	% Changes (A/B)	(A/C)
Lire/euro lending	270,268	251,547	235,795	7.4	14.6
Foreign currency lending	60,919	58,360	54,240	4.4	12.3
	331,187	309,907	290,035	6.9	14.2
Repurchase agreements	6,793	4,923	7,061	38.0	(3.8)
Total	**337,980**	**314,830**	**297,096**	**7.4**	**13.8**

At the end of the first half of 2000, loans to customers increased by 7.4% compared to the corresponding figure as at 31st December 1999.
Excluding repurchase agreements, which are mainly carried out with financial counterparts and showed a significant rise (38%) compared to as at 31st December 1999, loans to ordinary customers registered a 6.9% growth rate, in line with the rise recorded in the second half of 1999 (6.8%). Compared to as at 30th June 1999, the growth rate amounted to 14.2%; the figure confirmed the increase in average volumes, which exceeded 15% with respect to the same period the previous year.

Analysis of loans to customers by contract type

(in billions of lire)

Contract type	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	% Changes (A/B)	(A/C)
Overdrafts	62,215	57,671	57,539	7.9	8.1
Mortgages	96,151	92,714	85,862	3.7	12.0
Advances	23,019	21,895	22,155	5.1	3.9
Other loans	128,660	116,426	102,722	10.5	25.3
Non-performing loans	12,772	12,418	12,786	2.9	(0.1)
Portfolio risk	8,370	8,783	8,971	(4.7)	(6.7)
Repurchase agreements	6,793	4,923	7,061	38.0	(3.8)
Total	**337,980**	**314,830**	**297,096**	**7.4**	**13.8**

The analysis of loans to customers by contract type showed, apart from the aforesaid increase in repurchase agreements, the rise in overdrafts (+ 7.9%) and the contraction in portfolio risk (– 4.7%).

The following table shows percentage breakdown of loans by borrower’s economic sector:

(%)

Economic sectors	30/6/2000	31/12/1999
Governments	1.8	2.3
Other public agencies	2.2	3.0
Non-financial businesses	59.1	59.1
Financial institutions	13.3	12.4
Personal businesses	4.8	5.0
Other operators	18.8	18.2

Geographic breakdown of performing loans granted by Italian branches is the following:

(%)

Geographic areas	30/6/2000	31/12/1999
North-West	57.1	55.5
North-East	16.6	16.4
Central Italy	13.9	14.0
South and Isles	12.4	14.1

Analysis of loan portfolio quality

(in billions of lire)

Loans	30/6/2000	31/12/1999	30/6/1999	% Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Non-performing loans	12,772	12,418	12,786	2.9	(0.1)
Problem loans	5,714	4,398	4,710	29.9	21.3
Loans under restructuring	107	143	83	(25.2)	28.9
Restructured loans	1,086	1,047	1,217	3.7	(10.8)
Loans subject to Country risk	2,822	2,675	3,140	5.5	(10.1)
Performing loans	315,479	294,149	275,160	7.3	14.7
Total	**337,980**	**314,830**	**297,096**	**7.4**	**13.8**

Loans with anomalous trends, which during the second half of 1999 showed a decreasing trend, essentially as a result of the application of tighter classification and valuation criteria required by Brazilian supervisory authorities, which are described in the comments on operations carried out by the BCI Group.
Non-performing loans, which, compared to as at 31st December 1999, increased by 354 billion lire (+ 2.9%), excluding variations attributable to the aforementioned regulatory changes (448 billion lire net of forecasted losses) would drop, again with respect to the end of the previous year, by almost 0.7% (– 3.6% on an annual basis).
Problem loans, which recorded a 29.9% growth rate in the first half of 2000, again excluding transfers carried out by Sudameris Brasil in compliance with the aforementioned regulations (934 billion lire net of forecasted losses), would rise by a more contained 8.7% growth rate.
Loans subject to Country risk showed a slight increase (+ 5.5%) compared to the figure registered as at 31st December 1999 and a more significant rise amounting to 10% compared to June 1999. A paragraph below shows the breakdown of cash and non-cash exposures with regard to loans subject to Country risk.
Percentage coverage of non-performing loans, on average, amounted to 51.3% (50.2% as at 31st December), whereas that referring to problem loans equalled, again in terms of average, 16.2% (17.8% as at 31st December).
Provisions for so-called generic coverage amounted to 1,697 billion lire and corresponded to 0.54% of performing loans (0.59% as at 31st December 1999).

Due from banks

(in billions of lire)

Loans	30/6/2000	31/12/1999	30/6/1999	% Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Lire/euro lending	39,103	28,824	37,294	35.7	4.9
Foreign currency lending	40,162	37,716	46,945	6.5	(14.4)
	79,265	66,540	84,239	19.1	(5.9)
Repurchase agreements	23,093	18,241	16,364	26.6	41.1
Total	**102,358**	**84,781**	**100,603**	**20.7**	**1.7**
including					
• residents	33,175	29,032	37,083	14.3	(10.5)
• non-residents	69,183	55,749	63,520	24.1	8.9

Due from banks amounted to 102,358 billion lire with an over 17,000 billion lire increase (+ 20.7%) compared to as at 31st December 1999, in line with the value recorded at the end of the first half of 1999.
Excluding repurchase agreements, which showed a 26.6% rise, due from banks registered a 19.1% increase compared to December 1999 and 5.9% contraction with respect to June 1999.

Compared to the previous reference dates, balance of interbank relationships showed a further rise in debt position, due to the increased gap between the counter value of the loan and securities portfolios and, on the other hand, that of customer funding.

Country risk

(in billions of lire)

Country	Cash exposure					
	30/6/2000			31/12/1999		
	Gross amount	Adjustments	Net amount	Gross amount	Adjustments	Net amount
Brazil	1,638	89	1,549	1,926	182	1,744
Argentina	1,031	90	941	938	60	878
Russia	634	372	262	636	380	256
Peru	376	14	362	324	11	313
Columbia	286	23	263	243	17	226
Venezuela	170	42	128	176	33	143
Indonesia	129	51	78	133	53	80
Egypt	113	17	96	–	–	–
India	–	–	–	89	13	76
Republic of South Africa	–	–	–	67	10	57
Other Countries	319	52	267	589	80	509
Total	**4,696**	**750**	**3,946**	**5,121**	**839**	**4,282**
including						
• loans to customers	3,074	252	2,822	2,928	253	2,675
• due from banks	1,457	422	1,035	1,490	459	1,031
• securities	165	76	89	703	127	576

(in billions of lire)

Country	Non-cash exposure					
	30/6/2000			31/12/1999		
	Gross amount	Adjustments	Net amount	Gross amount	Adjustments	Net amount
Brazil	214	31	183	111	6	105
Egypt	99	4	95	–	–	–
Argentina	87	6	81	73	4	69
Peru	64	3	61	55	3	52
Indonesia	15	6	9	15	6	9
India	–	–	–	42	3	39
Other Countries	369	13	356	306	11	295
Total	**848**	**63**	**785**	**602**	**33**	**569**
including						
• loans to customers	158	14	144	122	14	108
• due from banks	690	49	641	480	19	461

Securities

(in billions of lire)

Securities	30/6/2000	31/12/1999	30/6/1999	% Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Investment portfolio					
Government securities and securities guaranteed by Governments	14,575	16,393	12,119	(11.1)	20.3
Bonds and other debt securities	11,117	10,631	9,423	4.6	18.0
Total investment portfolio	25,692	27,024	21,542	(4.9)	19.3
Trading portfolio					
Government securities and securities guaranteed by Governments	42,483	45,852	65,096	(7.3)	(34.7)
Bonds and other debt securities	45,386	40,712	41,417	11.5	9.6
Shares, quotas and other types of capital instruments	10,140	3,843	5,236	163.9	93.7
Total trading portfolio	98,009	90,407	111,749	8.4	(12.3)
Total	**123,701**	**117,431**	**133,291**	**5.3**	**(7.2)**

The securities portfolio amounted to 123,701 billion lire and showed a contained increase compared to as at 31st December 1999. The investment portfolio, which equalled 25,692 billion lire, decreased by approximately 1,300 billion lire, essentially as a consequence of the divestment of the portfolios of Banco Ambrosiano Veneto's and Cariplo's foreign branches, as part of the restructuring of the foreign network.
The trading portfolio recorded an approximately 7,600 billion lire increase which was mainly concentrated in the equity instruments and reflected the start of BCI's operations on a wide range of structured contracts, partly linked to equity swaps.
Securities issued by companies within the Group and held by the same or by other companies within the Group equalled 4,857 billion lire with a 2,119 billion lire contraction (– 30.4%) compared to as at 31st December 1999.

Derivative contracts

(in billions of lire)

Contract type	30th June 2000			31st December 1999			Changes (a)/(b)	
	Dealing	Hedging	Total (a)	Dealing	Hedging	Total (b)	Amount	%
Interest rate and index derivatives	1,519,613	139,860	1,659,473	1,237,272	140,240	1,377,512	281,961	20.5
Securities derivatives	45,412	803	46,215	35,230	892	36,122	10,093	27.9
Foreign currency derivatives	31,174	9,487	40,661	26,267	9,246	35,513	5,148	14.5
Total	**1,596,199**	**150,150**	**1,746,349**	**1,298,769**	**150,378**	**1,449,147**	**297,202**	**20.5**

Notional value of derivative contracts amounted to 1,746,349 billion lire with a 20.5% increase compared to as at 31st December 1999 which was totally attributable to the dealing portfolio.

Customer funds

(in billions of lire)

Funding	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	% Changes (A/B)	% Changes (A/C)
Deposits	19,327	20,181	18,528	(4.2)	4.3
Current and other accounts	178,271	164,635	161,633	8.3	10.3
Bonds	78,281	73,621	75,641	6.3	3.5
Certificates of deposit	33,797	36,667	41,687	(7.8)	(18.9)
Other	8,173	14,970	6,905	(45.4)	18.4
	317,849	310,074	304,394	2.5	4.4
Repurchase agreements	16,689	13,002	20,062	28.4	(16.8)
Public funds under administration	218	215	215	1.4	1.4
Total	334,756	323,291	324,671	3.5	3.1
Subordinated liabilities	17,909	16,604	13,326	7.9	34.4
Total direct deposits	**352,665**	**339,895**	**337,997**	**3.8**	**4.3**
Indirect deposits	627,954	582,470	562,262	7.8	11.7
Customer deposits under administration	**980,619**	**922,365**	**900,259**	**6.3**	**8.9**

At the end of the first half of 2000, customer deposits under administration equalled 980,619 billion lire, with a 6.3% increase compared to 922,365 billion lire recorded as at 31st December 1999 and with a net acceleration compared to the rise recorded in the second half of 1999 (+ 2.5%).
Direct customer deposits - amounting to 352,665 billion lire - increased by 3.8% compared to as at 31st December 1999 and by 4.3% on an annual basis.
However, most noteworthy is the significant increase in repurchase agreements (+ 28.4%) compared to as at 31st December 1999, which must be compared to the analogous trend recorded by lending transactions.

Current accounts recorded a considerable growth rate (+ 10.3% compared to the same period the previous year and + 8.3% compared to as at 31st December 1999), thus confirming customer preference for liquidity. Bonds also grew (+ 6.3% compared to December 1999), while the decline in certificates of deposit in circulation continued (– 7.8% compared to as at 31st December 1999).
Subordinated liabilities reached 17,909 billion lire and rose by 7.9% in the first half of 2000 and by over 34.4% compared to the same period the previous year. The item included 2,476 billion lire of preferred shares accounted for in Tier 1 capital, 13,655 billion lire included in subordinated liabilities (of which 2,723 billion lire of Upper Tier 2) and 1,778 billion lire of subordinated liabilities which may be used to cover market risks.
Subordinated liabilities issued by the Group in the first half of 2000 totalled 1,502 billion lire.
Currency breakdown of deposits is set out in the table below. There are no considerable differences compared to the previous reference periods and the operations in currencies in the Euro area are far more significant.

(in billions of lire)

Direct deposits	30/6/2000	31/12/1999	30/6/1999	% Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Lire/euro deposits	288,649	281,932	279,971	2.4	3.1
Foreign currency deposits	64,016	57,963	58,026	10.4	10.3
Total	**352,665**	**339,895**	**337,997**	**3.8**	**4.3**

Compared to as at 31st December 1999, geographic breakdown of deposits recorded by the Italian branches of the banks which are part of the Group showed a slight shift of customer deposits under administration from the regions in North-West Italy to those in Central Italy and the South.
However, it must be remembered that this breakdown - derived from the Bank of Italy's official data on the banking system - does not include issued securities.

(%)

Geographic areas	30/6/2000	31/12/1999
North-West	51.6	53.1
North-East	15.5	16.5
Central Italy	15.3	13.8
South and Isles	17.6	16.6

Indirect deposits

In the first half of 2000, indirect customer deposits totalled 627,954 billion lire and recorded a more than satisfactory increase compared to as at 31st December 1999 (7.8%).
It must be remembered that thanks to such rise - more contained in percentage terms compared to the past - the Group improved its positioning in the Italian banking industry.

Compared to as at 31st December 1999, traditional individual portfolio schemes grew by 7.7%, while individual portfolios placed in the Group's mutual funds confirmed the figure recorded as at 31st December 1999. Assets managed by the Group (net of funds from individual portfolios placed in mutual funds) reached 296,000 billion lire.

(in billions of lire)

Managed funds	30/6/2000	31/12/1999	30/6/1999	% Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Individual portfolio management	145,215	135,472	128,031	7.2	13.4
Assets managed by mutual funds	222,657	223,130	210,578	(0.2)	5.7
deducted					
• Funds from individual portfolios placed in mutual funds	(88,622)	(79,426)	(69,753)	11.6	27.1
Insurance products	16,755	14,858	12,700	12.8	31.9
Total	**296,005**	**294,034**	**281,556**	**0.7**	**5.1**

Due to banks

(in billions of lire)

Funding	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	% Changes (A/B)	% Changes (A/C)
Lire/euro funding	62,995	61,396	54,341	2.6	15.9
Foreign currency funding	85,771	66,836	76,158	28.3	12.6
	148,766	128,232	130,499	16.0	14.0
Repurchase agreements	37,072	31,966	33,173	16.0	11.8
Total	**185,838**	**160,198**	**163,672**	**16.0**	**13.5**
including					
• residents	36,660	38,758	53,049	(5.4)	(30.9)
• non-residents	149,178	121,440	110,623	22.8	34.9

Compared to data recorded as at 31st December 1999, funding on the interbank market increased by 16%, with a more evident rise in funding in foreign currency.
As already mentioned, balance of interbank relationships as at 30th June 2000 was negative by 83,480 billion lire, with a 10.7% increase compared to as at 31st December 1999.

Shareholders' equity

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	% Changes (A/B)	% Changes (A/C)
Share capital	5,715	5,406	5,406	5.7	5.7
Share premium reserve	11,564	10,216	10,164	13.2	13.8
Reserves	2,506	1,728	1,799	45.0	39.3
Negative goodwill arising on consolidation	57	57	50		14.0
Revaluation reserves	503	503	463		8.6
	20,345	17,910	17,882	13.6	13.8
Reserve for general banking risks	273	292	81	(6.5)	237.0
	20,618	18,202	17,963	13.3	14.8
Net income for the period/year	1,514	2,108	1,351	(28.2)	12.1
Total	**22,132**	**20,310**	**19,314**	**9.0**	**14.6**

As regards variations in consolidated shareholders' equity, it must be pointed out that the comparison has been carried out by using restated data in order to consider changes in the consolidation area.
Restated data led to variations in Revaluation reserves and Net income for the period referring to previous periods, whereas as concerns Share capital and Share premium reserve, variations derived from the increase in capital carried out in May 2000 and from the conversion of bonds and the exercise of warrants which occurred in the first half of 2000.
Instead, the following table reflects the original values of the consolidated shareholders' equity as at 31st December 1999 with a reconciliation with those as at 30th June 2000.

Statement of changes in shareholders' equity

	Share capital	Share premium reserve	Legal reserve
Balance as at 31st December 1999	**5,406**	**10,216**	**494**
Allocation of 1999 net income			
Legal reserve			1,002
Dividends			
Reserves for social, charitable and cultural contributions			
Increases in capital pursuant to the resolution issued by the Extraordinary Shareholders' Meeting held on 30th September 1997			
Extraordinary conversion of bonds carried out in February 2000	4	6	
Extraordinary conversion of warrants carried out in April 2000	8	13	
Extraordinary conversion of warrants carried out in May 2000	2	4	
Conversion of warrants and bonds carried out in May 2000	99	207	
Increase in capital resolved upon by the Board of Directors on 11th April 2000 in the exercise of powers delegated by the Shareholders' Meeting held on 28th July 1998	196	1,117	
Other variations which occurred during the period			
Sale of unclaimed rights		1	
Variation in the consolidation reserve related to financial statements in foreign currency			
Variation in the area of consolidation			
Equity variation			
Use of provisions to the reserve for general banking risks			
Other variations			
Net income for the period/year			
Balance as at 30th June 2000	**5,715**	**11,564**	**1,496**

(in billions of lire)

Statutory reserves	Other reserves	Reserve for general banking risks	Revaluation reserves	Negative consolidation differences	Net income for the period/year	Total shareholders' equity
153	**1,081**	**292**	**490**	**57**	**1,648**	**19,837**
	(250)				(752)	
					(882)	(882)
					(14)	(14)
						10
						21
						6
						306
						1,313
						1
	48					48
			13			13
	(10)					(10)
		(19)				(19)
	(12)					(12)
					1,514	**1,514**
153	**857**	**273**	**503**	**57**	**1,514**	**22,132**

Consolidated statement of income data

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
10. Interest income and similar revenues (*)	15,558	15,051	507	3.4
20. Interest expense and similar charges (*)	(10,093)	(9,524)	569	6.0
30. Dividends and other revenues (*)	1,651	160	1,491	n.s.
170. Income (Loss) from investments carried at equity	110	34	76	223.5
Interest margin	**7,226**	**5,721**	**1,505**	**26.3**
40. Commission income	4,773	4,158	615	14.8
50. Commission expense	(653)	(526)	127	24.1
Net commissions	**4,120**	**3,632**	**488**	**13.4**
60. Profits (Losses) on financial transactions	164	514	(350)	(68.1)
70. Other operating income	661	735	(74)	(10.1)
110. Other operating expenses	(228)	(206)	22	10.7
Net interest and other banking income	**11,943**	**10,396**	**1,547**	**14.9**
80. Administrative costs				
a) payroll	(4,025)	(3,962)	63	1.6
b) other administrative costs	(2,403)	(2,227)	176	7.9
90. Adjustments to tangible and intangible fixed assets	(729)	(759)	(30)	(4.0)
Operating costs	**(7,157)**	**(6,948)**	**209**	**3.0**
Operating margin	**4,786**	**3,448**	**1,338**	**38.8**
100. Provisions for risks and charges	(308)	(239)	69	28.9
120. Adjustments to loans and provisions for guarantees and commitments	(1,424)	(1,594)	(170)	(10.7)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	403	274	129	47.1
140. Provisions for possible loan losses	(73)	(108)	(35)	(32.4)
150. Adjustments to financial fixed assets	(22)	(54)	(32)	(59.3)
160. Write-back of financial fixed assets	9	7	2	28.6
180. Income (Loss) from operating activities (**)	**3,371**	**1,734**	**1,637**	**94.4**
210. Extraordinary income (loss), net	16	1,169	(1,153)	(98.6)
Income before taxation	**3,387**	**2,903**	**484**	**16.7**
230. Change in the reserve for general banking risks	19	(10)	29	n.s.
240. Income taxes for the period (**)	(1,666)	(1,264)	402	31.8
250. Income attributable to minority shareholders	(226)	(278)	(52)	(18.7)
260. Net income (loss) for the period	**1,514**	**1,351**	**163**	**12.1**

(*) *Net of differentials on hedging transactions relative to "dividends" on shares in the trading portfolio.*

(**) *The value differs from that reported in the 1999 financial statements due to a different reclassification of charges related to provisions for integrative social security benefits (difference between caption 65 and caption 85).*

Interest margin

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
Interest income and similar revenues				
• loans to customers	10,118	9,449	669	7.1
• debt securities	3,049	2,847	202	7.1
• other	2,391	2,755	(364)	(13.2)
Total	15,558	15,051	507	3.4
Interest expense and similar charges				
• due to customers	(2,380)	(2,101)	279	13.3
• securities issued	(3,286)	(3,222)	64	2.0
• other	(4,427)	(4,201)	226	5.4
Total	(10,093)	(9,524)	569	6.0
Dividends and other revenues	1,651	160	1,491	931.9
Income (Loss) from investments carried at equity	110	34	76	223.5
Total	**7,226**	**5,721**	**1,505**	**26.3**

(in billions of lire)

Analysis of the interest margin	First half 2000	First half 1999	Changes amount	Changes %
Business with customers	4,452	3,993	459	11.5
Securities	3,049	2,847	202	7.1
Interbank business	(2,164)	(1,488)	676	45.4
Other	128	175	(47)	–
Dividends and other revenues	1,761	194	1,567	807.7
Total	**7,226**	**5,721**	**1,505**	**26.3**

Interest margin for the first half of 2000 amounted to 7,226 billion lire, with a 1,505 billion lire rise (+ 26.3%) compared to 5,721 billion lire registered as at 30th June 1999. The item was strongly affected by the above-mentioned inflow due to the interim dividend distributed by Huit II.
Excluding this transaction, interest margin showed a 4.9% improvement compared to the same period the previous year.
In the first half of 2000, average loans to customers granted by commercial banks increased by 15.6% compared to the same period the previous year, whereas funding registered an average increase of 3.2%. In the first half of 2000, as in the same period the previous year, average interest rates both on lending and on deposits decreased: the former more markedly (– 30 basis points) whereas the latter only slightly (– 5 basis points). Consequently, the interest rate differential presented a total 25 basis point reduction. Overall, the interest margin on interbank business showed an 11.5% increase (+ 459 billion lire).
Interest on the securities portfolio increased by 7.1%, whereas interest on interbank business showed a higher negative balance (2,164 billion lire compared to 1,488 billion lire the same period the previous year) due to the increase in the Group's debt toward the system.

Net commissions

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
Commission income	4,773	4,158	615	14.8
Commission expense	(653)	(526)	127	24.1
Total	**4,120**	**3,632**	**488**	**13.4**

Commissions registered notable improvements: a 14.8% increase in commission income and a 13.4% rise in the balance between commission income and commission expense.
With regard to income from services, particularly significant results were registered by commissions from the management of individual portfolios placed in mutual funds and from asset management; the latter, amounting to 1,596 billion lire (1,370 billion lire in the first half of 1999, corresponding to a 16.5% growth rate), represented almost 34% of the entire aggregate.
As concerns other components, commissions on acceptance of instructions (+ 68.1%, from 119 billion lire to 200 billion lire) and commissions on dealing (+ 54.5%, from 189 billion lire to 292 billion lire) registered satisfactory improvements; instead, commissions on placement of securities decreased (– 27.2%, from 268 billion lire to 195 billion lire).

Profits (Losses) on financial transactions

(in billions of lire)

Financial transactions	First half 2000	First half 1999	Changes amount	Changes %
Results from dealing in securities and securities derivatives				
• write-backs	198	30	168	
• write-downs	(701)	(568)	(133)	(23.4)
• income (loss) from dealing activities	324	746	(422)	(56.6)
Total	(179)	208	(387)	(186.1)
Results from dealing in currency and currency derivatives				
• income (loss) from dealing activities	212	205	7	3.4
Total	212	205	7	3.4
Results from dealing in other derivative contracts				
• results from valuation, net	(225)	273	(498)	(182.4)
• income (loss) from dealing activities	356	(172)	528	307.0
Total	131	101	30	29.7
Total	**164**	**514**	**(350)**	**(68.1)**

In the first half of 2000, financial transactions recorded lower overall results compared to those registered in the same period of 1999, with a 68.1% decline in profits.
As indicated in the table above, this result was mainly attributable to the negative performance recorded by securities, which showed a 179 billion lire loss with respect to a 208 billion lire profit the previous year.
A portion of capital losses on investment securities referred to operations carried out by Cariplo's London branch, which launched an arbitrage transaction, consisting in the purchase of high coupon Government securities close to expiry, by covering the position with futures or financing the position with term deposits. With regard to accounting effects, these transactions lead to significant losses on securities which are more than offset by the important improvement in the interest margin (stemming from the difference between the high coupon on the bonds and the cost of the relative financing).
Also Caboto Holding Sim and Caboto Sim registered capital losses on the investment portfolio which, however, were offset both by write-backs on forward or off-balance sheet transactions and by a better result in the interest margin. The latter reflected the contribution of securities that - as well as in the case of the above-mentioned investment securities - presented a high yield and were re-financed by transactions carried out on the monetary markets.
Instead, results on dealing on other securities transactions (interest rate, index and credit derivatives) registered a satisfactory result, with an almost 30% improvement, whereas the contribution of transactions in currency remained stable.

Net interest and other banking income

Net interest and other banking income for the first half of 2000 reached 11,943 billion lire, with a 14.9% increase compared to the 1999 Half-Year Report. Also in this case, excluding the aforementioned non-recurring income, 2000 results recorded a 3.1% improvement compared to the same period the previous year.

Operating costs

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
Administrative costs				
• payroll	(4,025)	(3,962)	63	1.6
• other administrative costs	(2,403)	(2,227)	176	7.9
	(6,428)	(6,189)	239	3.9
Adjustments to tangible and intangible fixed assets	(729)	(759)	(30)	(4.0)
Total	**(7,157)**	**(6,948)**	**209**	**3.0**

Operating costs increased by 3%, from 6,948 billion lire to 7,157 billion lire. The increase, which was more evident in other administrative costs compared to the trend recorded by personnel expenses, was mainly attributable to the integration and restructuring process which is currently under way within the Sudameris Brasil and Sudameris Peru "subgroups", which originated approximately two thirds of the increase in BCI's consolidated financial statements, which registered a rise in excess of 9%.
In particular, restructuring costs for Sudameris registered a 28% growth rate.

The cost/income ratio for the first half of 2000 dropped from 66.8% recorded in the same period of 1999 to 60%.
Excluding non-recurring income, operating costs to net interest and other banking income remained stable and amounted to just under 67%. In any case, it must be highlighted that, for the first time, personnel expenses was entirely covered by net commissions.

Overall, adjustments to tangible and intangible fixed assets were virtually stable (– 4%) in spite of the significant increase in amortisation of software (+ 20.1%).

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
Tangible fixed assets				
• real estate	(138)	(138)	–	–
• other tangible fixed assets	(221)	(239)	(18)	(7.5)
Total	(359)	(377)	(18)	(4.8)
Intangible fixed assets				
• goodwill	(13)	(11)	2	18.2
• cost of installations	(20)	(30)	(10)	(33.3)
• refurbishing of real estate	(22)	(27)	(5)	(18.5)
• software	(197)	(164)	33	20.1
• other deferred charges	(36)	(33)	3	9.1
Total	(288)	(265)	23	8.7
Amortisation of positive differences arising on consolidation	(68)	(113)	(45)	(39.8)
Amortisation of positive differences arising on application of the equity method	(14)	(4)	10	250.0
Total	**(729)**	**(759)**	**(30)**	**(4.0)**

Operating margin

Operating margin for the first half of 2000 totalled 4,786 billion lire compared to 3,448 billion lire recorded the same period of 1999, with a 1,338 billion lire improvement (+ 38.8%).

Provisions for risks and charges

Provisions for risks and charges registered a 69 billion lire rise, from 239 billion lire to 308 billion lire, mainly as a result of prudential provisions carried out by Sudameris Brasil, as part of a controversy with the local tax authorities.

Adjustments to and write-backs of loans and provisions for possible loan losses

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
Adjustments	(1,424)	(1,594)	(170)	(10.7)
Write-backs	403	274	129	47.1
Net adjustments	(1,021)	(1,320)	(299)	(22.7)
Provisions for possible loan losses	(73)	(108)	(35)	(32.4)
Total	**(1,094)**	**(1,428)**	**(334)**	**(23.4)**

Net adjustments to loans decreased by 23.4% and testified the overall improvement in loan portfolio quality, in spite of the rigorous application of prudential criteria.

Income from operating activities

In the first half of 2000, income from operating activities reached 3,371 billion lire, almost doubling the amount recorded the same period the previous year.
As already pointed out, again excluding non-recurring income but including the higher operating costs related to the re-organisation process of the Latin-American network, income from operating activities registered in any case a 418 billion lire increase compared to the first half of 1999 (+ 24.1%).
The contribution of net extraordinary income to the results for the first half of 2000 was virtually nil, whereas in the same period last year it totalled 1,153 billion lire.
In particular, this year there were no capital gains on the sale of equity investments which had been realised in 1999: the capital gain realised by Banca Intesa on Banca Popolare FriulAdria shares (245 billion lire) and that achieved by Cassa di Risparmio di Parma e Piacenza on the shares of Cassa di Risparmio di Reggio Emilia (214 billion lire).
Capital gains registered by BCI in the first half of 1999 on the sale of the equity investments in Telecom (280 billion lire) and Paribas (107 billion lire) were similar to those achieved this year on the disposal of the stakes in Mediobanca (260 billion lire) and Olivetti and Tecnost (67 billion lire).
On the contrary, extraordinary charges increased, especially as a result of the rise in provisions to cover credit risk pertaining to the Sudameris Brasil Group (400 billion lire) following the aforementioned mandatory rules issued by the local supervisory authorities on the classification and valuation of customer loans, already described above.

Extraordinary income and charges

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
Extraordinary income	769	1,449	(680)	(46.9)
Extraordinary charges	(753)	(280)	473	168.9
Extraordinary income, net	**16**	**1,169**	**(1,153)**	**(98.6)**

Income taxes for the period

(in billions of lire)

	First half 2000	First half 1999	Changes amount	Changes %
Income before taxation	3,387	2,903	484	16.7
Income taxes for the period	(1,666)	(1,264)	402	31.8
Changes in the reserve for general banking risks	19	(10)	29	
Income attributable to minority shareholders	(226)	(278)	(52)	18.7
Net income for the period	**1,514**	**1,351**	**163**	**12.1**

In the first half of 2000 fiscal burden increased from 43.6% to 49.2%.

The rise was mostly attributable to the ascertained undeductibility from taxable income of the adjustments to the loan portfolio carried out by Sudameris Brasil, which led to a higher tax burden of approximately 116 billion lire and the tax rate on BCI's consolidated financial statements to exceed 55%.

It must be noted that, as illustrated in detail in the Notes to the consolidated financial statements, the benefits granted by Law 461/98, amounting to 119 billion lire, have been considered in the determination of the tax burden for the period.

Net income for the period

Net income for the period totalled 1,514 billion lire with a 12.1% increase compared to 1,351 billion lire registered as at 30th June 1999.

Reconciliation between the Parent Company's net income, shareholders' equity and consolidated net income

(in billions of lire)

	Shareholders' equity (*)	Net income as at 30/6/2000
Balance as at 30th June 2000 of Parent Company shareholders' equity	20,877	862
Elimination of write-downs on equity investments	12	12
Effect of full and proportional consolidation	1,573	677
Effect of consolidation of subsidiaries accounted for by the equity method	88	28
Elimination of provisions carried out solely in order to comply with fiscal regulations	37	–
Amortisation of positive differences arising on consolidation and application of the equity method	(455)	(64)
Dividends received during the period	–	(1)
Consolidated shareholders' equity as at 30th June 2000	**22,132**	**1,514**

(*) *Including net income.*

Group Companies’ Performance

The financial highlights of the most important Group companies divided by area are indicated below accompanied by a brief comment on performance registered in the first half of 2000.
Other Group companies have only been concisely commented.

Banking

Banca Commerciale Italiana

Introduction

As set forth by current regulations, BCI has drawn up a consolidated Half-Year Report as at 30th June 2000.
Therefore, the comments regarding this subsidiary refer to the consolidated results achieved in the first half of 2000.
It must be noted that, compared to the same period of 1999, BCI’s area of consolidation changed as a result of:

• the inclusion of the Banco Wiese Sudameris SA Group, Lima, created from the integration of Banco de Lima, a local bank controlled by Sudameris SA, Paris, with the Peruvian bank Banco Wiese Ltdo., acquired in the second half of 1999. The new conglomerate is under the control of the newly-established Lima Sudameris Holding SA, which has also been included in the consolidated accounts;
• the acquisition, which occurred in the first half of 2000, of the Privredna Banka Zagreb Group (PBZ), Zagreb, and of Banco Caja de Ahorro SA, Buenos Aires, which, in consideration of the short time available, were consolidated according to the equity method;
• the exclusion of Credito Fondiario e Industriale - Fonspa, which was jointly held and thus subject to proportional consolidation. The exclusion reflects the fact that the company is currently being sold;
• the consolidation of the companies Leasing Sudameris SA Compañia de Financiamiento Comercial - Leasameris, Sudameris Leasing SA and Atlantis de Prestamos y Edificaciones SA - operating respectively in Columbia, Chile and Argentina - which had up to now been valued at cost;
• the exclusion of the Companhia América do Sul - Credito, Financiamento y Investimento, São Paulo (formerly Companhia América do Sul Corretora de Cambio, Titulos y Valores Mobiliarios) which was previously fully consolidated and now accounted for according to the equity method following the reduction in the stake held by BCI.

In order to ensure a consistent comparison with data referring to the first half of 2000, statement of income and balance sheet figures for the first half of 1999 have been appropriately restated.
BCI’s consolidated results are commented in detail and are deemed to be particularly noteworthy for the following reasons:

• they record the balance sheet and statement of income items of 58 companies, operating in the field of banking and finance both in Italy and abroad;
• to date, Intesa’s and BCI’s head offices and operational structures are still separate and will remain so until the new business model is implemented. Consequently the description of certain operational characteristics must be carried out separately for Intesa and BCI;
• the contribution of BCI’s consolidated financial statements to Intesa’s financial statements is particularly significant (BCI’s consolidated total assets represent approximately 43% of the Group’s total).

Banca Commerciale Italiana Group - Financial highlights

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	(A/C)
Balance sheet					
Loans to customers	137,306.7	124,403.9	115,173.7	10.4%	19.2%
Securities	52,241.6	42,463.0	43,308.5	23.0%	20.6%
including Investment portfolio	*7,554.5*	*7,474.6*	*7,023.7*	*1.1%*	*7.6%*
Total assets	276,745.3	241,579.9	234,275.1	14.6%	18.1%
Direct customer deposits	135,277.9	117,534.5	113,191.4	15.1%	19.5%
including Subordinated liabilities	*6,944.0*	*6,511.9*	*5,143.8*	*6.6%*	*35.0%*
Indirect customer deposits	267,454.5	250,720.1	244,789.7	6.7%	9.3%
including Managed funds	*97,766.6*	*100,093.8*	*94,206.5*	*(2.3%)*	*3.8 %*
Customer deposits under administration	402,732.4	368,254.6	357,981.1	9.4%	12.5%
Net interbank position (debt)	46,305.0	42,539.5	34,537.1	–	–
Shareholders' equity [(1)]	9,246.8	8,920.5	8,883.5	3.7%	4.1%
Statement of income					
Interest margin	3,626.6	4,349.3	2,328.8		55.7%
Net commissions	1,499.7	2,755.8	1,412.6		6.2%
Net interest and other banking income	5,516.3	8,212.7	4,290.5		28.6%
Operating costs	3,083.1	5,822.8	2,825.4		9.1%
Operating margin	2,433.2	2,389.9	1,465.1		66.1%
Income (Loss) from operating activities	1,736.1	484.4	557.1		211.6%
Net income for the period/year	856.5	658.8	493.7		73.5%
Other information					
Staff *(number)*	32,901	33,497	33,902	(596)	(1,001)
Branches *(number)*	1,852	1,865	1,870	(13)	(18)
including Abroad	*700*	*711*	*719*	*(11)*	*(19)*
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	49.61%	51.50%	49.16%		
Securities/Total assets	18.88%	17.58%	18.49%		
Direct customer deposits/Total assets	48.88%	48.65%	48.32%		
Managed funds/Indirect customer deposits	36.55%	39.92%	38.48%		
Statement of income ratios					
Net commissions/Net interest and other banking income	27.19%	33.56%	32.92%		
Operating costs/Net interest and other banking income	55.89%	70.90%	65.85%		
Net income for the period-year/ Total assets (ROA)	0.31%	0.27%	0.21%		
Net income for the period-year/ Shareholders' equity (ROE)	9.26%	7.39%	5.56%		
Risk ratios					
Net non-performing loans/Total loans	2.09%	1.82%	2.17%		
Total adjustments/Gross non-performing loans	60.02%	61.21%	57.31%		

(1) Excluding net income for the period/year and the change in the reserve for general banking risks.

Balance sheet

Customer deposits under administration

Direct customer deposits continued its constant and progressive expansion and exceeded 135,000 billion lire, with rises of 17,743 billion lire compared to as at December 1999 (+ 15.1%) and 22,086 billion lire compared to as at June 1999 (+ 19.5%).
The generalised expansion of customer deposits in the first half of 2000 affected all types of contracts, and was particularly marked for current accounts (+ 13.7%) and issued bonds (+ 56.5%) also as regards the number of relationships. The rise in repurchase agreements (+ 51.9) was also significant. The growth rate is also confirmed - with particularly marked rises for current accounts - also over the twelve months.

Rises were recorded both by the lire/euro component and by deposits denominated in foreign currency, which as usual represented over a third of total deposits.
BCI contributed - according to the Bank's figures - to its Group's overall customer deposits under administration with 95,105 billion lire (up from 75,139 billion lire as at December 1999), of which 62,127 billion lire (up from 54,627 billion lire) referring to current accounts, which recorded a growth rate in excess of 26%. This marked rise enabled BCI to improve its positioning in the Italian banking industry, with progressively increasing market shares which reached 5.17% (compared to 5.02% which was the average for the first half of 1999).

Indirect customer deposits

Indirect customer deposits also recorded a satisfactory growth rate and exceeded 267,000 billion lire. Increases were registered both compared to December (+ 6.7%) and over the twelve months (+ 9.3%). The rise in indirect customer deposits also led to an improvement in customer deposits under administration, which was in excess of 402,000 billion lire, compared to both figures recorded in June and December 1999. The increase in indirect customer deposits was higher than the rises recorded by other types of securities deposits. Also the various forms of managed funds - which for 70% refer to the Bank - recorded an overall improvement (+ 3.8%) compared to the total recorded in the first half of 1999, and a marginal reduction compared to the figure at year-end (– 2.3%). This contraction reflects the competitive scenario in which BCI operated, which was negatively affected by the progressive disintermediation. In the first half of 2000, disintermediation negatively influenced UCITS (undertaking for collective investment in transferable securities) established under Italian law, whose net funding was negative in the period, whereas for funds established under Luxembourg law and funds managed by Italian asset managers and established under other foreign laws, new subscriptions exceeded withdrawals, thus partly offsetting the negative balance recorded by Italian funds. In general - in spite of severe market volatility - the shift of investors' portfolios away from investments in bonds in favour of products with a higher equity content continued.

Due to banks

Due to banks was mostly made up of term deposits with non-resident counterparts; this feature reflects the international activities of BCI and its international subsidiaries. Interbank funding accelerated its development, with growth rates which increased from 10.9% compared to the figure as at 31st December 1999 to 20% considering the twelve months.
The contribution of BCI to its Group's total interbank funding reached, before the deduction of intergroup relationships, 89,597 billion lire, with an increase both with regard to June 1999 (+ 17.2%) and to December 1999 (+ 12.6%).

Loans to customers

Loans to customers recorded significant growth rates compared to the other two reference periods and totalled 137,306 billion lire, up by 10.4% on the figure as at 31st December 1999 and by 19.2% on data as at 30th June 1999. Among the various loan categories, overdrafts recorded a 10.6% growth rate compared to December 1999, and thus clearly inverted the negative growth rate which had emerged in the second part of last year and exceeded by 5.2% the figure recorded in June 1999. Mortgages continued to grow - with an increasing growth rate from 13.2% compared to as at December 1999 to 27.2% compared to as at June 1999 - as well as other types of loans (most of which are not regulated in current account), which increased by 8.4% with respect to as at December and by 26% considering the twelve months. Quite impressive was the trend recorded by repurchase agreements; its growth rate with respect to as at December 1999 (+ 60.6%) more than offset the reduction registered last year and greatly improved (+ 34.2%) the figure recorded at the end of June 1999. Lastly, the considerable rise in non-performing loans (+ 26.5% and + 14.9% respectively compared to December 1999 and June 1999) is directly attributable - after the drop recorded between the first half and the end of 1999 - to the more prudent regulations regarding non-performing loans issued by the Brazilian authorities, as already commented many times in this Report on operations.
BCI's contribution to the consolidated aggregate was again most significant: before the elimination of intergroup relationships, loans to customers amounted to 100,254 billion lire (73% of the consolidated total) with a considerable increase with respect to both figures in December (approximately + 12%) and in June 1999 (+ 22%). As regards the increases registered by the various loan contract types, other loans rose considerably, in line with

those granted by BCI and the expansion in mortgages was almost entirely attributable to BCI. In average terms, loans to resident customers granted by BCI's Italian network recorded a 22% growth rate compared to as at June 1999 (approximately double the system's growth rate, and mostly reflected the rise in medium- and long- term lending) with a continuously rising market share, up to 4.58% (from 4.19% average for the first half of 1999).
As regards currency breakdown, approximately 60% of total loans to customers referred to lending in lira and other euro currencies - also as a result of the significant contribution made by BCI - while 40% referred to loans denominated in other currencies.
As regards loans to customers with anomalous trends, problem positions totalled 2,869 billion lire, with a significant growth rate (+ 26.5%) compared to the previous year, mostly as a result of the more stringent requirements of the Brazilian legislation.
The phenomenon had a limited impact on the ratio of net non-performing loans to total loans to customers (2.1%), which recorded a slight rise compared to the level at the end of December 1999 (1.8%). The regulatory changes influenced watchlist positions which equalled 1,627 billion lire, double the figure at the end of 1999.
Figures referred to BCI showed a more favourable situation, which reflected the improvement in loan portfolio quality. Both net non-performing loans and watchlist positions recorded considerable decreases (1,393 billion lire, – 3.8% and 397 billion lire, – 14% respectively). The non-performing loans to total loans ratio also improved (1.4% from 1.6%).

Due from banks

As in the case of interbank funding, due from correspondent banks greatly increased, even if rises - at least in absolute terms - were lower. Due from banks recorded a 13.2% growth rate compared to as at December 1999 and a 10.4% rise with respect to June 1999, especially as a result of the higher volumes of repurchase agreements compared to December 1999 (+ 30% approximately) and, especially, compared to June 1999 (+ 73% approximately). As regards currency breakdown of due from banks (excluding repurchase agreements), the breakdown typically remained at approximately 40% in lire/euro currencies and 60% in other currencies.
The contribution of BCI to total interbank lending reached 50,309 billion lire, with a 4% rise with respect to the corresponding figure as at 30th June 1999 and an 8.7% rise with respect to the figure at year-end.

Securities portfolio

The securities portfolio reached a total of 52,242 billion lire, with impressive growth rates with respect to both reference periods (+ 23% compared to as at December 1999 and + 20.6% compared to as at June 1999). The overall increase was entirely attributable to the increase in securities held for trading, while securities held for investment remained practically unchanged. The investment portfolio represented 14% of the total portfolio, down from 18% at the end of December 1999.
In the trading portfolio the systematic shift from Government securities or securities guaranteed by the Government in favour of corporate bonds - and especially eurobonds - continued during the first half of 2000. Divestment from Government issues was less significant in the first half of 2000 (– 12.7% compared to the end of the previous year) than in the second semester of 1999, as proved by the far higher decrease compared to the figure as at 30th June 1999 (– 29%). The increase in investments in corporate bonds continued, with growth rates of 25.9% compared to as at December 1999 and 50.9% compared to June 1999. Investment in equities more than quadrupled compared to the figure as at December 1999, following the beginning of BCI's operations in structured instruments, partly connected to equity swap contracts.
BCI's contribution to the trading portfolio exceeded 34,500 billion lire, representing approximately 77% of the total. As a result of BCI's contribution to consolidated volumes, the trends described above are almost entirely attributable to the Bank.
BCI's contribution to the Group's investment portfolio equalled 8.6% (from 10.6% as at December 1999).

Equity investments

Total equity investments - relative to interests valued at equity or, in the case of minority stakes, at purchase cost - amounted to 2,142 billion lire, of which 762 billion lire (from 159 billion lire as at 31st December 1999) referred to Group companies and 1,380 billion lire (from 2,453 billion lire) to other equity investments.
The 603 billion lire rise which was recorded by the former reflects the acquisition of Banco Caja de Ahorro, Buenos Aires, and the Privredna Banka Zagreb Group, Zagreb.

Even though these are controlling stakes, they have been temporarily valued according to the equity method, for the reasons indicated in the information regarding the area of consolidation. The increase in capital of SHI-MI SA, Luxembourg, (10 billion lire) was underwritten as part of merchant banking operations.
The 1,073 billion lire drop in other equity investments was mostly attributable - as regards the larger disposals - to the sale of the interest (8.91%) in Mediobanca (660 billion lire) as well as the decision - made by BCI's Board of Directors considering that the strategic interests which led to the relevant financial investment no longer existed - to transfer to the trading portfolio the stakes held in Olivetti and Tecnost (338 billion lire and 77 billion lire, respectively) in order to gradually sell them on the market. Such sales had already partly taken place as at 30th June 2000. Other sizeable contractions derived from the reduction of part of the investment in Huit Sarl, Luxembourg, which reflected the decrease in the company's share capital (37 billion lire) and - among adjustments - the write-down to reflect lower market values of Immobiliare Lombarda SpA, Milano, (17 billion lire). The most important investments referred to the subscription of the pertaining portion of the share capital increases resolved upon by Assiba SpA, Milano, (36 billion lire) and by Istituto Europeo di Oncologia Srl., Milano, (5 billion lire).

BCI's Merchant banking operations led to the acquisition of an equity interest in Fincantieri SpA, Trieste, (10 billion lire) at the time of the increase in capital preceding the Company's privatisation, as well as the subscription of the capital increases of Hopa SpA, Brescia, (3 billion lire) and Twice Sim SpA, Milano, former Gemofin Sim SpA (3.5 billion lire), in both of which BCI already held equity stake. The equity investments in the companies Ascoli Paper Srl., Torino, (4 billion lire) and Nuova Fad SpA, Sassoferrato (Ancona), (4 billion lire) were sold with adequate capital gains.

Statement of income

General comments

In the first half of 2000, BCI and its Group companies were affected by particular events which led to extremely significant non-recurring statement of income items.
In the comments on the statement of income for the first quarter of 2000, great attention was paid to certain non-recurring events which required specific consideration.
It must be noted that the restrictive measures regarding mandatory requirements to cover credit risk introduced by the Brazilian supervisory authorities had already been considered in the Quarterly Report as at 31st March 2000. The sheer size of the requirements (170 million US dollars, which increased to 197 million US dollars at the end of the first half), and the absence of any type of temporal extension in the compliance period had greatly affected the Sudameris Brasil Group and had severe repercussions on the consolidated statement of income.

In any case, as already anticipated, the Group's profitability would be positively affected by another non-recurring event: the sale of part of the equity stake in the company Seat Pagine Gialle. The latter was indirectly held by BCI, as a merchant banking interest, via the companies established under Luxembourg law Huit and Huit II Sarl. The transaction had already been defined in all its terms and was simply conditional upon the Italian Antitrust Authority's clearance which was forecasted to occur before the end of July.
At the end of last June, in connection to the cash raised with the sale, the company Huit II Sarl - which held the stake in Seat Pagine Gialle - had in any case resolved upon the distribution to its sole shareholder Huit Sarl of an adequate interim dividend, conditional on the assent of the aforementioned Italian Antitrust Authority. Huit, in turn, had made an analogous resolution for the benefit of its shareholders, among which BCI.

As forecasted, the Italian Antitrust Authority manifested its assent to the transaction, thus the sale was closed and accounted for with an extraordinary dividend in BCI's statement of income - with effects also on the consolidated statement of income - amounting to 1,222 billion lire, which had already been received at the date of the approval of this Half-Year Report and on which the ordinary tax-rate was applied.
Total net effects of the non-recurring items described above led to a contribution to the statement of income for the period - net of the tax burden and minority shareholders - amounting to 455 billion lire. Considering also the net income for the period attributable to operating activities, which equalled 401 billion lire, consolidated net income totalled 856 billion lire, with a 363 billion lire rise (+ 73.5%) with respect to the corresponding figure recorded at the end of the first half of 1999.

The growth of net income only partly reflected the net benefits from non-recurring items, due to the approximately 19% fall in operating activities, which led to the aforementioned net contribution of 401 billion lire. In spite of stable operating margins and the improvement in items related to credit risk, the drop mostly reflected the decrease in net extraordinary income reported this year and, especially, the considerable growth in general costs sustained by the Sudameris Group, mostly as a result of the restructuring under way in the Brazilian and Peruvian networks.

Apart from the difficulties typical of the local environment and the charges related to the development process which influenced the profitability of the Sudameris Group - which will be illustrated in detail in a specific paragraph below - the other subsidiaries all registered extremely satisfactory net incomes, with the sole exception of the loss recorded by the factoring subsidiary, the origins of which will be described in detail below. BCI closed its individual financial statements, net of the aforementioned dividend distributed by Huit, with a net income of 576 billion lire, up by over 100 billion lire compared to the corresponding figure for the first half of 1999 (+ 21.3%).

Interest margin

Interest margin recorded by the Group increased to 2,405 billion lire (+ 3.2%), with an even higher growth rate, to 3,627 billion lire (+ 56%) considering the interim dividend amounting to 1,222 billion lire received by BCI in relation to the closing of the sale of the Seat Pagine Gialle shares, illustrated above in the general section of the comments on BCI's performance.
In short, the 3.2% growth rate recorded by the interest margin was attributable to a practically unchanged contribution of operations with customers, coupled with a considerable rise in interest income on the securities portfolio, due to both higher volumes invested and improved returns. The cost of interbank funding - which has become a typical component - noticeably increased as a result of higher amounts borrowed. The contribution of ordinary dividends on equities - held for investment and held for trading - and capital gains on equity investments carried at equity almost quadrupled.
Considering breakdown of interest margin, the growth rate recorded by interest income (+ 2.5%) was lower than that registered on interest expense on funding (+ 8%). The asymmetry was particularly marked for operations with customers, due to negative factors typical of business in Latin America and to adverse circumstances in the Italian area, while performance in the other European areas remained satisfactory.
As regards the first effect, the situation of the Brazilian economy has not yet stabilised and affected the interest margin of the Sudameris Group (for which the Brazil subgroup represents by far the most important entity) which reflected the marked drop in interest income and, in general, in spreads, in spite of the satisfactory growth rate in average intermediated volumes.

As regards the Italian area, regional banks generally improved or confirmed their margins. For BCI, the considerable increase in operations only partly offset the further erosion of the spread between average interest on lending and funding, which decreased to 4.23% (from 4.49% as at June 1999) due to the cumulated effect of the 19 basis point drop in interest on lending and the 7 basis point increase in interest on funding. Commitment to expand both funding and lending led to important results in terms of increased market shares, as already mentioned in the comments on balance sheet items.
Lastly, it must be noted that BCI's interest margin was negatively affected by the cost of refinancing the substantial equity investments carried out in the first half of 2000 in favour of Comit Holding International and used by the latter to acquire Privredna Banka Zagreb (581 billion lire) and Banco Caja de Ahorro (approximately 387 billion lire), as well as to sustain the shareholders' equity of Banque Sudameris SA (approximately 503 billion lire).

Net interest and other banking income

As regards operating activities, net interest and other banking income - approximately 4,300 billion lire (again without considering the interim dividend amounting to 1,222 billion lire) - basically confirmed the levels reached in the first half of 1999, in spite of the decrease recorded by profits on financial transactions (– 22.5%) and the contraction in other net operating income (– 37.3%). Commissions on services rendered to customers increased, with a 6.2% growth rate for net commissions.
The expansion, close to 9%, recorded by commissions for management, dealing and consultancy reflected the positive development registered by the South American and

European networks, which more than offset the interruption in the growth rate recorded by BCI. For the latter the positive performance of commissions from dealing in securities was completely absorbed by the drop in commissions on placement of mutual funds and bancassurance products. Lower profitability in this specific area can be attributed to numerous factors, from the disintermediation which affected Italian fixed-income funds in the first half - partly offset by the rise in equity funds and, especially, in foreign Sicavs - to the commercial initiatives aimed at developing direct customer deposits.
Furthermore, it is not realistic to assume that the considerable growth rates registered in the past few years may continue indefinitely, considering the obstacles related to rising competition and increasingly sophisticated and complex demand.
Within commissions on other services, commissions on credit card services, telephone banking, depository bank services for mutual funds and commissions on safe deposits, all registered satisfactory trends. Lastly, great improvements were registered on credit derivatives which progressively increased.

Financial transactions generated overall results which were lower than those reported in the first half of 1999, with a negative growth rate of approximately 22%. Both securities and foreign exchange transactions produced economic performances lower than in the first half of 1999, with a far greater drop for the former area. Completely different - and positive as a whole - the trend recorded by transactions in derivatives with underlying assets other than securities or currencies (interest rate, stock market index and credit derivatives and so on), which were mostly contained in complex portfolios held almost exclusively by BCI.
In general, both as a result of the size of the negative results and the trend compared to the previous year, the evolution of profits on financial transactions was not completely satisfactory; the comparison was particularly negative for the Sudameris Group due to the fact that the favourable opportunities related to the US dollar-Brazilian currency exchange rate which arose in 1999 did not recur. BCI was negatively affected by the lower opportunities offered by the reduced volatility of the Italian bond and stock markets.
Lastly, the contraction in other net operating income (which recorded an approximately 39% drop to 132 billion lire) was mostly attributable to the lower capital gains in comparison to the first half of 1999, in relation to BCI's disposal of equity investments acquired with a merchant banking approach and to the sale of real estate investments related to leasing contracts. This last type of transaction was also significant for the product companies belonging to the Sudameris Group.

Operating margin

The almost stable performance in the margins described above was greatly affected by the considerable rise in administrative costs, which absorbed revenues and led to a decrease (– 17.1%) in the operating margin which totalled 1,214 billion lire.
Considering non-recurring revenues, the result rises to 2,433 billion lire, with a 66% growth rate.
As already mentioned, the considerable increase in operating costs is related to the integration and restructuring currently under way in the subgroups Sudameris Brasil and Sudameris Peru, which originated two thirds of the rises reported in the financial highlights table. The growth of administrative charges registered by BCI remained under 3%, also as a result of cost containment policies, constant pursuit of economies of scale and productivity improvements, as well as - in the case of personnel expenses - the constant reduction in the number of employees (– 391 in average terms).

The most important items which form the other administrative costs aggregate referred to: 265 billion lire (+ 4.1%) of structure costs such as rentals, cleaning, illumination and heating, plant maintenance, consumables; 142 billion lire (+ 10.3%) of information technology costs; 94 billion lire (+ 2.7%) of costs for professional services, both legal and general consulting; 91 billion lire (+ 7.9%) of postage and telephone costs; 60 billion lire (+ 5.1%) of security costs, including security services and insurance coverage; 207 billion lire of indirect taxes and duties (+ 10%).
The reduction in depreciation of tangible fixed assets reflected both the lower investments in the period and the completion in the depreciation period of assets bought in previous years, while the rise in amortisation of intangible fixed assets was exclusively related to the costs sustained for the purchase and/or extension of software applications, also in this case, particularly relevant for the Sudameris Group following the update and expansion of its IT system.

Lastly, as regards positive consolidation differences, the increase reflected (for the most considerable portion, approximately 36 billion lire) an analogous approach for Sudameris Brasil, in relation to the events which impacted on the Banco América do Sul Group acquired last year. The increase of amortisation of positive consolidation differences on application of the equity method reflected the charges for the period related to the acquisitions of Privredna Banka Zagreb (11 billion lire) and Banco Caja de Ahorro (4 billion lire).

Income from operating activities

Lower requirements ascertained for provisions and adjustments for the period led income from operating activities - which equalled 517 billion lire - to reach levels close to those recorded in the first half of 1999, with a negative growth rate of approximately 7%. If the positive net effect of non-recurring items is considered, income from operating activities increased to 1,736 billion lire, more than three times the figure in the previous reference period.

As regards operating activities, the overall improvement in loan portfolio quality determined, in net terms, lower provisions for credit risk corresponding to an approximately 36% reduction, with a considerable absolute saving (300 billion lire) in terms of absorbed income. It must also be noted that, consistently with the criteria uniformly applied by various Group companies, methodologies used for loan valuations have normally been inspired by the utmost prudence, by considering all the possible factors which may negatively influence the lending relationship, thus altering the presumed realisable value of the loan.

The aforementioned saving reflected the combined effect of the trend recorded by its two basic components, adjustments and write-backs. As regards the former, the reduction is greatly concentrated (70%) in BCI, which however considerably increased its coverage of intrinsic risk. Instead, write-backs were mostly reported by the Sudameris Group, following the considerable payments received on loans which had previously been written down.

Among other considerable adjustments in the period, provisions to the allowances for risks and charges derived from the prudential provisions made by Sudameris Brasil, in relation to a controversy with the local tax authorities.

Income from extraordinary activities and net income

Income from extraordinary activities is the sum of income from operating activities, illustrated above, and the income deriving mostly from capital gains on the sale of equity investments and various out-of-period income, net of extraordinary charges. After the deduction of corporate income taxes - calculated considering the tax incentives provided for by Legislative Decree 153/99, with an overall benefit of approximately 30 billion lire (on top of the 73 billion lire already accounted for as at 31st December 1999) - and considering losses pertaining to minority shareholders, net income attributable to operating activities totalled 401 billion lire, as already mentioned at the beginning of the paragraph. The contribution of net non-recurring items, which equalled 455 billion lire, led to a consolidated net income of 856 billion lire, with a 73.5% rise compared to as at June 1999.

The extraordinary income caption contained - among the most important items - capital gains realised on the sale of BCI’s equity investments in Mediobanca (260 billion lire) and in the companies Olivetti and Tecnost (67 billion lire), the latter for the portion already sold on the market at the end of the first half of 2000. As regards charges, the most significant amount (55 billion lire) represented the completion of the analogous provisions made by BCI in the second part of last year, for the financial support amounting to a total of 100 billion lire in favour of the Pension Fund for the Bank’s personnel, which became definite with the approval of the referendum among the employees.

Lastly, non-recurring items reflected the provisions to cover credit risk pertaining to the Sudameris Brasil Group charged to the consolidated statement of income, following the new requirements issued by the local supervisory authorities which have already been described in the general section.

Group companies performance

Italy

Banking

Banca Commerciale Italiana SpA registered a net income for the period of 1,344 billion lire, almost three times the figure recorded in the first half of 1999. As already widely illustrated in the general comment to the consolidated statement of income, this exceptional performance reflected certain operations which refer to typical banking activities which however lead to undoubtedly non-recurring results.

The analysis of the economic result considering solely ordinary and recurring activities shows increasing profitability with regard to the interest margin, up by 13.8% to 1,660 billion lire thanks to the considerable rise in ordinary dividends on equity investments, which more than offset the unfavourable trend recorded by the interest rate spread on lending and deposit collection. The evolution of the overall interest margin led net interest and other banking income to remain stable at 2,794 billion lire (+ 3.3%) also as a result of the constantly high flow of net commissions, partly offset by the reduction in profits on financial transactions - securities were particularly affected by the contraction - and by the decrease in other income, which was negatively affected by lower capital gains on the sale of equity investments acquired as part of Merchant banking operations.

The limited rise in operating costs and charges, including amortisation and depreciation for the period - which recorded a 2.8% increase to 1,732 billion lire - led to an operating margin of 1,062 billion lire, corresponding to a 4% growth rate. The portion of the period’s revenues absorbed by net adjustments to loans and tangible fixed assets and provisions to the allowances for risks and charges recorded a 27% drop to 380 billion lire, essentially as a result of the improvement in loan portfolio quality, also proved by the contraction of net non-performing loans and watchlist loans. Income from operating activities therefore totalled 683 billion lire (+ 36%) and, after the inclusion of net extraordinary income and the deduction of corporate income taxes, led to a net income of 577 billion lire, corresponding to a 21.3% growth rate compared to the corresponding period the previous year.

This net income must be increased by the non-recurring items described above, which equalled 768 billion lire, that is the differential between the interim dividend distributed by the subsidiary Huit Sarl and the relevant taxes calculated using the standard tax rates.

As regards the balance sheet, total funding reached 185,000 billion lire (+ 15%) with a particularly high growth rate in the aggregate referring to customer deposits which almost touched 89,000 billion lire (+ 18%). Total investments also increased and exceeded 150,000 billion lire (with an approximately 11% growth rate) again as a result of loans to customers which recorded a 12% rise. The trading portfolio also registered a 42% growth rate to reach approximately 35,000 billion lire.

The economic performance recorded by **Banco di Chiavari e della Riviera Ligure SpA** was decidedly positive: operating margin was in excess of 34 billion lire, with a growth rate of over 50% compared to the same period in 1999. The almost stable interest margin coupled with the significant progress made by income from services (which rose by approximately 18%) was further strengthened by the containment of charges and operating costs, which decreased by approximately 5.6%. In spite of the absence of the extraordinary income registered the previous year, net income for the period reached 15 billion lire with an approximately 15% growth rate. As far as the balance sheet is concerned, the most significant element is the robust rise recorded by loans to customers, up to 2,141 billion lire with a 13.8% increase over the twelve months, which was mostly attributable to the development of medium- and long- term loans. Customer assets under administration instead totalled approximately 8,700 billion lire and remained practically unchanged compared to the figure at the end of June 1999 due to the approximately 7% drop registered by direct customer deposits, which was effectively offset by the expansion (+ 3.3%) of indirect customer deposits.

The statement of income of **Banca di Legnano SpA** showed the considerable improvement in the interest margin - up by approximately 12% to 64 billion lire - accompanied by the appreciable increase (+ 4.7%) of commission income and profits on financial transactions, which rose to approximately 41 billion lire. Thanks to the containment of charges and operating costs, virtually unchanged, operating margin significantly increased to approximately 33 billion lire, compared to 24 billion lire recorded in the first half of 1999. Higher provisions for credit risk together with the absence of extraordinary income registered at the end of the previous year and the higher tax burden, led net income for the period to equal that recorded as at 30th June 1999 (15 billion lire). As concerns operations with customers, the balance sheet showed the marked expansion in loans to customers - which almost reached 2,900 billion lire (with an approximately 13% growth rate over the twelve months) - and an overall positive trend with regard to funding. Total customer assets under administration (+ 5.8% over the twelve months) was close to 8,950 billion lire, thanks to the considerable rise in indirect customer deposits (+ 11%) which more than offset the reduction in direct customer deposits (– 3.9%).

The operations of **Cassa di Risparmio di Biella e Vercelli SpA** registered an extremely satisfactory performance, with impressive growth rates compared to June 1999. Operating margin equalled 24.8 billion lire and income on operating activities totalled 20.7 billion lire and thus reached far higher levels than those recorded in the previous reference periods. Such results were attributable to: development of income from services; virtual stability of administrative costs; considerable reduction in provisions to cover credit risk. Performance for the period was less outstanding considering net income (12.3 billion lire, + 10%), due to the negative impact of the absence of high extraordinary items which had augmented the results for the first half of 1999. Balance sheet captions reached satisfactory levels: loans to customers recorded a particularly high growth rate and reached 2,754 billion lire (+ 19% over the twelve months) while funding remained virtually unchanged compared to as at 30th June 1999, at 3,572 billion lire.

In the near-banking sector, **Comit Factoring SpA** further developed operations and its turnover increased to over 6,600 billion lire. Profitability was less positive and was negatively affected by the adverse trend recorded by the interest rate spread on lending and funding, and the recurring requirements to set up adequate provisions to cover the value of the non-performing loans previously acquired by BCI. The period therefore closed with a loss close to 16 billion lire.

During the first half, negotiations for the disposal of **Credito Fondiario e Industriale SpA - Fonspa** were successfully completed. The complex transaction - which is broken down in different steps some of which have already been completed and others which are to be carried out over the next few months - led, among other things, to the recapitalisation of the Company following the considerable losses deriving from the valuation at market value of non-performing loans, which is a fundamental step in the Company’s restructuring. The tender offer for the rights related to the new share issue connected to the aforementioned recapitalisation was also successfully completed.
As soon as possible the sale to a company belonging to the Morgan Stanley Dean Witter Group, at a price equal to the nominal value of the entire equity investments held by current reference shareholders BCI and Unicredito, will be closed. After the loan securitisation BCI and Unicredito will receive via a spin-off a considerable portion of Fonspa’s residual assets and liabilities. The closing of the exit from Fonspa should not lead to any further significant charges for BCI and Unicredito apart from those already sustained and accounted for in the 1999 statements of income.

Financial activities

Comit Asset Management SGR SpA. The Company - which has already absorbed all the GenerComit funds - is responsible for the centralised management of all asset management activities, after it has been charged with the management of funds which were previously managed by Comit Gestioni SGR SpA. The Company’s net assets under management in funds established under Italian law totalled approximately 61,000 billion lire (which must be added to the approximately 5,000 billion lire managed by the subsidiary Sicav Pronto Fund Advisory SA, Luxembourg). The first half of 2000 closed with a net income of approximately 21 billion lire, in line with that registered in the same period in 1999, in spite of the fluctuating trend recorded by equity funds in the first half of the year. **Comit Gestioni SGR** will be responsible for the establishment and management of funds with a higher risk profile - as soon as the necessary modification in the Articles of Association are formalised. **GenerComit Distribuzione Sim SpA** - the company responsible for the distribution of Comit Asset Management funds, Assiba insurance polices as well as BCI products in general - has consolidated and considerably developed the positive trend which had occurred during 1999, and closed with an income before taxation of approximately 9 billion lire which is far higher than that recorded for the whole of 1999. The commercial network was further extended and totalled 867 units (from 793 at the end of 1999).

The Companies which administer and carry out fiduciary management of portfolios - **S.I.Re.F. SpA** and **S.I.Re.F. Gestioni Sim SpA** - achieved satisfactory results in the period which equalled respectively 782 million lire (from 240 million lire) and 212 million lire (from 87 million lire). Assets under administration reached 6,100 billion lire for S.I.Re.F. SpA and 950 billion lire approximately for its sister company. For the purpose of rationalising the asset management area, before the end of the current year all fiduciary activities, both administration and management, will be centralised in the larger company S.I.Re.F. SpA.

Assiba SpA - a joint venture with Assicurazioni Generali - operates in the bancassurance sector and is specialised in the development and distribution of financial investment packages which include insurance coverage. In the first half of the year the Company collected premiums on new products amounting to 1,047 billion lire and generated a net income of 11.9 billion lire (from 5.7 billion lire).

In the supplementary insurance coverage sector, **Sim CoGeF SpA** - in which BCI and Assicurazioni Generali have a 80% stake and the residual 20% is held by companies belonging to the Flemings Group - is still in its start up phase and therefore registered a loss for the period. In the parallel segment of administrative services for the supplementary insurance sector, **Previnet SpA** - a company in which the Bank and Assicurazioni Generali also hold a majority interest - extended its customer base and expanded its product range, by offering administrative services also to other sectors. The Company generated a net income for the period close to 2 billion lire.

Support services

The wholly-owned subsidiary **Comit Service Srl**. carries out auxiliary services for real estate properties and connected activities regarding the acquisition and management of real estate assets and related services. It virtually closed at break even.

Abroad

In the first half of 2000 **Comit Holding International SA**, Luxembourg, which holds most of the equity investments in foreign banks and subsidiaries, generated a net income of 77 billion lire (from 81 billion lire), mostly from dividends on its equity investments.

Latin America

The Sudameris Group

Banque Sudameris SA, Paris - Parent Company of a network of subsidiary companies and direct branches operating in all the main Latin-American Countries - closed the first half with a consolidated net result of approximately 122 billion lire. Profitability was certainly affected by the recession which hit the local economies, which is normally cyclical and is usually followed by expansion. This, to some extent, must be considered a risk factor typical of that area, as proved by the numerous crises effectively dominated by the Sudameris Group in its long history. At the same time the economic implications of the considerable growth undertaken by the Group must not be underestimated. Growth has been pursued via the recent acquisitions of banking conglomerates in Brazil, Peru and Argentina; these generated costs for the consequent network restructuring, updating of information systems, reorganisation of human resources as well as amortisation of goodwill.

Lower overall profitability particularly depended on the drop in the interest margin (– 17%) and the considerable rise in administrative costs (+ 28%). The causes for the first phenomenon lie mostly in the progressive reduction in the interest rate differential, which occurred especially in Brazil (also with repercussions on the Argentinean and Peruvian economies) due to the Government’s monetary policy measures. Furthermore, during the current year, the considerable profits from the investment of liquidity in US dollars carried out by the Brazilian branches in 1999 during the monetary crisis did not recur. As already mentioned, costs were severely affected by the restructuring charges and the renewal of the information systems of the branch networks in Brazil, Peru and Argentina and further worsened by the considerable increases in the costs of public utilities (energy and connections for data transfers which were not tied to the official inflation rate).

Income from operating activities was negative and totalled minus 164 billion lire (positive for 74 billion lire as at 30th June 1999) and was to some extent offset by the lower provisions required (approximately 60%) for credit risk, notwithstanding the regulatory requirements regarding credit risk which had a considerable impact on the Brazilian subsidiary. The gap in favour of the previous reference period was therefore lower with regard to net income which was negative for approximately 122 billion lire (positive for 49 billion lire as at 30th June 1999).

In general terms, the macroeconomic conditions of the Latin-American Countries are all showing signs of recovery, which are however more limited than expected at the beginning of the year. Though with different trends, for all the Countries in the area the initial recovery has been sustained mostly by the rise in exports and investments and has occurred without creating, at least on aggregate terms, significant inflation bouts. The situation, still far from a real takeoff, also seems vulnerable due to its excessive dependence on foreign demand and inflows of foreign capital.

In **Brazil**, after two years of recession, in the first half the economy started to grow again (GNV + 3.08%) thanks, mostly, to higher credit supply and the increase in exports. Furthermore, inflation dropped to approximately 2%, the unemployment rate remained stable (7.9%) and the trade balance registered a marked improvement, to a 850 million dollar surplus compared to the deficit recorded in the first half of 1999. The **Banco Sudameris Brasil Group** registered satisfactory growth rates both in funding and loans, despite the extremely prudent criteria applied to loan granting. At the same time the integration aimed at concentrating under the Banco Sudameris Brasil logo all the branches of Banco América do Sul continued. The results generated in the first half of the year were still negatively influenced by adverse market conditions, fierce competition and decreasing interest rates, which negatively affected margins and annulled the potential benefits of the rise in intermediated volumes. Also the trend recorded by administrative costs - despite the various actions taken to reduce and contain costs - was higher than expected both as a result of endogenous factors, related to the opening of new branches at the end of last year, and exogenous factors depending, in particular, on the considerable increases in public tariffs. Lastly, new local regulations regarding the classification of the loan portfolio came into effects and their impact on the level of related provisions led to a considerable increase in charges. Consolidated net income for the Group was therefore negative for approximately 155 billion lire.

In **Argentina** part of the adverse factors which had negatively influenced the macroeconomic scenario in 1999 persisted: the decrease in consumption, unemployment, dependence on foreign investments, fears of a possible rise in taxes. The local banking system recorded an extremely low credit demand, a deterioration in loan portfolio quality and a drop in profitability. The economic context and the evolution in market conditions obviously affected the operations of **Banco Sudameris Argentina**, which in this first half of the year registered a substantial stagnation in loans even though, in terms of average volumes the Bank's growth rates were higher than the local banking system's average. As a result of extremely prudent commercial policies and despite the rise in both operating costs and provisions on loans due to the worsened economic scenario, the Bank in any case managed to achieve a net income for the period equal to approximately 13 billion lire. The Sudameris Group recently strengthened its presence in Argentina by acquiring a controlling interest in Banco Caja de Ahorro, the banking arm of the first Argentinean insurance group. The integration process, which started last April, will lead to the merger of the subsidiary in the existing Banco Sudameris Argentina and will thus create a new banking entity which will be ranked among the top ten privately-owned banks in the Country. The integration will enable the Sudameris Group to greatly increase its customer base and extend its product range, with positive fall-outs on both total revenues and diversification of revenue base.

In the first half of 2000, **Columbia** started its way to recovery from severe recession. Benefiting from the aids granted by the International Monetary Fund and the rise in oil prices, GNV recorded a growth rate in excess of 2% in the sole first quarter. These positive signals still seem too weak to indicate that the Country's crisis is over as proved, for example, by the unemployment rate which is still stationary at approximately 20%. In this scenario, also characterised by the considerable contraction in credit demand, **Banco Sudameris Colombia** registered a decrease in lending denominated in local currency - almost exclusively concentrated on short-term lending - and maintained the bulk of its operations in foreign currency with medium and large corporates. The rise in general costs deriving from the extraordinary interventions for the rationalisation of the organisational structure (closure of non-productive operating units) and higher provisions to cover credit risk required by the new regulations issued by local supervisory authorities greatly affected the subsidiary's results which remained negative for approximately 21 billion lire.

During the first half, **Peru**'s economic situation was influenced by the start of structural reforms - planned by the local Government after the results of the last presidential elections - which had beneficial effects on the state of the economy, on the Country's rating and on foreign investors' confidence index. Forecasts indicate a growth rate in excess of 4% for GNV in 2000 and the return to a surplus in the trade balance. Economic recovery has not yet led to an improvement for companies which depend on domestic consumption. The Peruvian banking system showed an increase in risks on loans concentrated to the Country's most important companies which are registering marked contractions in operations. **Banco Wiese Sudameris** also had to adopt restrictive measures in granting credit and - in the global management of credit and market risks - favoured mid-corporates for the lower implicit risks and better collateral guarantees offered. Loan portfolio quality was in any case satisfactory with the lowest non-performing loans to total loans to customers ratio of the whole local system and the highest coverage index. It must also be noted that the Bank is the second banking entity in the Peruvian banking system in terms of deposits and loans as well as the third in terms of distribution channels. The result recorded in the first half of the year, though negatively influenced by the costs of the restructuring currently under way in the Peruvian Group, was positive and amounted to approximately 13 billion lire.

Paraguay - whose exports are directed for more than 50% to Brazil and Argentina - seems to have recovered from the recession which had hit it for almost all of 1999, even though the adverse weather conditions are compromising agricultural production, which is almost the Country's sole resource. Thanks to profitable foreign exchange transactions and in spite of constant interest margin, Banco Sudameris Paraguay in any case managed to slightly improve its net income, which increased to approximately 2.4 billion lire.

North America

The Group's presence in this area is ensured: in the US, by the direct branches of BCI and Banque Sudameris and, in Canada, by **Banca Commerciale Italiana of Canada**, Toronto. The favourable trend registered by the Canadian economy - with a growth rate for GNV estimated to be around 2% and low inflation, in spite of the tensions related to the adaptation of local interest rates to US rates - favoured the subsidiary's operations, which continued to re-target its retail activities on products and customer segments capable of ensuring a sufficient economic return. Particular attention was paid to cost containment and favourable market conditions positively influenced the statement of income. The Subsidiary closed the first half with a net income in excess of 2 billion lire.

Western Europe

In Europe, the markets in **Luxembourg** and **Switzerland** maintained their prime positioning in the world's banking and financial industry, as testified by the growing presence in such areas of international banks operating in those specific sectors. **Société Européenne de Banque** consolidated its market positioning in Luxembourg by offering an extremely diversified range of highly specialised services to private and corporate customers. These activities increasingly contribute to the Subsidiary's statement of income, which closed with a net income in excess of 10 billion lire (+ 23%). In the first half of 2000, **Banca Commerciale Italiana (Suisse)**, Zürich, despite the higher charges related to the development of important strategic projects, recorded the best result since its establishment, with a net income of 12.3 billion lire (+ 35%). Apart from the satisfactory growth rates which continued to be recorded by private banking activities, the Bank was capable of effectively seizing the trading opportunities offered by the capital markets and recorded a 37% growth rate on profits on financial transactions. Commission income from private equity operations also increased.

In **France**, the economy recorded a very favourable trend and a 3.5% growth rate supported both by consumption and domestic investment with an inflation rate under 1%. This environment favoured the activities of **Banca Commerciale Italiana (France)**, Paris, which continued in the development of operations with top French and international corporate customers by increasing structured lending and credit derivatives.

The good performance recorded by these initiatives enabled the Subsidiary to achieve a net income for the period of approximately 25 billion lire (from 10.4 billion lire).

Among OECD Countries, **Ireland** is the Country which, in the last few years, registered the highest economic growth rates, due to the combined action of various positive structural and cyclical factors and the creation of privileged conditions for foreign investors. **Banca Commerciale Italiana (Ireland) Plc.**, Dublin, specialised in wholesale activities, increased intermediated volumes especially in the fields of corporate banking, structured lending and credit derivatives and generated a net income of 16.5 billion lire (from 13 billion lire). **Comit Investments (Ireland) Ltd.**, Dublin, operating in the recovery of trade receivables for international customers, generated a net income in excess of 4 billion lire, in line with the result recorded in the same period of 1999.

The **Compagnie Monégasque de Banque**, Montecarlo - present in the **Principauté de Monaco** with four operating units - conserves a forefront positioning in the private banking sector which led it to generate a net income of approximately 46 billion lire (+ 65%).

Eastern Europe

Due to an economic and institutional structure increasingly oriented to sustain the convergence to the European Union, **Hungary** confirmed itself as one of the most promising Eastern European markets. The Hungarian economy is benefiting from the current positive trend registered by EU Countries - which are its most important trade partners - with a growth rate in GNV (in excess of 6%), in presence of a further drop in interest rates and limited rise in prices at consumption. The Country's progressive integration in the area of Countries managed according to capitalist principles leads to forecast considerable potential for the Hungarian banking system. The **Central-European International Bank (CIB)**, Budapest, particularly active in offering financial services to large corporate clients, continued to pursue its strategies for widening the product range as well as extending its target market to include the mid-corporate and retail segments. The Bank focused its attention on increasing and upgrading its IT and operational structures for the purpose of continuously enhancing customer service quality. Despite the constant financial effort to support such strategies and the contraction in operating margins also following growing competition due to the presence of numerous foreign investors, CIB confirmed its positioning as one of the most profitable banks in the Hungarian banking industry, with a consolidated net income for the period of 32.9 billion lire (compared to 29.9 billion lire).

In **Croatia** effective actions are being taken to contrast the recessive phases which occurred during 1999, with a positive trend for the economy which leads to forecast an approximately 1.8% annual growth rate for GNV. Recovery was particularly supported by industrial production and retailing, construction and tourism. However, the oil price rises and the weakness of the national currency continued to fuel inflation which remained high (approximately 12%), as did the unemployment rate (21%). The new Government recently introduced tax and legislative reforms aimed at favouring the development of foreign investments and therefore strengthen the Country's productive structure. **Privredna Banka Zagreb (PBZ)** - after BCI's acquisition of a controlling equity stake - started an intense programme aimed at a structural reorganisation and an improvement in the customer portfolio. At the same time the range of services offered will be widened both for retail and corporate customers; this should contrast domestic competition and consolidate PBZ's positioning as the Country's second bank. In the first half of 2000, the PBZ Group generated a consolidated net income of 53 billion lire, equalling net income generated in the whole of 1999.

Constant attention is also paid to **Poland**, where the Group is already present with a minority equity investment in **Bank Rozwoju Eksportu**, Warsaw. The Polish economic system is benefiting from the positive trend recorded by exports even though actions were partly influenced by the progressive weakening of the national currency, with a consequent improvement of the trade balance and the foreign accounts. Very determined actions aimed at greater equilibrium in public accounts and contrasting inflation, still over 10%, are forecasted. The Polish financial industry still has a low banking level, which will enable interesting developments essentially in the retail products, mortgage lending, credit cards, personal loans. The corporate sector should also have attractive developments.

Cariplo

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	Changes (A/C)
Balance sheet					
Loans to customers	97,856.7	97,244.9	90,562.1	0.6%	8.1%
Securities	16,712.2	27,380.5	44,229.2	(39.0%)	(62.2%)
including Investment portfolio	*5,343.0*	*5,499.0*	*5,474.1*	*(2.8%)*	*(2.4%)*
Equity investments	3,653.7	3,511.2	3,331.3	4.1%	9.7%
Total assets	169,921.2	198,774.4	207,578.0	(14.5%)	(18.1%)
Direct customer deposits	97,030.9	105,444.5	109,412.9	(8.0%)	(11.3%)
including Subordinated liabilities	*4,951.8*	*4,389.9*	*3,257.6*	*12.8%*	*52.0%*
Indirect customer deposits	179,223.1	169,338.4	157,941.8	5.8%	13.5%
including Managed funds	*76,995.7*	*73,541.5*	*67,431.0*	*4.7%*	*14.2%*
Customer deposits under administration	276,254.0	274,782.9	267,354.7	0.5%	3.3%
Net interbank position (debt)	(11,281.5)	(15,298.8)	(15,301.0)	–	–
Shareholders' equity (1)	6,498.2	6,358.5	6,358.5	2.2%	2.2%
Statement of income					
Interest margin	1,643.3	3,247.3	1,515.3		8.4%
Net commissions	756.7	1,355.4	669.3		13.0%
Net interest and other banking income	2,494.3	4,653.1	2,287.9		9.0%
Operating costs	1,399.4	2,838.3	1,358.9		3.0%
Operating margin	1,094.9	1,814.8	929.0		17.9%
Income (Loss) from operating activities	707.6	970.9	467.5		51.3%
Net income for the period/year	368.7	684.7	214.4		72.0%
Other information					
Staff *(number)*	13,645	13,961	14,017	(316)	(372)
Branches *(number)*	830	811	790	19	40
including Abroad	*5*	*6*	*6*	*(1)*	*(1)*
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	57.59%	48.92%	43.63%		
Securities/Total assets	9.84%	13.77%	21.31%		
Direct customer deposits/Total assets	57.10%	53.05%	52.71%		
Managed funds/Indirect customer deposits	42.96%	43.43%	42.69%		
Statement of income ratios					
Net commissions/Net interest and other banking income	30.34%	29.13%	29.26%		
Operating costs/Net interest and other banking income	56.10%	61.00%	59.39%		
Net income for the period-year/ Total assets (ROA)	0.22%	0.34%	0.10%		
Net income for the period-year/ Shareholders' equity (ROE)	5.67%	10.77%	3.37%		
Risk ratios					
Net non-performing loans/Total loans	3.31%	3.42%	3.53%		
Total adjustments/Gross non-performing loans	22.15%	24.50%	22.02%		

(1) *Excluding net income for the period/year.*

Balance sheet

Loans to customers, amounting to 97,857 billion lire, registered a 0.6% increase compared to as at 31st December 1999 and an 8.1% increase compared to as at 30th June 1999. With regard to lending, loans granted by the Bank, corresponding to 56,406 billion lire, remained substantially stable compared to 1999 accounts (– 0.5%) and showed a 10.4% growth rate compared to as at 30th June 1999; however, it must be highlighted that the decline compared to the 1999 figure was attributable to the completion of repurchase agreement transactions in excess of 3,100 billion lire. Loans granted by the Mortgage credit division amounted to 33,099 billion lire with a 4.9% and a 9.1% rise respectively compared to the two reference dates; those of the Public works division summed up to 5,919 billion lire, declining by 10.5% and 12.7% respectively,

as a result of sector's difficulties; those of the Agricultural lending division equalled 2,433 billion lire with a 2.4% rise with respect to as at 31st December 1999 and with a 3.4% increase compared to as at 30th June 1999.
The securities portfolio, which amounted to 16,712 billion lire, showed a 39% reduction compared to the 1999 financial statements and a 62.2% decrease with respect to as at 30th June 1999 as a consequence of the transfer of Group Finance and Treasury activities to Banca Intesa; in 1999, these activities were temporarily centralised in Cariplo, causing a significant increase in volumes. The figure included 5,343 billion lire of investment portfolio and 11,369 billion lire of trading portfolio.

Direct customer deposits - which includes due to customers, securities issued, public funds under administration and subordinated liabilities - amounted to 97,031 billion lire and showed an 8% decrease compared to the 1999 figure and an 11.3% drop over the twelve-month period; the reduction was mostly due to the transfer of assets from Cariplo's foreign branches to Banca Intesa's new branches. In particular, due to customers decreased by 5.3% after the impressive drop in term deposits (– 61.2% compared to as at 31st December 1999 and – 25.6% compared to as at 30th June 1999) and in repurchase agreements on securities (– 69.3% compared to as at 30th June 1999); on the other hand, current accounts increased (+ 3.4% compared to as at 31st December 1999 and + 5% compared to as at 30th June 1999). Securities issued showed a reduction (– 13.4% with respect to 31st December 1999 and – 17.6% with respect to 30th June 1999) mainly as a result of the contraction in certificates of deposit recorded by foreign branches (– 41.1% compared to as at 31st December 1999 and – 44.6% compared to the same period the previous year). Subordinated liabilities rose by 12.8% in the first half of 2000 and by 52% on an annual basis.
As regards the decrease in funding, it must be pointed out that the decrease was particularly concentrated in deposits bearing the higher interest rates, according to the decision of limiting the cost of customer deposits and of improving commission income from indirect customer deposits.
Indirect customer deposits, which included the sum of life insurance policies and supplementary pension schemes, recorded a marked rise, totalling 179,223 billion lire, again with a significant increase compared to figures recorded in the reference dates (+ 5.8% and + 13.5% respectively). With regard to this item, managed funds, which equalled 76,996 billion lire, registered a 4.7% growth rate compared to as at 31st December 1999 and a 14.2% growth rate compared to as at 30th June 1999. This increase involved all the components (individual portfolio management schemes, investments in mutual funds, life insurance policies and supplementary pension schemes).

Statement of income

With regard to the statement of income components, it must be remembered that the latter also reflected the realisation of the Group's operating model.
Results, which in any case showed a significant rise in net income for the period compared to as at the first half of 1999 (+ 72%), reflected a specific provision for risks and charges for 80 billion lire to cover potential disbursements connected to possible applications of regulations regarding the renegotiations of subsidised mortgages granted pursuant to Law 133 of 13th May 1999 and by Implementation Decree 110 of 24th March 2000 issued by Ministero del Tesoro. Both the Italian Bankers' Association (ABI) and banks affected by the aforementioned regulations, including Cariplo, have taken judicial actions aimed at obtaining the annulment of both the Ministerial Decree and the single rulings with which individual Regions promoted the renegotiations.
Another negative element is an extraordinary charge, amounting to 94.6 billion lire: this item, which is connected to a positive fiscal effect for 40.1 billion lire, is due to the adjustment to interest income accounted for in 1999, as amply described hereafter.
Instead, fiscal incentives provided for by Law 461 of 23rd December 1998, positively affected results.
The reclassified statement of income showed an interest margin of 1,643.3 billion lire, with an 8.4% increase compared to the first half of 1999, as a result of the development of lending and deposit collection, mainly regarding short-term transactions: compared to the first half of 1999, average volumes of loans to resident customers, corresponding to 78,409 billion lire, showed a considerable improvement (+ 11.4%), in particular in the short-term component which equalled 42,272 billion lire (+ 15.3%). As regards interest rate trends, short-term interest rates on deposits remained stable in spite of the

generalised increase registered by the market; therefore, the interest rate spread was higher than that of the previous year. It must be highlighted that fixed income activities carried out by foreign branches led to higher interest income, which was partially offset by negative adjustments accounted for in caption 60 - Profit (Losses) on financial transactions.
Net commissions, with a positive balance corresponding to 756.7 billion lire, showed an appreciable increase (+ 13%). In particular, commission income rose by 104.7 billion lire, whereas commission expense by 17.3 billion lire. The net commissions to net interest and other banking income ratio remained virtually unchanged (approximately 30%).
Net interest and other banking income, corresponding to 2,494.3 billion lire, showed a significant increase (+ 206.4 billion lire, corresponding to a 9% growth rate) in spite of the fact that profits on financial transactions recorded a negative balance of 7.8 billion lire (compared to a negative balance of 2.1 billion lire registered in the first half of 1999).
In particular, dealing in securities contributed with a negative balance following the inclusion in the financial statements of net adjustments for 126.2 billion lire, which was also due to fixed income activities carried out by the foreign branches, as indicated above, whereas dealing in currency determined a positive contribution, like dealing in interest rates and index derivatives.
Other operating income summed up to 104.3 billion lire with a 5.7% contraction.

With regard to operating costs, as already described in the 1999 financial statements, the progressive implementation of the Group's model caused significant changes in the structure of these costs compared to the previous year: following the start up of Intesa Sistemi e Servizi, Intesa Gestione Crediti and Banca Intesa's structures, Cariplo seconded a significant number of employees and transferred, by means of a de-merger, part of its own tangible and intangible assets. This resulted in, on the one hand, a reduction in both personnel expenses - net of the corresponding recoveries - and depreciation; on the other hand, an increase in other administrative costs, which included payments for services received by Cariplo from other Group companies.
Therefore, a comparison between values expressed by each caption in the first half of 2000 and in the same period the previous year is not deemed to be material, whereas total operating costs (administrative costs and adjustments to tangible and intangible fixed assets) can be compared on a consistent basis with total operating costs recorded in the first half of 1999. These items totalled 1,399.4 billion lire, with a 3% growth rate compared to the first half of 1999 (+ 40.5 billion lire). The operating costs to net interest and other banking income ratio (cost/income ratio) dropped from 59.4% as at 30th June 1999 to 56.1% as at 30th June 2000.
Operating margin, calculated by deducting operating costs from net interest and other banking income, amounted to 1,094.9 billion lire with a 165.9 billion lire rise, equal to 17.9%, compared to data recorded as at 30th June 1999.

With regard to the reclassified statement of income, which includes valuation effects (captions from 100 to 170 in the official statement of income), the most significant trends are set out below:

- provisions for risks and charges amounted to 114.2 billion lire (– 20.5%). The figure included, apart from 80 billion lire for the aforementioned possible charges related to the renegotiations of mortgage loans, 16.3 billion lire referring to legal disputes currently under way and 15.9 billion lire referring to potential charges due to revocatory actions;
- adjustments to loans and provisions for guarantees and commitments decreased: from 257.3 billion lire in the first half of 1999 to 226.8 billion lire in the first half of 2000 (– 11.8%);
- furthermore, write-backs registered a significant contraction (from 46.6 billion lire in the first half of 1999 to 19.2 billion lire as at 30th June 2000), also as a result of the sale of the entire non-performing short-term loan portfolio to Intesa Gestione Crediti;
- also provisions for possible loan losses dropped (from 81.8 billion lire to 70 billion lire in the first half of 2000); the item exclusively referred to interest on non-performing loans deemed to be recoverable, accrued mostly on long-term loans;
- no significant adjustments to equity investments were recorded, whereas write-backs amounted to 5.5 billion lire.

Income from operating activities summed up to 707.6 billion lire (+ 51.3%) and showed a 240.1 billion lire increase after the inclusion in the financial statements of provisions and other adjustments net of write-backs for a total of 387.3 billion lire (– 74.2 billion lire, corresponding to a 16.1% growth rate).
Income before taxation summed up to 712.6 billion lire, with a 205.6 billion lire increase, equal to 40.6%. The figure was calculated by adding the balance of extraordinary income and extraordinary charges to income from operating activities, which amounted to 5 billion lire (compared to a positive balance of 39.5 billion lire in the first half of the previous year). With regard to extraordinary income (157.9 billion lire), the most important figure related to: the inflow of interest on non-performing loans matured and provided for in previous years compared to 80.6 billion lire recorded in the year (53.4 billion lire); lower taxes, following the aforementioned adjustment to positive 1999 statement of income components (40.1 billion lire) and capital gains deriving from the sale of equity investments (18.4 billion lire). With regard to extraordinary charges, equal to 152.9 billion lire (41.1 billion lire as at 30th June 1999), the higher amount concerned the already mentioned adjustments of 94.6 billion lire, due to a miscalculation in accrued interest for 1999 determined by the malfunctioning of the foreign transaction programme.

The first half of 2000 closed with a net income for the period of 368.7 billion lire (compared to 214.4 billion lire recorded in the statement of income as at 31st December 1999, which was restated in order to consider effects deriving from spin-off transactions carried out at the end of 1999) after the deduction of 343.9 billion lire of taxes. This figure was positively affected by the application of the Ciampi Law, which enabled an Irpeg (corporate income tax) saving corresponding to 16.7 billion lire in the first half of 2000.
ROE rose from 3.37% to 5.67%.

Banco Ambrosiano Veneto

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	(A/C)
Balance sheet					
Loans to customers	31,875.7	31,064.1	27,472.3	2.6%	16.0%
Securities	2,671.5	5,031.8	7,794.9	(46.9%)	(65.7%)
including Investment portfolio	*1,351.7*	*2,826.7*	*3,701.1*	*(52.2%)*	*(63.5%)*
Equity investments	388.2	391.3	391.1	(0.8%)	(0.7%)
Total assets	45,631.9	51,016.0	53,777.4	(10.6%)	(15.1%)
Direct customer deposits	29,594.6	34,114.8	32,057.1	(13.2%)	(7.7%)
including Subordinated liabilities	*503.4*	*302.1*	–	*66.6%*	–
Indirect customer deposits	86,374.6	81,554.4	78,235.1	5.9%	10.4%
including Managed funds	*43,242.4*	*42,784.8*	*42,879.8*	*1.1%*	*0.8%*
Customer deposits under administration	115,969.2	115,669.2	110,292.2	0.3%	5.1%
Net interbank position (debt)	(1,958.0)	545.3	3,265.5	–	–
Shareholders' equity (1)	1,595.8	1,524.8	1,524.8	4.7%	4.7%
Statement of income					
Interest margin	664.3	1,233.9	635.3		4.6%
Net commissions	586.2	1,075.6	525.2		11.6%
Net interest and other banking income	1,317.3	2,441.2	1,269.9		3.7%
Operating costs	778.8	1,756.4	833.5		(6.6%)
Operating margin	538.5	684.8	436.4		23.4%
Income (Loss) from operating activities	477.0	446.4	358.9		32.9%
Net income for the period/year	274.0	351.8	224.8		21.9%
Other information					
Earnings per share *(lire)*	226	290	185	(64)	41
Staff *(number)*	8,257	8,420	8,506	(163)	(249)
Branches *(number)*	633	630	624	3	9
including Abroad	*1*	*1*	*1*	–	–
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	69.85%	60.89%	51.09%		
Securities/Total assets	5.85%	9.86%	14.49%		
Direct customer deposits/Total assets	64.86%	66.87%	59.61%		
Managed funds/Indirect customer deposits	50.06%	52.46%	54.81%		
Statement of income ratios					
Net commissions/Net interest and other banking income	44.50%	44.06%	41.36%		
Operating costs/Net interest and other banking income	59.12%	71.95%	65.64%		
Net income for the period-year/ Total assets (ROA)	0.60%	0.69%	0.42%		
Net income for the period-year/ Shareholders' equity (ROE)	17.17%	23.07%	14.74%		
Risk ratios					
Net non-performing loans/Total loans	0.08%	0.19%	0.13%		
Total adjustments/Gross non-performing loans	50.83%	49.23%	41.97%		

(1) *Excluding net income for the period/year.*

Balance sheet

Comparisons with 1999 data must consider: the lower contribution of the Finance area, due to the progressive centralisation with the Parent Company of the activities of the Finance division (Bank finance), and lower operations by the London branch, which transferred its relationships to the newly-opened Banca Intesa's London branch; secondly the transfer and centralisation of certain activities (non-performing loan management, hardware and software management) to other Group companies. The effects of these transactions have mostly been reflected during the second half of 1999; therefore data as at 30th June 2000 is more consistent with data at year-end (obviously considering the different time period to which they refer) than as at 30th June 1999.

Balance sheet data relative to operations with customers showed a satisfactory growth

rate with regard to loans, a drop in direct customer deposits, and a considerable rise in indirect customer deposits. Loans to customers equalled 31,875.7 billion lire as at 30th June 2000 and recorded a 2.6% growth rate with respect to as at 31st December 1999 and a 16% rise with respect to the first half of 1999. Excluding loans granted by the London branch - which practically ceased operations - the growth rate compared to as at 31st December 1999 would have equalled 5.7% and 22% with respect to as at 30th June 1999. In terms of average volumes, the rise on an annual basis equalled 12%, with a considerable rise in medium- and long- term lending (+ 29%) and a more contained increase in short-term loans (+ 5%).
Direct customer deposits, including subordinated liabilities, equalled 29,594.6 billion lire as at 30th June 2000, with a 13.2% contraction with respect to last December and a 7.7% decrease with respect to the first half of 1999. In terms of average volumes, on an annual basis customer deposits remained practically unchanged. Average volumes were affected by the contraction in operations of the foreign branch (if the latter is excluded, average liquid balances - semester on semester - increases by approximately 2%). As regards the figure as at 30th June 2000 with respect to that as at 31st December 1999 this was considerably influenced by the lower value of the temporary liquidity deposits made by Intesa Asset Management (– 3,120 billion lire); if the latter are excluded the contraction with respect to the end of last year becomes 4.8%.
Indirect customer deposits (86,374.6 billion lire) continued their positive development in the first half of 2000, with a 5.9% growth rate with respect to as at 31st December 1999 and a 10.4% rise with respect to the first half of 1999. Within indirect customer deposits, the trend of managed funds (43,242.4 billion lire as at 30th June 2000) was positive, even if more contained considering the impressive values already achieved. In terms of average volumes managed, the rise in the first half of 2000 with respect to the first half of 1999 exceeded 2,000 billion lire (+ 9%).
Operations on the interbank market decreased with respect to both as at 31st December and as at 30th June 1999 due to lower operations of the London branch and especially to the progressive disintermediation of the Group’s commercial banks on the interbank market following the centralisation in the Parent Company of treasury activities.
The securities portfolio (2,671.5 billion lire as at 30th June 2000) also showed a considerable contraction due to the progressive divestments following the centralisation in Banca Intesa of the operations of the Finance division (Bank finance).

Statement of income

The first half of 2000 was particularly favourable for the Bank. The statement of income closed with a net income of 274 billion lire, with a 21.9% growth rate with respect to the first half of 1999, and a ROE for the semester of 17.2%, over two percentage points higher than the same period last year.
Interest margin equalled 664.3 billion lire and improved (4.6%) with respect to the first half of 1999 thus inverting the decreasing trend which had been recorded in the previous years. The result is also satisfactory with respect to budget projections (+ 11.5%). The improvement in the margin was obtained thanks to the favourable development of lending operations and the rise in the interest rate spread, up by 4 basis points with respect to the first half of 1999 and 8 basis points with respect to budget projections.
Net commissions (586.2 billion lire) also registered satisfactory progress (+ 11.6% with respect to the first half of 1999 and + 6% with respect to the budget), thanks to the persistent positive contribution of individual portfolio management schemes, to the satisfactory results on the placement of Intesa Asset Management’s mutual funds and the contribution of commissions on stockbroking.
Net interest and other banking income as at 30th June 2000, which is the sum of interest margin, net commissions and profits (losses) on financial transactions (19.8 billion lire) and other operating income (54.3 billion lire) and charges (7.3 billion lire), equalled 1,317.3 billion lire, with a 3.7% growth rate with respect to the figure at the end of the first half of 1999 and an 8.7% rise with respect to the budget. The comparison of this margin with that generated in the first half of last year must consider that in 1999 it included profits on financial transactions (amounting to 33.3 billion lire) which were progressively centralised in the Parent Company.
The contribution of net commissions to net interest and other banking income (44.5%) increased by approximately 3 percentage points with respect to the first half of 1999.
Operating costs as at 30th June 2000 amounted to 778.8 billion lire with a 6.6% decrease with respect to the first half of 1999 and a drop in excess of 5% with respect to budget projections. The cost/income ratio, that is the ratio between operating costs and net interest and other banking income, equalled 59.1%, with a decrease in excess of 5 percentage points with respect to as at 30th June 1999 and over 12 percentage points with respect to the end of last year.

Due to the growth in net interest and other banking income and the containment of operating costs, operating margin (538.5 billion lire) registered a 23.4% growth rate with respect to the figure as at 30th June 1999 and a 38% improvement on budget projections. An even more impressive growth was registered by income on operating activities (+ 32.9% with respect to as at 30th June 1999), especially as a result of a further reduction in adjustments to loans.
Net income for the period, which considered net extraordinary income amounting to 25 billion lire (lower than 35.9 billion lire recorded in the first half of 1999) and the tax burden for the period, equalled 274 billion lire, with a 21.9% growth rate with respect to the result registered in the same period the previous year.

Cassa di Risparmio di Parma e Piacenza

(in billions of lire)

	30/6/2000	31/12/1999	30/6/1999	Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Balance sheet					
Loans to customers	15,321.4	14,946.9	14,797.3	2.5%	3.5%
Securities	1,390.4	4,019.8	6,559.5	(65.4%)	(78.8%)
including Investment portfolio	*630.3*	*633.2*	*635.9*	*(0.5%)*	*(0.9%)*
Equity investments	255.0	250.4	261.1	1.8%	(2.3%)
Total assets	23,617.4	23,970.1	26,000.2	(1.5%)	(9.2%)
Direct customer deposits	17,737.6	17,690.9	18,611.5	0.3%	(4.7%)
including Subordinated liabilities	*463.0*	*361.7*	*122.5*	*28.0%*	*278.0%*
Indirect customer deposits	45,917.3	44,467.5	39,552.0	3.3%	16.1%
including Managed funds	*18,631.1*	*19,129.3*	*18,993.0*	*(2.6%)*	*(1.9%)*
Customer deposits under administration	63,654.9	62,158.4	58,163.5	2.4%	9.4%
Net interbank position (debt)	2,808.4	473.3	(649.1)	–	–
Shareholders' equity [(1)]	1,867.9	1,806.2	1,806.2	3.4%	3.4%
Statement of income					
Interest margin	365.7	666.9	355.8		2.8%
Net commissions	248.5	405.7	186.0		33.6%
Net interest and other banking income	649.0	1,066.3	535.0		21.3%
Operating costs	375.0	767.1	392.5		(4.5%)
Operating margin	274.0	299.2	142.5		92.3%
Income (Loss) from operating activities	197.8	10.9	22.2		791.0
Net income for the period/year	100.4	127.3	131.7		(23.8%)
Other information					
Earnings per share *(lire)*	85	107	111	(22)	(26)
Staff *(number)*	3,926	4,009	4,078	(83)	(152)
Branches *(number)*	318	317	317	1	1
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	64.87%	62.36%	56.91%		
Securities/Total assets	5.89%	16.77%	25.23%		
Direct customer deposits/Total assets	75.10%	73.80%	71.58%		
Managed funds/Indirect customer deposits	40.58%	43.02%	48.02%		
Statement of income ratios					
Net commissions/Net interest and other banking income	38.29%	38.05%	34.77%		
Operating costs/Net interest and other banking income	57.78%	71.94%	73.36%		
Net income for the period-year/ Total assets (ROA) [(2)]	0.43%	0.59%	0.51%		
Net income for the period-year/ Shareholders' equity (ROE) [(2)]	5.37%	7.77%	7.29%		
Risk ratios					
Net non-performing loans/Total loans	4.30%	4.50%	4.65%		
Total adjustments/Gross non-performing loans	50.01%	46.65%	43.05%		

[(1)] *Excluding net income for the period/year.*
[(2)] *The ratio was calculated by adding the change in the reserve for general banking risks to net income for the period/year.*

The first half of 2000 was affected by two extremely important facts.
The first refers to the shareholder base: at the end of the semester the complex procedure which led Banca Intesa to acquire total control of the Bank's share capital was completed. In fact, with effects as of 1st July 2000, the Bank contributed its assets and liabilities to a newly-established company which also took the Bank's name and was immediately merged in Banca Intesa.
The second fact is related to the economic results generated by the Bank which show a marked improvement in the quality of the statement of income: the Bank is expressing its full potential and its profitability is very satisfactory.

Balance sheet

Balance sheet items showed a positive evolution which must also be commented in relation to the strategy to transfer to the Parent Company financial activities and focus network banks on operations with customers and the higher value added business areas.
As regards loans, this decision led to a partial recomposition of the portfolio in favour of loans to customers which generate higher interest and therefore a higher return on the allocated share capital.
Despite this intervention and the reduction in loans to Group companies - which are now directly financed by Banca Intesa - in the first half of 2000 loans to customers reached 15,321 billion lire, up by respectively 3.5% on June 1999 and 2.5% on December 1999. In particular, growth referred to mortgages and loans (+ 3.7% for the semester and + 13.4% on an annual basis), while repurchase agreements were extinguished.
Investments in securities showed a drastic reduction, down from 6,560 billion lire as at 30th June 1999, to 4,020 billion lire at year-end to 1,390 billion lire at the end of the first half of 2000. The reduction referred to the trading portfolio which was transferred to the Bank finance division in Banca Intesa while the investment portfolio remained practically constant at approximately 630 billion lire.
Following the marked contraction in the proprietary securities portfolio, the Bank's total assets as at 30th June 2000 registered a drop in excess of 2,000 billion lire with respect to the previous year, and was almost equal to the value recorded in the 1999 financial statements at approximately 24,000 billion lire.
Customer wealth managed by the Bank registered a satisfactory growth rate as at 30th June 2000: customer deposits under administration almost reached 64,000 billion lire, 1,500 billion lire higher than as at 31st December and 5,500 billion lire higher than as at 30th June 1999.
The components of the aggregate registered different growth rates: while traditional direct customer deposits and subordinated liabilities remained practically constant, at just over 17,000 billion lire, the value of repurchase agreements drastically decreased, almost halved with respect to as at June 1999.
Indirect customer deposits registered satisfactory trends, + 16.1% compared to as at 30th June 1999 and + 3.3% on 31st December 1999. Asset management remained practically stable at approximately 19,000 billion lire.
Lastly, net interbank position showed a credit with the rest of the system in excess of 2,800 billion lire (over 2,300 billion lire higher than December and almost 3,500 billion lire higher than in June 1999), following the progressive divestment of the securities portfolio.

Statement of income

The statement of income registered extremely satisfactory results.
Net income for the first half exceeded 100 billion lire and ROE for the period equalled 5.4% (compared to 7.8% for the whole of 1999).
The result is extremely satisfactory considering that net income for 1999 had been essentially generated by substantial extraordinary income, almost entirely realised in the first part of the year, which is completely absent in this semester. Net income for the first half of 2000 also greatly outperformed budget projections.
Considering the items in the reclassified statement of income, net interest on operations with customers recorded a considerable growth rate (+ 28.6%), net interest on interbank relations also increased, while interest on fixed income securities drastically decreased (more than halved), thus the overall interest margin recorded a 2.8% growth rate.
The excellent performance of loans to customers was the combined effect of the constant interest rate spread and the rise in average volumes.
The rise in net commissions was also noteworthy, up from 186 billion lire to over 248.5 billion lire (+ 33.6%). This excellent result was particularly attributable to financial services: investment services to customers, commissions on the placement and

management of investments in Sicavs (up from 2.3 billion lire to over 34 billion lire), commissions on the placement of mutual funds (also up from 56.4 billion lire to 66.7 billion lire) and commissions on securities dealing (up from 15.7 billion lire to 26.6 billion lire).
Net commissions represented 38.3% of net interest and other banking income, three and a half points higher than in the same period in 1999.
Lastly, profits on financial transactions were far lower than in the past following the considerable contraction in the securities portfolio: the balance on trading and valuation effects was practically nil, while it had been extremely negative as at 30th June 1999 (– 46.3 billion lire).
Net interest and other banking income presented a 114 billion lire improvement to 649 billion lire (+ 21.3%).
Operating costs registered a 4.5% drop, following the 13.4% decrease in personnel costs and the 1.1% contraction in amortisation and depreciation and the 13% rise in other administrative costs.
As had already occurred for other Group banks, the centralisation in Banca Intesa and Intesa Sistemi and Servizi of important service activities and secondment of personnel to such companies, led to a change in the Bank’s cost structure, with a drop in personnel expenses (in the reclassified statement of income, amounts recovered are directly deducted from costs) and a rise in costs for services received. The overall contraction in costs, 17.5 billion lire, and the rise in net interest and other banking income mentioned above, led to an improvement in the cost/income ratio in excess of 15 percentage points (from 73.4% to 57.8%).
Therefore the operating margin totalled 274 billion lire with 92.3% growth rate with respect to the first half of 1999.
Most noteworthy was the considerable drop in net adjustments to loans: the in-depth interventions on the loan granting and monitoring structures and procedures and the stringent write-down policies enacted in the past few years led to an improvement in loan portfolio quality accounted for in the balance sheet. Thus write-downs on non-performing loans and problem loans were even lower than budget projections.
Coverage of gross non-performing loans increased from 43.1% as at 30th June 1999 to the current 50.1%. However, for the purpose of addressing specific slowdowns in certain key sectors in the local economy, the Bank increased so called “generic coverage” of performing loans.
Provisions for risks and charges were contained at physiological levels.
The sum of these items led to an income on operating activities before taxation of 197.8 billion lire and a net income in excess of 100 billion lire, which cannot be compared on consistent terms with net income for the first half of 1999 due to the significant contribution of extraordinary items in that result.

Banca Carime

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	(A/C)
Balance sheet					
Loans to customers	6,355.4	6,833.8	6,597.2	(7.0%)	(3.7%)
Securities	1,448.1	6,960.6	9,182.3	(79.2%)	(84.2%)
including Investment portfolio	*585.1*	*594.9*	*269.7*	*(1.6%)*	*116.9%*
Total assets	19,082.4	22,706.5	20,669.8	(16.0%)	7.7%
Direct customer deposits	14,885.7	15,967.2	15,332.8	(6.8%)	(2.9%)
including Subordinated liabilities	*205.2*	*125.8*	–	*63.1%*	–
Indirect customer deposits	10,558.0	9,815.7	9,736.6	7.6%	8.4%
including Managed funds	*6,932.6*	*6,662.6*	*6,782.5*	*4.1%*	*2.2%*
Customer deposits under administration	25,443.8	25,783.0	25,069.4	(1.3%)	1.5%
Net interbank position (debt)	8,350.7	3,463.4	948.2	–	–
Shareholders' equity [1]	1,632.0	1,608.2	1,609.0	1.5%	1.4%
Statement of income					
Interest margin	291.7	604.8	319.4		(8.7%)
Net commissions	113.6	199.8	95.1		19.5%
Net interest and other banking income	426.2	826.8	491.1		(13.2%)
Operating costs	380.9	770.4	383.0		(0.5%)
Operating margin	45.3	56.4	108.1		(58.1%)
Income (Loss) from operating activities	47.8	28.5	74.8		(36.1%)
Net income for the period/year	22.3	21.6	17.7		25.9%
Other information					
Staff *(number)*	4,198	4,236	4,316	(38)	(118)
Branches *(number)*	344	343	338	1	6
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	33.30%	30.10%	31.92%		
Securities/Total assets	7.59%	30.65%	44.42%		
Direct customer deposits/Total assets	78.01%	70.32%	74.18%		
Managed funds/Indirect customer deposits	65.66%	67.88%	69.66%		
Statement of income ratios					
Net commissions/Net interest and other banking income	26.66%	24.17%	19.36%		
Operating costs/Net interest and other banking income	89.37%	93.18%	77.98%		
Net income for the period-year/Total assets (ROA) [2]	0.12%	0.10%	0.09%		
Net income for the period-year/Shareholders' equity (ROE) [2]	1.37%	1.35%	1.10%		
Risk ratios					
Net non-performing loans/Total loans	0.40%	0.48%	0.50%		
Total adjustments/Gross non-performing loans	46.87%	62.60%	64.00%		

[1] *Excluding net income for the period/year and the change in the reserve for general banking risks.*
[2] *The ratio was calculated by adding the change in the reserve for general banking risks to net income for the period/year.*

Balance sheet

Banca Carime closed the first half of 2000 with a net income of 22.3 billion lire, with a 26% growth rate with respect to the first half of 1999.
The restructuring of the loan management process negatively influenced the trend recorded by loans to customers, but positively affected the evolution of credit risk. In fact, the breakdown of loans showed a contraction in performing loans over the twelve months, from 6,342 billion lire as at June 1999 to 6,163 billion lire (– 2.8%), followed by a considerable improvement in the quality of loans as testified by the decrease in problem loans (– 27.1%) and non-performing loans (– 32.7%).

Loans to customers registered a 3.7% drop, from 6,597 billion lire as at 30th June 1999 to 6,355 billion lire as at 30th June 2000.
Customer deposits under administration amounted to 25,443 billion lire and recorded a 374 billion lire increase over the twelve months, corresponding to a 1.5% growth rate. Breakdown of this item showed that direct and indirect customer deposits registered opposite trends:

- direct customer deposits recorded a 447 billion lire drop over the twelve months, mostly due to the contraction in current accounts and the advanced extinction of bonds in the proprietary securities portfolio;
- indirect customer deposits increased to 821 billion lire over the twelve months (+ 8.4%), especially following the positive performance of managed funds. It represented 41.5% of indirect customer deposits up from 38.8% in June 1999.

The transfer to Banca Intesa of a considerable part of the proprietary trading portfolio and its substitution with an intergroup bank deposit was carried out during the first half of 2000. The sale of the trading portfolio to Banca Intesa occurred at market prices. The transaction led the Bank's securities portfolio to decrease from 6,961 billion lire at the end of 1999 to 1,448 billion lire as at 30th June 2000.
Net balance of interbank positions recorded a considerable rise determined exclusively by asset allocation policies related to the aforementioned transfer of the securities portfolio. Due from banks, net of the corresponding liabilities item due to banks, rose from 3,463 billion lire in December 1999 to 8,351 billion lire as at 30th June 2000 (+ 4,888 billion lire).

Statement of income

The statement of income for the first half of 2000 registered an income from operating activities of 47.8 billion lire and a net income for the period of 22.3 billion lire, corresponding to a 25.9% growth rate with respect to June 1999.
The analysis of the evolution of statement of income margins showed that:

- interest margin equalled 291.7 billion lire with a 27.7 billion lire contraction with respect to June 1999 due to the decrease in the spread on operations with customers;
- net commissions rose from 95.1 billion lire for the first half of 1999 to 113.6 billion lire as at 30th June 2000 (+ 19.5%) due to the development of asset management and dealing services and acceptance of instructions and individual portfolio management schemes;
- net interest and other banking income decreased from 491.1 billion lire as at 30th June 1999 to 426.2 billion lire (– 64.9 billion lire, corresponding to a 13.2% contraction). The drop was attributable to the reduction in the interest margin and, especially, to losses on financial transactions;
- operating margin equalled 45.3 billion lire and registered a 62.8 billion lire drop, despite the slight contraction in operating costs (– 0.5%). In fact, while personnel expenses were practically stable with respect to June 1999 (+ 0.2%), despite the drop in the number of employees, other administrative costs registered a 6.3 billion lire decrease (– 6.2%) with respect to the same period the previous year.

Income on operating activities was affected by:

- provisions for risks and charges amounting to 8.4 billion lire of which 8 billion lire to cover lower interest deriving from the application of the Decree of the Ministero del Tesoro 110 of 24th March 2000, which sets forth the renegotiations of subsidised mortgage loans granted to the construction sector stipulated pursuant to Laws 166/75, 457/78 and 25/80;
- adjustments to tangible and intangible fixed assets for 56.7 billion lire, of which over 34.7 billion lire for the amortisation of goodwill which arose at the time of the contribution;
- adjustments to loans amounting to 21.4 billion lire and write-backs of 32.5 billion lire, following the improvement in loan portfolio quality.

Net extraordinary income was positive and equalled 11.8 billion lire while net income for the period summed up to 22.3 billion lire.

Banca Popolare FriulAdria

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	Changes (A/C)
Balance sheet					
Loans to customers	2,919.6	2,824.6	2,599.0	3.4%	12.3%
Securities	377.0	2,447.4	3,006.6	(84.6%)	(87.5%)
Total assets	4,649.9	5,850.0	6,069.6	(20.5%)	(23.4%)
Direct customer deposits	3,387.3	3,505.4	3,600.6	(3.4%)	(5.9%)
including Subordinated liabilities	*104.6*	*75.5*	–	*38.5%*	–
Indirect customer deposits	6,765.1	6,545.0	6,659.3	3.4%	1.6%
including Managed funds	*2,565.7*	*2,500.9*	*2,360.4*	*2.6%*	*8.7%*
Customer deposits under administration	10,152.4	10,050.4	10,259.9	1.0%	(1.0%)
Net interbank position (debt)	771.5	(1,094.7)	(1,286.1)	–	–
Shareholders' equity (1)	669.1	653.8	653.8	2.3%	2.3%
Statement of income					
Interest margin	82.0	163.2	82.5		(0.6%)
Net commissions	37.1	66.8	30.9		20.1%
Net interest and other banking income	98.4	270.1	143.2		(31.3%)
Operating costs	79.9	157.1	79.1		1.0%
Operating margin	18.5	113.0	64.1		(71.1%)
Income (Loss) from operating activities	15.8	94.4	57.4		(72.5%)
Net income for the period/year	20.9	45.2	33.0		(36.7%)
Other information					
Staff *(number)*	876	909	914	(33)	(38)
Branches *(number)*	94	94	92	–	2
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	62.79%	48.28%	42.82%		
Securities/Total assets	8.11%	41.84%	49.54%		
Direct customer deposits/Total assets	72.85%	59.92%	59.32%		
Managed funds/Indirect customer deposits	37.93%	38.21%	35.45%		
Statement of income ratios					
Net commissions/Net interest and other banking income	37.70%	24.73%	21.58%		
Operating costs/Net interest and other banking income	81.20%	58.16%	55.24%		
Net income for the period-year/Total assets (ROA) (2)	0.23%	0.88%	0.54%		
Net income for the period-year/Shareholders' equity (ROE) (2)	1.61%	7.83%	5.05%		
Risk ratios					
Net non-performing loans/Total loans	0.05%	0.86%	1.06%		
Total adjustments/Gross non-performing loans	61.60%	37.80%	43.00%		

(1) *Excluding net income for the period/year.*
(2) *The ratio was calculated by adding the change in the reserve for general banking risks to net income for the period/year.*

Implementation of the Group model

In the first six months of 2000 various operations were completed which led Banca Popolare FriulAdria to become, with effects as of 1st July, a much larger bank with a far more developed organisational structure and an enhanced product and service offering, at the same time maintaining its strong relations with the local community.
The Extraordinary Shareholders' Meeting held on 27th May 2000, approved the project for the spin-off from Banco Ambrosiano Veneto to the Bank of: 60 branches located in the Friuli-Venezia Giulia Region, with the relevant real estate assets and certain equity investments held in local companies as well as 112.5 billion lire in shareholders' equity.
Banca Popolare FriulAdria therefore became the largest bank with registered offices in the Friuli-Venezia Giulia Region, with over 150 branches and 1,400 employees, with

grass-root presence in the territory and reference banking entity for the entire Region.
As already mentioned, the spin-off came into legal effects as of 1st July 2000.
Again as part of the implementation of the Group model, the Bank has progressively divested its proprietary securities portfolio and the proceeds were used partly to reimburse interbank funding and partly deposited in an intergroup deposit.
At the end of June, the Bank also sold pro soluto (without recourse) non-performing loans for a total of 36 billion lire (gross of forecasted losses) to Intesa Gestione Crediti, the company responsible for the management of the Group's non-performing loans created for the purpose of realising operating synergies and cost savings. The latter will pay the Bank approximately 19 billion lire in annual instalments.

Balance sheet

As at 30th June 2000, loans to customers amounted to 2,920 billion lire with a 3.4% rise compared to as at 31st December 1999 and a 12.3% increase with respect to the same period in 1999. Mortgages recorded the highest rise, up from 649 billion lire of June 1999 to 749 billion lire at the end of 1999 and 864 billion lire as at 30th June 2000, corresponding to a 15.3% growth rate on December 1999 and a 33% rise with respect to the first half of 1999.
Due from banks amounted to 1,082 billion lire, compared to 273 billion lire at year-end and 172 billion lire as at 30th June 1999. The considerable rise was mostly attributable to the aforementioned "structural deposit" with the Parent Company, which included 400 billion lire deriving from the sale of the proprietary securities portfolio.
The proprietary securities portfolio amounted to 377 billion lire, with respect to 2,447 billion lire at year-end and 3,007 billion lire as at 30th June 1999; this is now mostly made up of securities held for trading to satisfy customer needs.
Direct customer deposits equalled 3,387 billion lire and decreased (– 3.4%) with respect to 3,505 billion lire at the end of 1999. In line with trends registered for the whole banking system, current accounts increased (+ 5.6%), while all other types of deposits dropped with diverse negative growth rates.
Indirect customer deposits continued to drive customer deposits under administration; it reached 6,765 billion lire with a 220 billion lire increase (+ 3.4%) with respect to as at 31st December 1999 and 106 billion lire (+ 1.6%) with respect to the same period the previous year. Managed funds continued to rise and reached 2,566 billion lire, compared to 2,501 billion lire in December 1999 and 2,360 billion lire in June 1999, with growth rates of 2.6% and 8.7% respectively.

Statement of income

Interest margin totalled 82 billion lire and equalled the figure recorded in June 1999, thanks to higher volumes of loans to customers which offset lower interest from the proprietary securities portfolio.
Net commissions equalled 37.2 billion lire and recorded a significant rise with respect to June 1999 (+ 20.4%), mostly attributable to commissions on management, dealing and consultancy on securities (+ 30%) and acceptance of instructions and placement of securities (+ 34%).
Net interest and other banking income dropped and equalled 98 billion lire with respect to 143 billion lire as at 30th June 1999. The drop, which greatly affected the entire profitability for the semester, is attributable to the aforementioned non-recurring sale of the proprietary securities portfolio, which led to capital losses amounting to approximately 35 billion lire, with respect to the positive result amounting to almost 20 billion lire registered in the first half of 1999, with an algebraic balance of approximately 54 billion lire. The other most important components of income from services were instead greatly positive.
Payroll and other administrative costs amounted to 73 billion lire; total operating costs were in line with those registered the corresponding period the previous year.
Net income for the period, including net extraordinary income amounting to 6 billion lire, after the deduction of 11 billion lire of income taxes and after the use of 10 billion lire from the reserve for general banking risks, amounted to 21 billion lire, with respect to 33 billion lire recorded in the first half of 1999. The result testifies that the Bank's ordinary operations almost completely offset the capital losses on the sale of the proprietary securities portfolio.

The balance sheet and statement of income effects of the integration of the 60 Banco Ambrosiano Veneto branches in the Friuli-Venezia Giulia Region will be recorded in the second half of the year together with the extraordinary costs referred to the operations related to the integration in Gruppo Intesa, in particular those relative to the migration to the new IT system.

Banca di Trento e Bolzano

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	Changes (A/C)
Balance sheet					
Loans to customers	2,151.2	2,103.1	2,052.0	2.3%	4.8%
Securities	495.0	1,000.6	1,141.8	(50.5%)	(56.6%)
including Investment portfolio	*369.4*	*369.6*	*369.7*	*(0.1%)*	*(0.1%)*
Total assets	3,684.6	3,798.9	3,617.1	(3.0%)	1.9%
Direct customer deposits	2,580.7	2,779.4	2,491.5	(7.1%)	3.6%
including Subordinated liabilities	*80.8*	*51.8*	*6.8*	*56.0%*	–
Indirect customer deposits	3,488.0	3,370.7	3,425.9	3.5%	1.8%
including Managed funds	*2,269.3*	*2,238.0*	*2,235.7*	*1.4%*	*1.5%*
Customer deposits under administration	6,068.7	6,150.1	5,917.4	(1.3%)	2.6%
Net interbank position (debt)	134.6	(186.5)	(460.8)	–	–
Shareholders' equity [(1)]	222.7	192.0	188.5	16.0%	18.1%
Statement of income					
Interest margin	38.6	79.2	38.8		(0.5%)
Net commissions	25.7	48.0	22.7		13.2%
Net interest and other banking income	67.6	131.1	67.6		–
Operating costs	56.2	112.8	55.6		1.1%
Operating margin	11.4	18.3	12.0		(5.0%)
Income (Loss) from operating activities	11.3	11.2	9.3		21.5%
Net income for the period/year	10.0	14.0	9.0		11.1%
Other information					
Staff *(number)*	593	595	607	(2)	(14)
Branches *(number)*	69	69	67	–	2
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	58.40%	55.40%	56.70%		
Securities/Total assets	13.40%	26.30%	31.60%		
Direct customer deposits/Total assets	70.00%	73.20%	68.90%		
Managed funds/Indirect customer deposits	65.10%	66.40%	65.30%		
Statement of income ratios [(2)]					
Net commissions/Net interest and other banking income	38.02%	36.60%	33.60%		
Operating costs/Net interest and other banking income	83.14%	86.04%	82.20%		
Net income for the period-year/Total assets (ROA)	0.30%	1.00%	0.20%		
Net income for the period-year/Shareholders' equity (ROE)	4.49%	20.30%	4.80%		
Risk ratios					
Net non-performing loans/Total loans	3.20%	2.90%	3.20%		
Total adjustments/Gross non-performing loans	45.30%	48.20%	52.80%		

[(1)] *Excluding net income for the period/year and the change in the reserve for general banking risks.*
[(2)] *The change in the reserve for general banking risks was added to net income for the period/year.*

Balance sheet

The comparison of most important balance sheet items as at 30th June 2000 with the corresponding figures as at 30th June 1999 and as at 31st December 1999, showed improvements in all areas.
Loans to customers increased to 2,151.2 billion lire with a 2.3% rise with respect to as at 31st December 1999 and a 4.8% progress with respect to as at 30th June 1999. Direct customer deposits, including the convertible subordinated bond issue placed with customers, reached 2,580.7 billion lire with a 3.6% rise with respect to the first half of 1999 (2,779.4 billion lire as at 31st December 1999).
Indirect customer deposits recorded a 3,488 billion lire rise (+ 62.1 billion lire with respect to as at 30th June 1999, while as at 31st December 1999 the item equalled 3,370.7 billion lire) and, within indirect customer deposits, managed funds continued to improve, up by 1.5% over the twelve months (with respect to June 1999) and 1.4% in the first half of 2000; as at 30th June 2000 managed funds represented approximately 65% of indirect customer deposits.
Customer deposits under administration therefore reached 6,068.7 billion lire with a 2.6% growth rate on June 1999.

Statement of income

As regards the most important statement of income items, interest margin equalled 38.6 billion lire, with respect to 38.8 billion lire for the first half of 1999 (– 0.5%). The improvement in core items, that is operations with customers, was offset by the lower returns on the other asset captions (securities).
In particular, operations with customers registered improvements in terms of both intermediated volumes (average liquid balances on customer deposits denominated in lire and foreign currencies, excluding repurchase agreements and relations with treasury departments, recorded a 4.2% rise, from 1,967 billion lire in the first half of 1999 to 2,049 billion lire in the first half of 2000, while loans to customers denominated in lire and foreign currencies, excluding repurchase agreements and relations with treasury departments, recorded an 8.5% growth rate, from 1,691 billion lire in the first half of 1999 to 1,834 billion lire in the same period of 2000) and interest rate spread in operations with customers which, also thanks to the positive evolution in the financial markets, recorded a 29 basis point increase, from 2.81% to 3.10%.
Net commissions equalled 25.7 billion lire with a 13.2% growth rate with respect to 22.7 billion lire in the first half of 1999. This rise was mostly attributable to commissions on asset management (individual portfolio management schemes, individual portfolio management schemes invested in mutual funds and mutual funds), commissions on securities dealing with customers (due to the rise in traded volumes) and commissions on electronic payments, whereas commissions on the management of current accounts and on the sale of insurance products were in line with respect to the first half of 1999.
Net interest and other banking income was virtually unchanged with respect to as at 30th June 1999 due to losses on financial transactions following the completion of the alignment of the securities portfolio to a more risk-containment-oriented structural model.
Overall, operating costs equalled 56.2 billion lire as at 30th June 2000 compared to 55.6 billion lire in the same period in 1999, with a modest 1.1% rise.
Operating margin decreased from 12 billion lire as at 30th June 1999 to 11.4 billion lire for the first half 2000, while net income for the period equalled 10 billion lire, with an 11.1% growth rate with respect to the first half of 1999.

Banca CIS

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	Changes (A/C)
Balance sheet					
Loans to customers	2,780.5	2,925.9	3,050.6	(5.0%)	(8.9%)
Securities	92.2	92.0	98.0	0.2%	(5.9%)
Total assets	3,288.2	3,492.4	3,685.1	(5.8%)	(10.8%)
Direct customer deposits	2,115.3	2,386.9	2,382.9	(11.4%)	(11.2%)
including Deposits of Sardegna Region (1)	*530.0*	*513.0*	*516.0*	*3.3%*	*2.7%*
Indirect customer deposits	494.7	365.4	182.7	35.4%	170.8%
including Managed funds	*13.5*	*14.0*	*7.0*	*(3.6%)*	*92.9%*
Customer deposits under administration	2,610.0	2,752.3	2,565.6	(5.2%)	1.7%
Net interbank position (debt)	(414.4)	(293.8)	(444.6)	–	–
Shareholders' equity (2)	441.8	441.6	441.6	–	–
Statement of income					
Interest margin	43.1	86.2	45.1		(4.4%)
Net commissions	13.3	26.8	12.0		10.8%
Net interest and other banking income	59.0	118.5	60.5		(2.5%)
Operating costs	26.8	55.9	28.4		(5.6%)
Operating margin	32.2	62.6	32.1		0.3%
Income (Loss) from operating activities	(8.5)	0.3	0.9		–
Net income for the period/year	0.1	0.2	0.2		(50.0%)
Other information					
Staff *(number)*	295	297	301	(2)	(6)
Branches *(number)*	10	10	10	–	–
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	84.56%	83.78%	82.78%		
Securities/Total assets	2.80%	2.63%	2.66%		
Direct customer deposits/Total assets	64.33%	68.35%	64.66%		
Managed funds/Indirect customer deposits	2.73%	3.83%	3.83%		
Statement of income ratios					
Net commissions/Net interest and other banking income	22.54%	22.62%	19.83%		
Operating costs/Net interest and other banking income	45.42%	47.17%	46.94%		
Net income for the period-year/ Total assets (ROA)	–	0.01%	0.01%		
Net income for the period-year/ Shareholders' equity (ROE)	0.02%	0.05%	0.05%		
Risk ratios					
Net non-performing loans/Total loans	9.30%	10.70%	11.30%		
Total adjustments/Gross non-performing loans	5.50%	7.40%	3.70%		

(1) *Special management deposits.*

(2) *Excluding net income for the period/year.*

Balance sheet

The overall conditions of Banca CIS - which joined Gruppo Intesa in the first half of 2000 - were affected by the extreme dependence of the local economy on subsidised lending. In the first half of 2000, there was a slowdown in loan requests to finance investments in production capacity, closely correlated to the almost generalised interruption in Regional financial subsidies, together with the delays in the realisation of the interventions sustained by the Government (negotiated programmes and Law 488).

No significant variation occurred in shareholders' equity items, in terms of absorbed capital, to cover the various types of risks which was within the minimum limits set by the supervisory authority.

The ratio of net non-performing loans to total lending decreased to 9.3%, compared to 11.3% of June 1999. The total write-down of non-performing loans equalled 73%, while in June 1999 it was 65%.

Statement of income

In the first half interest margin equalled 43.1 billion lire, 4.4% lower than the figure for the corresponding period in 1999. The reduction in the margin stemmed from both the decrease in volumes and the overall interest rate effect.
Net commissions recorded a 10.8% growth rate and thus reduced the drop in net interest and other banking income (– 2.5%).
The decrease in operating costs continued (– 5.6% in total) due to the 1.9% reduction in personnel expenses, the 3.4% drop in administrative costs and the 30.3% decrease in adjustments to tangible and intangible fixed assets.
Operating margin equalled 32.2 billion lire, in line with the value recorded in the corresponding period the previous year.
Provisions for risks and charges, together with net adjustments to loans, summed up to 40.7 billion lire; therefore income on operating activities was negative and totalled 8.5 billion lire.
The positive contribution of extraordinary income, due to capital gains on the sale of certain real estate properties no longer used to carry out core business (6.7 billion lire), led to an almost break even position (0.1 billion lire).

Cassa di Risparmio di Ascoli Piceno

Balance sheet

Operations in the first half were affected by two main developments: on the one hand, from the further reduction, compared to the previous year of money intermediation, due to higher competition and the extinction by certain public-sector entities of numerous mortgages at high interest rates; on the other hand, the realisation of capital losses on securities. Net income for the period decreased from 6.9 billion lire to 2.4 billion lire.
The Bank registered considerable progress in loans to customers, up by 18.8% with respect to the same period the previous year, to 1,157 billion lire. Loan portfolio quality recorded gradual but constant improvements. In particular, value of gross non-performing loans amounted to 58.9 billion lire (– 7.7% with respect to as at 30th June 1999). Net of adjustments and write-backs, non-performing loans equalled 42.2 billion lire (– 1.6% with respect to the figure as at 30th June 1999). Also the net value of problem loans (20 billion lire) recorded a 7.9% drop compared to June 1999.
The ratio of net non-performing loans to net total loans decreased from 4.4% as at 30th June 1999 to 3.8% as at 30th June 2000.
As regards deposits, direct customer deposits registered a modest decrease over the twelve months (– 0.8%) to 1,532.6 billion lire, while indirect customer deposits rose to 1,481 billion lire (+ 8.7%).
The net interbank position was positive for 525 billion lire and strongly increased following the sale of most of the securities portfolio (– 83.3%) and the centralisation of the relevant financial resources to be managed on the interbank market by the Parent Company.

Statement of income

As already mentioned, interest margin, following the continuous contraction in spreads in the Bank’s reference markets, equalled 39.3 billion lire, with a 9% drop compared to the same period the previous year. Net commissions recorded a satisfactory growth rate (+ 16.9%) as other net operating income (+ 20.3%). Such increases are attributable to the Bank’s strategy aimed at privileging the development of bank services. Profits on financial transactions were negative for 3.9 billion lire and included losses on the sale of securities and implicit losses arising on valuation of the residual proprietary portfolio.
Operating costs decreased by 0.1%, as a result of two opposite effects: the drop in administrative costs and adjustments to tangible and intangible fixed assets (the former as a result of the write-off of software and other intangible fixed assets carried out at the end of 1999); the rise in personnel expenses. The latter, in particular after the considerable drop recorded in previous years due to an extensive incentive-driven exit plan, increased as a result of the higher charges contained in the national labour contract, in social security benefits in particular, and higher charges related to the management of

the supplementary pension fund. The stabilisation of personnel costs is in any case forecasted for the second half of the year.
Income from operating activities amounted to 5.5 billion lire, with a 55.7% decrease compared to the same period the previous year. After the inclusion of 0.9 billion lire of net extraordinary income and 4.1 billion lire of income taxes for the period, net income totalled 2.4 billion lire.

Holding Intesa Centro

The Company controls Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Foligno, Cassa di Risparmio di Rieti, Cassa di Risparmio di Spoleto and Cassa di Risparmio della Provincia di Viterbo.
Holding Intesa Centro was established at the end of 1999 for the purpose of centralising the co-ordination of marketing, risk control, resource management, auditing, planning and management control of the Subsidiary saving banks so that the latter may focus on their mission of serving customers through marketing and banking services. The Holding Intesa Centro started operations in the first half of 2000.
An in-depth analysis aimed at identifying the best solution for a common IT platform in terms of cost-effectiveness and organisational efficiency started in April for the integration and rationalisation process.
The year 2000 will be a transition period which will require a great commitment from both the holding company and the individual subsidiaries. Thanks to the programmed rationalisation projects, the Subsidiary saving banks should benefit from cost reductions, even though their statements of income could be negatively affected by the review of their assets under way.
The Company closed its first semester (1st January - 30th June 2000) with a net income of 8.1 billion lire. The result mostly reflected the dividends received from its Subsidiary saving banks.

Cassa di Risparmio di Foligno

Balance sheet

Loans to customers which reached 959.8 billion lire as at 30th June 2000 confirmed the growth recorded the previous year (+ 13.2% over the twelve months). In spite of the incidence of medium- and long- term lending (over 49% of the total), short-term lending recorded an acceleration higher than that forecasted in the budget. This is due to the Bank's active presence in the field of the post-earthquake reconstruction. The particular discipline of state-subsidies, connected to the verification and certification of the works, requires that the economic cycle of the works must be financed in advance.
The ratio of net non-performing loans to total loans to customers decreased to 3.8% from 3.9% as at 31st December 1999.
Management of financial operations was influenced by the gradual passage of activities of Bank finance to the Parent Company, with the consequent reduction in the securities portfolio (– 66.3% with respect to as at 31st December 1999). Liquidity from the first sales of securities was deposited in an intergroup deposit regulated by a specific agreement. The net interbank position therefore became positive and amounted to 153.8 billion lire.
Direct customer deposits recorded a 1.6% growth rate over the twelve months, and was in particular sustained by repurchase agreements which, due to the trend recorded by interest rates, led numerous investors to privilege short-term products.
Indirect customer deposits increased by 13.8%, again over the twelve months; in particular, managed funds registered a 19.8% growth rate mostly attributable to individual portfolio schemes invested in mutual funds (GPF) and net funding collected by mutual funds.
Customer deposits under administration equalled 2,548.1 billion lire as at 30th June 2000, with an overall 8.2% growth rate with respect to as at 30th June 1999.

During the first half of 2000 the Bank also issued subordinated bonds for a total of 21 million euro which were subscribed by Cariplo SpA.

Statement of income

The statement of income as at 30th June 2000 reported an interest margin of 24.3 billion lire (+ 3%). The improvement is attributable to both a higher spread on interest-bearing assets and operations development.
Net interest and other banking income equalled 35.2 billion lire, despite the positive contribution of net commissions (+ 19.2) and other operating income (+ 12.1), and reflected losses on financial transactions due to both virtual capital losses at period-end and net losses following the aforementioned sale of the securities portfolio.
Operating costs were contained and equalled 35.2 billion lire (+ 3.2% with respect to as at 30th June 1999). The containment is attributable to personnel expenses which registered a 5.9% drop also as a result of the considerable changes which occurred in the Bank's staff following incentive-driven staff exit plans for personnel old enough to retire.
Other administrative costs partly reflected some of the savings forecasted in the budget: higher beneficial effects will be recorded in the next quarters when the programmed interventions are completed.
Net adjustments to loans increased with respect to the same period the previous year. Adjustments to equity investments also increased.
The semester therefore closed with an income on operating activities of 3 billion lire compared to 5.6 billion lire in the first half of 1999 due to the reduction in the weight of losses on financial transactions.
Net income for the period amounted to 1 billion lire, lower than that realised in the first half of 1999.

Cassa di Risparmio della Provincia di Viterbo

Balance sheet

Loans to customers equalled 984.2 billion lire and recorded a 5.9% drop with respect to as at 31st December 1999.
The contraction in short-term lending derived from the fact that: certain non-performing loans were accounted for in losses for over 9 billion lire; considerable reimbursements occurred on problem positions; the prudential approach in the development of the lending business in a territory with a high risk profile.
Consistently with the decision to develop the retail sector, medium- and long- term lending and, in particular, mortgages increased.
During the first half, non-performing loans as at 31st December 1999 were sold.
Non-performing loans as at 30th June 2000 represented 0.8% of net lending; the percentage as at 31st December 1999 equalled 3.2%.
With regard to financial investments - for the purpose of stabilising yields - the Bank privileged investments on the interbank market and adopted the Group's structural finance model. The proprietary securities portfolio (61.7 billion lire) was cut down to suit the normal requirement necessary for trading with customers.
Customer deposits under administration equalled 2,916.3 billion lire, virtually unchanged with respect to the end of 1999, with a shift from direct to indirect deposits, essentially to managed funds, in which insurance products recorded particularly noteworthy growth rates. Managed funds represented 60% of total indirect customer deposits.

Statement of income

Interest margin decreased by 2.7% to 35 billion lire with respect to the same period the previous year. In relationships with customers - with regard to deposits - the higher incidence of issued bonds has yet to impact on the margin whereas - with regard to lending - the effects of the interest rate rise were not fully integrated in the margin on the substantial portion of floating rate loans because of the indexation mechanism used.
Despite the positive trend recorded by net commissions from services (+ 10.2%) which totalled 13.7 billion lire and was generated mostly on dealing in securities and managed funds, net interest and other banking income was negatively affected by profits on financial transactions which was also influenced by the losses registered in the first quarter, at the time of the contraction in the securities portfolio.

Operating costs recorded a 4.4% drop and amounted to 39.3 billion lire.
The considerable reduction in expenses led to contain to 0.6 billion lire the decrease in operating margin which amounted to 11.6 billion lire.
Income on operating activities was negative for 0.2 billion lire, due to provisions for risks and charges of 1.9 billion lire and to the size of adjustments to problem loans (net adjustments of 9.2 billion lire). Within this, approximately 3.3 billion lire derived from the further worsening in the solvency conditions of certain borrowers and loans which were not performing at the end of 1999 and were sold in June.
Net income for the period, sustained by the use of the reserve for general banking risks for 3.3 billion lire, which offset the tax burden influenced by the recovery of deferred taxes, equalled 38 million lire.

Cassa di Risparmio di Rieti

Balance sheet

Loans to customers amounted to 799.9 billion lire and registered an 11.7% contraction with respect to as at 31st December 1999.
The most important reductions referred to mortgages to public entities amounting to approximately 41 billion lire also as a result of an advanced extinction, amounting to 35 billion lire, of an overdraft of 65 billion lire granted to a Group company, and another approximately 7 billion lire of “hot money” transactions.
Non-performing loans also declined by approximately 12 billion lire net, following the sale to Intesa Gestione Crediti of positions amounting to nominal 41 billion lire. The ratio of non-performing loans to lending gross of write-downs decreased from 4.4% as at 31st December 1999 to 0.15% as at 30th June 2000.
Composition of financial investments changed significantly, in relation to the sale of the proprietary securities portfolio which decreased from 939.3 billion lire as at 31st December 1999 to 74.9 billion lire as at 30th June 2000, and the management of the relative liquidity.
Direct customer deposits amounted to 1,794.8 billion lire and registered a 3.1% drop with respect to as at 31st December 1999. The decline in deposits from traditional customers was mostly attributable to the change in propensity with respect to previous periods: the rise in interest rates in the first half of 2000, made customers turn back to direct securities holdings, in particular to Government securities, including BOT (short-term Government bonds).
Indirect customer deposits amounted to 1,567.5 billion lire with a 148.8 billion lire increase in the semester. This included a 102 billion lire rise in securities deposits under administration which reached 868 billion lire and a 47 billion lire rise in managed funds, which equalled 700 billion lire.
Overall, customer deposits under administration recorded a 91.1 billion lire increase, corresponding to a 2.8% growth rate, a particularly satisfactory result considering the high competition in the local markets.

Statement of income

Interest margin equalled 34.6 billion lire with a 6.3 billion lire drop with respect to the corresponding figure as at 30th June 1999.
Net commissions totalled 17.1 billion lire, 3.4 billion lire higher than the result generated in the first half of 1999.
Net interest and other banking income equalled 49.5 billion lire and decreased by 26.3% with respect to as at 30th June 1999 mostly as a result of losses on financial transactions amounting to 4.6 billion lire, following the aforementioned sale of the proprietary portfolio; as at 30th June 1999 the Bank had recorded profits on financial transactions of 9.8 billion lire.
Operating costs equalled 44.2 billion lire and decreased by 2.3 billion lire with respect to as at 30th June 1999. Personnel expenses benefited from the effects of the incentive-driven staff exit plans which occurred in 1999 and in this semester.
Provisions for risks and charges for civil suits and revocatory actions and net adjustments to loans totalled approximately 7 billion lire.
The period closed at break even.

Cassa di Risparmio di Città di Castello

Balance sheet

Loans to customers, which in June 1999 totalled 326.1 billion lire, increased to 332.6 billion lire with a 2% growth rate which was mostly generated by short-term lending. Financial market trends made direct customer deposits (– 5.8%) shift to indirect customer deposits (+ 7.6%) and mostly to managed funds (216.5 billion lire) which registered a 22.5% growth rate over the twelve months and 16.5% with respect to the end of the previous year.
Customer deposits under administration equalled 1,249.4 billion lire with a slight increase with respect to the value in June 1999 (1.2%).
Non-performing loans, due to recoveries realised in the semester, recorded an 11.3% drop with respect to as at 31st December 1999 and their incidence on lending decreased from 3.2% to 2.8%.

Statement of income

The first half of 2000 closed with a 0.5 billion lire loss. The problem of intermediated volumes, insufficient to sustain operating costs, has not yet been solved, even though with respect to the first half of 1999, operating costs dropped by 5.9%. This is due to both the limited branch network and the Bank’s organisation which must be reviewed to better address the market.
The loss also resulted from extraordinary provisions to cover obligations deriving from agreements with personnel for incentive-driven early retirement plans as part of the Bank’s restructuring (0.6 billion lire) and prudential write-downs of the loan portfolio (0.9 billion lire).
Other items in the statement of income, especially as a result of the contraction in profits on financial transactions, reported margins lower than in the first half of 1999. Net commissions recorded a significant rise (3.9 billion lire, + 14.2% with respect to the first half of 1999) resulting from higher stockbroking with customers and higher sales of asset management services provided by Group companies. In particular, net inflows to mutual funds equalled 22.1 billion lire with respect to 13.6 billion lire in the first half of 1999.
As concerns operating costs, constantly kept under control, these were contained. Operating margin equalled 2 billion lire and recorded a 51.3% drop.

Cassa di Risparmio di Spoleto

Balance sheet

Loans to customers equalled 671.1 billion lire and registered an 11% growth rate. Significant rises were recorded by: mortgages (+ 6.2%), personal loans (+ 14%) and import/export financing (+ 66%).
The incidence of non-performing loans, net of adjustments, increased from 2.3% last year to 2.5%.
The securities portfolio at the end of the period comprised: investment portfolio amounting to 69.9 billion lire and trading portfolio of 91.4 billion lire.
Direct customer deposits showed a 0.7% increase with respect to as at 30th June 1999, to 906 billion lire.
Indirect customer deposits recorded an 8.6% growth rate with respect to as at 30th June 1999, while in the same period managed funds dropped by 4.2%.

Statement of income

As concerns the statement of income, interest margin rose (20.5 billion lire) with a 0.5% growth rate compared to June 1999.
Net commissions amounted to 8.6 billion lire and grew by 17.8% on the first half of 1999.
Net interest and other banking income also recorded a considerable growth rate on June 1999 (+ 11.6%) to 31 billion lire. Inside the item, trading in securities recorded a particularly satisfactory performance (+ 36.8%).
Operating costs equalled 22.1 billion lire and registered an overall 1.8% rise on June 1999, mostly for professional services related to the management of non-performing loans.

Personnel expenses were lower than both the budget and 1999 results, by 2.9% and 2.5% respectively.
Consequently, income on operating activities (5.5 billion lire) registered a 58.8% growth rate with respect to as at June 1999.
Net income for the period amounted to 2 billion lire compared to 1.5 billion lire recorded in the first half of 1999.

Bankhaus Löbbecke

Balance sheet

During the first half of 2000, the Bank continued to implement the strategy for its profound restructuring and market repositioning and re-qualification which started implementation in 1999. Global capital market activities, which led the growth in assets, focused on Default swap and Asset swap transactions, syndicates on the primary and secondary markets, as well as corporate and bank issues which privileged high-standing issuers, for the purpose of ensuring an ideal capital allocation in terms of risk and profitability. These operations substitute and integrate the classic fiduciary activities. Furthermore, Asset management activities were further developed and entailed highly qualified, global and customised consulting, reserved to top individual customers.

Total assets as at 30th June 2000 amounted to 5,346 billion DEM, with a 3% rise with respect to as at 31st December 1999 and a 33.5% growth rate with respect to as at 30th June 1999. This evolution closely reflected the aforementioned strategy adopted by the Bank.
Loans to customers, net of accruals, equalled 1,482 billion DEM down by 23.9% compared to as at 31st December 1999 (– 19.2% with respect to as at June 1999).
The drop is mostly attributable to the sale, in February, of part of the customer loans portfolio to Intesa Gestione Crediti.
The securities portfolio, net of accruals, totalled 2,724 billion DEM with a 15% growth rate with respect to the end of 1999 and a 114.1% rise with respect to the first half of 1999.
Due from banks amounted to 1,019 billion DEM (+ 35.5% compared to as at 31st December 1999 and + 27.2% with respect to the first half of 1999). The rise is due to the loan granted to Intesa Gestione Crediti as part of the aforementioned sale of the loan portfolio.
Due to banks amounted to 2,875 billion DEM, with a 19.2% growth rate with respect to as at 31st December 1999 and 83.1% with respect to as at 30th June 1999. This is due to the need to finance the strong rise in the Bank’s assets. Customer deposits, net of accruals, equalled 1,566 billion DEM. It recorded a 17.3% drop with respect to as at 31st December 1999 and was virtually unchanged with respect to as at 30th June 1999 (+ 0.2%).

Statement of income

Interest margin equalled 32.3 million DEM and recorded a 5.4% growth rate with respect to the same period in 1999, which is not proportional to the rise in assets. This was mostly attributable to market trends which recorded more than proportional rises in short-term interest rates compared to long-term rates and this led to the flattening out of the yield curve.
Income from services increased by 15.5% with respect to 1999 to 9 million DEM.
The piloted reduction in profits on financial transactions (– 95%), due to the new orientation in treasury activities is offset by the excellent results achieved by Asset management (+ 102%) and Global Capital Market (+ 105.6%).
Administrative expenses, which amounted to 29.7 million DEM, benefited by a 10% decrease with respect to 1999 whereas adjustments to tangible and intangible fixed assets slightly increased (+ 2.8%).
Net adjustments for credit risk is neutral since new provisions amounted to 3,974 million DEM and write-backs totalled 3,974 million DEM.
Net income for the period can be deemed to be more than satisfactory, considering that the first half of 2000 closed with a net income of 9,250 million DEM, which is almost double (+ 97.5%) the figure recorded in the first half of 1999.

Banca Intesa (France)

Balance sheet

During the first half the Company changed its denomination from Cariplo Banque to Banca Intesa (France).
Total assets increased from 5,545 million FF as at 30th June 1999 to 7,272 million FF as at 30th June 2000, corresponding to a 31.1% growth rate.
Loans to customers equalled 2,578 million FF and recorded a moderate drop (– 2.3%) with respect to as at 30th June 1999; the decrease compared to as at 31st December 1999 increased to 4.6%. Short-term loans registered a marked contraction from 575 million FF as at 30th June 1999 to 307 million FF as at 30th June 2000; on the contrary, medium- and long- term loans increased, from 940 million FF in the first half of 1999 to 1,150 million FF in the first half of 2000 especially as a result of the development of syndicated loans. Ordinary overdrafts and discounted bills remained practically stable.
Securities equalled 1,492 million FF, with an increase compared to 1,179 million FF as at 30th June 1999.
Direct customer deposits increased by 20.6% compared to as at 31st December 1999 and by 24.5% with respect to June 1999: the rise is essentially attributable to the increase in term deposits, while on demand deposits remained virtually unchanged.

Statement of income

Interest margin increased from 28.4 million FF as at 30th June 1999 to 32.8 million FF as at 30th June 2000, corresponding to a 15.5% growth rate. The result outperformed budget projections by 18%.
Overall spread remained in line with the previous year's, while the spread on loans to customers improved from 1.7% to 2.3%. Average volumes increased by 20%.
Net commissions recorded a 25.7% growth rate with respect to the first half of the previous year, in line with budget projections.
Net interest and other banking income increased to 42.5 million FF compared to 38.6 million FF in the first half of 1999 (+ 10.1%); budget forecasts were also largely outperformed (+ 9.7%).
Operating costs recorded a slight rise (2.2%). The cost/income ratio totalled 54.4%, lower than the objective which had been set at 57.5%, with a marked improvement on the previous year (58.5%).
Operating margin equalled 19.4 million FF with a 21.3% growth rate with respect to the first half of 1999 and was higher than budget projections which forecasted 2.6 million FF.
Net income, which was also affected by extraordinary charges amounting to approximately 3 million FF, stabilised at 11.5 million FF with a 45.6% improvement compared to the figure reported for the first half of 1999 and outperformed budget projections by 10.5%.

Banca Intesa International

The positive development in operations continued in the first half of 2000 with a rise in intermediated volumes and improved profitability.
Total assets increased from 932.7 million euro as at 30th June 1999 to 1,221.7 million euro as at 30th June 2000 and customer deposits under administration rose from 1,074 million euro to 1,662.5 million euro. The Bank had 52 employees, up from 45 at the end of June 1999.
Loans increased from 78.5 million euro as at 30th June 1999 to 191.4 million euro; direct customer deposits equalled 906.5 million euro with a 31.9% increase with respect to June 1999; in the same period indirect customer deposits recorded a 95% growth rate.
Net income as at 30th June 2000 equalled 2.8 million euro with a 50% growth rate compared to the figure registered in the first half of 1999.

Carinord Holding

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	Changes (A/C)
Balance sheet					
Loans to customers	4,344.4	4,179.6	3,754.6	3.9%	15.7%
Securities	2,037.6	2,090.3	2,230.9	(2.5%)	(8.7%)
including Investment portfolio	*306.7*	*308.4*	*53.1*	*(0.6%)*	–
Total assets	7,836.0	8,095.6	7,872.1	(3.2%)	(0.5%)
Direct customer deposits	5,825.9	5,960.1	5,678.1	(2.3%)	2.6%
Indirect customer deposits	7,706.8	7,528.7	7,393.0	2.4%	4.2%
including Managed funds	*4,122.0*	*4,003.9*	*3,945.5*	*2.9%*	*4.5%*
Customer deposits under administration	13,532.7	13,488.8	13,071.1	0.3%	3.5%
Net interbank position (debt)	67.1	184.9	273.8	–	–
Shareholders' equity (1)	599.7	568.7	583.4	5.5%	2.8%
Statement of income					
Interest margin	132.5	250.9	132.7		(0.2%)
Net commissions	66.0	120.1	62.1		6.3%
Net interest and other banking income	217.2	406.8	216.6		(0.3%)
Operating costs	156.4	318.1	159.8		(2.1%)
Operating margin	60.8	88.7	56.8		7.0%
Income (Loss) from operating activities	42.8	43.1	39.3		8.9%
Net income for the period/year	7.3	12.2	8.1		(9.9%)
Other information					
Staff *(number)*	1,612	1,614	1,636	(2)	(24)
Branches *(number)*	160	159	155	1	5
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	55.44%	51.63%	47.70%		
Securities/Total assets	26.00%	25.82%	28.34%		
Direct customer deposits/Total assets	74.35%	73.62%	72.13%		
Managed funds/Indirect customer deposits	53.49%	53.18%	53.37%		
Statement of income ratios					
Net commissions/Net interest and other banking income	30.39%	29.52%	28.67%		
Operating costs/Net interest and other banking income	72.01%	78.20%	73.78%		
Net income for the period-year/ Total assets (ROA)	0.10%	0.40%	0.10%		
Net income for the period-year/ Shareholders' equity (ROE)	1.30%	5.50%	1.50%		
Risk ratios					
Net non-performing loans/Total loans	3.10%	3.10%	3.60%		
Total adjustments/Gross non-performing loans	34.80%	34.50%	36.80%		

(1) *Excluding net income for the period/year.*

Balance sheet

The table contains the Group's consolidated data.
Loans to customers equalled 4,344.4 billion lire and recorded an extremely satisfactory development, with a 15.7% growth rate compared to as at 30th June 1999, mostly attributable to medium- and long- term lending.
The ratio of non-performing loans to total loans to customers equalled 3.1% compared to 3.6% as at 30th June 1999.
Customer deposits under administration amounted to 13,532.7 billion lire, with a 3.5% increase compared to the same period the previous year. This mostly reflected the rise in indirect customer deposits (+ 4.2%), which reached 7,706.8 billion lire. Managed funds totalled 4,122 billion lire, with a 4.5% growth rate over the twelve months and represented 53.5% of total indirect customer deposits; compared to 53.4% in June 1999.
Direct customer deposits amounted to 5,825.9 billion lire with a 2.6% growth rate.

Statement of income

Compared to as at 30th June 1999, the statement of income recorded a practically stable interest margin, 132.5 billion lire, thanks to the favourable expansion in operations with customers which offset the reduction in the interest rate spread.
Net interest and other banking income equalled 217.2 billion lire and registered a slight rise over the twelve months (+ 0.3%). It was positively affected by the contribution of income from services (+ 6.3%), which offset the contraction in profits on financial transactions (– 37%).
The containment of operating costs (– 2.1%) led to report an operating margin up by 7 percentage points over the twelve months and amounting to 60.8 billion lire.
Income on operating activities equalled 42.8 billion lire (+ 8.9%), after adjustments to loans of 24.5 billion lire (+ 10.4%), write-backs of loans of 6.5 billion lire (+ 4.8%), provisions to the allowances for risks and charges of 2 billion lire (+ 900%) and income from equity investments carried at equity of 2.6 billion lire (+ 44.4%).
Net income amounted to 7.3 billion lire (– 9.9%), after provisions for income taxes for the year of 28.8 billion lire (+ 6.3%) and the deduction of net income pertaining to minority shareholders amounting to 8.1 billion lire (+ 19.1%).

Company operations

It must be remembered that an operation aimed at restructuring the equity investment held by Cariplo in Carinord Holding is being studied. Carinord Holding currently holds equity investments in Cassa di Risparmio di Alessandria, Cassa di Risparmio di La Spezia and Cassa di Risparmio di Carrara. In particular, the dissolution of Carinord is programmed and the Company will spin off the equity investment in Cassa di Risparmio di Alessandria in favour of a newly-established company which will be jointly controlled by Cariplo and Fondazione Cassa di Risparmio di Alessandria. The equity investments in Cassa di Risparmio di La Spezia and Cassa di Risparmio di Carrara will instead be attributed to another newly-established company, initially controlled by Cariplo and the relevant Foundations and destined to be later merged in Banca Intesa.
The operation briefly described is also aimed at more effective direction and co-ordination as well as strategic and management control of the Subsidiary saving banks.

Banco de Investimento Imobiliario

The Portuguese Bank continued its activity, which consists in granting mortgage loans, despite the slowdown in housing demand deriving from the rise in interest rates and greater difficulties in obtaining subsidised credit.
Loans to customers recorded a 25% growth rate compared to as at 30th June 1999 and reached 1,328.6 billion PTE. Total assets equalled 1,688.1 billion PTE corresponding to a 43.3% growth rate compared to the end of the first half of 1999.
Interest margin dropped by 21.7% since the rise in volumes was insufficient to offset the decrease in the spread.
Net interest and other banking income therefore recorded a 32.4% drop with respect to the figure as at 30th June 1999 and even the effective containment of costs, which decreased from 5.4 billion PTE to 4.2 billion PTE, was not sufficient to avoid the reduction in net income which equalled 2.7 billion PTE compared to 4.3 billion PTE of the first half of 1999.

Mediocredito Lombardo

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 [(1)] (C)	Changes (A/B)	Changes (A/C)
Balance sheet					
Loans to customers	22,524.7	22,234.4	20,932.2	1.3%	7.6%
Securities	1,570.7	1,773.0	2,352.3	(11.4%)	(33.2%)
including Investment portfolio	*508.5*	*446.2*	*545.3*	*14.0%*	*(6.7%)*
Equity investments	308.8	242.9	256.4	27.1%	20.4%
Total assets	26,400.0	26,360.8	25,372.2	0.1%	4.1%
Direct customer deposits	18,427.3	18,443.3	19,192.8	(0.1%)	(4.0%)
including Subordinated liabilities	*445.3*	*193.6*	*193.6*	*130.0%*	*130.0%*
Customer deposits under administration	18,427.3	18,443.3	19,192.8	(0.1%)	(4.0%)
Net interbank position (debt)	(4,250.9)	(3,962.4)	(2,292.0)	–	–
Shareholders' equity [(2)]	1,393.8	1,348.7	1,348.7	3.3%	3.3%
Statement of income					
Interest margin	182.3	392.3	220.6		(17.4%)
Net commissions	(1.8)	(15.4)	(12.7)		(85.9%)
Net interest and other banking income	206.5	426.2	228.4		(9.6%)
Operating costs	71.2	158.8	78.3		(9.1%)
Operating margin	133.3	267.3	150.1		(11.1%)
Income (Loss) from operating activities	49.0	148.1	85.5		(42.6%)
Net income for the period/year	28.7	100.1	51.7		(44.5%)
Other information					
Staff *(number)*	573	584	620	(11)	(47)
Branches *(number)*	10	10	12	–	(2)
Economic and financial ratios					
Balance sheet ratios					
Loans to customers/Total assets	85.32%	84.35%	82.50%		
Securities/Total assets	5.95%	6.73%	9.27%		
Direct customer deposits/Total assets	69.80%	69.96%	75.64%		
Managed funds/Indirect customer deposits	n.a.	n.a.	n.a.		
Statement of income ratios					
Net commissions/Net interest and other banking income	(0.87%)	(3.62%)	(5.57%)		
Operating costs/Net interest and other banking income	34.48%	37.26%	34.29%		
Net income for the period-year/Total assets (ROA)	0.11%	0.38%	0.20%		
Net income for the period-year/Shareholders' equity (ROE)	2.06%	7.42%	3.83%		
Risk ratios					
Net non-performing loans/Total loans	4.58%	4.29%	5.11%		
Total adjustments/Gross non-performing loans	39.83%	38.82%	33.60%		

(1) *Data as at 30th June 1999 has been adjusted to consider the merger of Mediocredito del Sud.*
(2) *Excluding net income for the period/year.*

Balance sheet

Total loans for the first six months of 2000 recorded a 24.5% growth rate compared to the 1999 figure adjusted to consider the merger of Mediocredito del Sud.
The Bank confirmed its leadership in operations subsidised by the so-called Sabatini Law, with disbursements of 469 billion lire (+ 3%).
As at 30th June 2000, loans to customers reached 22,525 billion lire with a 7.6% growth rate with respect to as at 30th June 1999.
The incidence of net non-performing loans decreased from 5.11% to 4.58%.
Equity investments totalled 308.8 billion lire, compared to 242.9 billion lire as at 31st December 1999, with a 27.1% growth rate. The 53.23% stake in Banca CIS SpA was also acquired in the period.

As regards Merchant banking activities, eight equity investments were acquired or increased in the period for a total of 34 billion lire and three divestments (of which one was a partial divestment) occurred. The total portfolio therefore reached 231 billion lire (+ 22% with respect to as at 30th June 1999), distributed over 32 companies. The equity portfolio also increased as a result of the five convertible bond issues subscribed for a total of 77 billion lire.
Customer deposits under administration summed up to 18,427 billion lire, almost equal to the previous year and with a 4% drop with respect to as at 30th June 1999. The flow from issued bonds in the first half of 2000 equalled 1,878 billion lire, compared to 3,215 billion lire for the same period in 1999.
Term financing and deposits from banks amounted to 4,511 billion lire, with respect to 2,551 billion lire as at 30th June 1999. Inside this aggregate, financing from Central institutions (Mediocredito Centrale, EIB, CECA/CEFR, Artigiancassa) totalled 918 billion lire.

Statement of income

Even though during the first half of 2000 the Bank maintained satisfactory operation levels, economic margins were lower also as a result of the interest margin which decreased from 220.6 billion lire as at 30th June 1999 to 182.3 billion lire this year and was negatively affected by the rise in interest on funding.
Net commissions remained negative but showed a marked improvement, from 12.7 billion lire to 1.8 billion lire.
Net interest and other operating income totalled 206 billion lire with a 9.6% drop.
Operating costs decreased by 6.6% but, in spite of this, operating margin was still 11.1% lower than as at 30th June 1999.
Adjustments and provisions to loans, net of write-backs, increased from 64 billion lire in the first half of 1999 to 84 billion lire as at 30th June 2000; therefore income from operating activities equalled 49 billion lire, with a 42.6% drop compared to the same period the previous year.
Net income for the period, 28.7 billion lire, was 23 billion lire lower than the figure as at 30th June 1999. The drop reflected the fact that three events, which had been budgeted in the first half of 2000, did not occur (sale of a building in Roma with an 11 billion lire gain, sale of a Merchant banking interest with a capital gain of 28 billion lire, accounting of commission income of 17 billion lire for its activities as Agent Bank pursuant to Law 488/1992), but are now forecasted for the second semester.

Investment services

Securities trading

Caboto Holding Sim

(in millions of euro)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	(A/C)
Balance sheet					
Loans to banks	3,817.8	2,725.4	1,830.3	40.1%	108.6%
Loans to financial institutions and customers	342.8	84.0	67.9	–	–
Securities portfolio	8,969.0	6,204.6	3,972.2	44.6%	125.8%
Options	640.2	517.2	364.3	23.8%	75.7%
Total assets	16,414.4	11,996.6	7,957.7	36.8%	106.3%
Due to banks	11,219.4	7,676.9	4,911.3	46.1%	128.4%
Due to financial institutions and customers	1,103.8	449.6	359.2	145.5%	207.3%
Written options	575.1	483.6	365.3	18.9%	57.4%
Shareholders' equity (1)	203.6	152.1	152.1	33.9%	33.9%
Commitments	159,456.5	134,161.4	114,728.3	18.9%	39.0%
Statement of income					
Interest margin	73.3	93.8	53.0	(21.9%)	38.3%
Profits (Losses) on financial transactions and commissions	(10.5)	82.1	94.6	(112.8%)	(111.1%)
Net interest and other banking income	64.3	179.0	149.0	(64.1%)	(56.8%)
Operating costs	30.2	68.5	35.2	(55.9%)	(14.2%)
Operating margin	34.1	110.5	113.8	(69.1%)	(70.0%)
Extraordinary income, net	34.1	102.7	107.0	(66.8%)	(68.1%)
Net income for the period/year	24.8	71.9	59.8	(65.5%)	(58.5%)
Other information					
Staff *(number)*	266	271	254	(5)	12
Economic and financial ratios					
Net income for the period-year/ Total assets (ROA) (2)	0.2%	0.7%	0.8%		
Net income for the period-year/ Shareholders' equity (ROE) (2)	12.2%	37.6%	42.5%		
Volumes of transactions					
Dealing on own account	819,216.6	1,536,606.7	804,915.2	(46.7%)	1.8%
Placement	2,981.1	7,564.0	3,255.8	(60.6%)	(8.4%)
Market share					
Dealing on MTS	3.5%	4.6%	5.6%		
Subscriptions on the primary market	4.7%	5.3%	4.7%		

(1) Excluding net income for the period/year and the change in the reserve for general financial risks.
(2) The change in the reserve for general financial risks was added to net income for the period/year.

Operating results

Accounts as at 30th June 2000 closed with a net income for the period of 24.8 million euro (59.8 million euro in the first half of 1999) and dividends from the subsidiary Caboto Sim, accounted for according to the accrual principle, amounted to 19.8 million euro.
The first half of 2000 was positively influenced by the considerable economic expansion (both in the US and in Euroland), accompanied by, after a long period of absence, fears regarding prices. Central banks responded by gradually increasing interest rates, thus preventing the overheating of the economy without negatively affecting its growth.
The turning point in the decreasing trend which had characterised interest rates on the international financial markets slowed down the development of Caboto Holding Sim's operations. The Company in any case managed to consolidate its market shares thus confirming its positioning as one of the forefront and most active investment banks in the European market.

Statement of income

Interest margin registered a 38.3% rise from 53 million euro in the first half of 1999 to 73.3 million euro. Profits on financial transactions and commissions in the first half of 2000 were negative (– 10.5 million euro) following the adverse trend recorded by the market. The result achieved in the semester, though lower than objectives, must be considered satisfactory considering the market situation.

In the first half of 2000 the Company generated operating revenues for 45.4 million euro. The Derivatives area (formerly called Capital markets area) which is divided in the following divisions: Interest rate derivatives, Equity derivatives and New products structuring, contributed to the operating margin with 24.2 million euro, mostly attributable to the structuring of innovative products for the retail segment. The Credit area generated revenues of 15.7 million euro, mostly on the origination and listing of debt securities, issued by banks, supranationals and Governments.
The Forex area contributed to the operating margin with 5.2 million euro and continued to develop operations with Gruppo Intesa’s corporate clients. The Interest rate trading area - the new name of the former Government securities area - which comprises trading on cash markets, option trading on bonds and Irs and Arbitrage activities, closed the semester at break even.

Caboto Sim

(in millions of euro)

	30/6/2000	31/12/1999	30/6/1999	Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Balance sheet					
Loans to banks	122.6	73.0	29.3	67.9%	318.4%
Loans to financial institutions	338.6	207.3	71.2	63.3%	375.6%
Securities portfolio	692.4	248.4	131.0	178.7%	428.5%
Options	1,696.0	998.3	275.7	69.9%	515.2%
Total assets	4,088.4	2,329.7	556.7	75.5%	634.4%
Due to banks	961.1	300.8	144.4	219.5%	565.6%
Due to financial institutions	114.1	121.6	0.9	(6.2%)	–
Written options	1,598.7	996.8	285.6	60.4%	459.8%
Shareholders’ equity (1)	67.8	59.4	59.4	14.1%	14.1%
Commitments	77,042.1	11,432.9	3,939.6	573.9%	–
Statement of income					
Interest margin	2.8	10.7	4.4		(36.4%)
Profits (Losses) on financial transactions and commissions	76.2	95.1	46.3		64.6%
Net interest and other banking income	79.0	105.8	50.7		55.8%
Operating costs	40.0	44.9	19.8		102.0%
Operating margin	39.0	60.9	30.9		26.2%
Extraordinary income, net	38.8	60.4	30.7		26.4%
Net income for the period/year	21.7	33.4	16.6		30.7%
Other information					
Staff *(number)*	323	163	158	165	5
Economic and financial ratios					
Net income for the period-year/ Total assets (ROA) (2)	0.5%	1.4%	3.0%		
Net income for the period-year/ Shareholders’ equity (ROE) (2)	32.0%	56.4%	27.9%		
Volumes of transactions					
Dealing on own account	32,370.3	36,531.0	15,432.5		109.8%
Dealing on behalf of third parties	121,280.9	175,708.7	105,556.5		14.9%
Placement	–	273.9	2.1		(100.0%)
Market share					
Dealing: floating-rate instruments	7.0%	8.2%	8.7%		
Dealing: fixed-rate instruments	7.5%	7.7%	7.5%		

(1) Excluding net income for the period/year and the change in the reserve for general financial risks.
(2) The change in the reserve for general financial risks was added to net income for the period/year.

Operating results

Accounts as at 30th June 2000 closed with a net income for the period of 21.7 million euro, with a considerable rise with respect to the figure for the same period the previous year (+ 30.7%). In fact, the rise in volumes traded, combined with the significant development in operations on own behalf, more than offset the physiological reduction in average unit commissions.

Half-year data relative to volumes traded on the market, compared to the first half of 1999, showed a marked increase in all areas. The comparison must also consider that, while in 1999 trading was concentrated at year-end, in 2000 the first months of the year have been extremely lively. Volumes traded on the stock market in the semester under examination reached 970.7 billion euro, which is almost the figure recorded for the whole of 1999. Volumes traded on the MOT (the Italian Bond Market) and on the Fib 30 stock index recorded a considerable growth rate with respect to volumes traded in the same period the previous year.

Caboto Sim confirmed its leadership among Sim offering trading services with a 7% market share on the Italian stock market, top position in the option market with a 13.1% market share and second position in the ranking for the MOT with a 7.5% market share.

IntesaTrade

IntesaTrade, Gruppo Intesa’s on line trading service, was launched in June. Management of the platform has been attributed to a dedicated business unit, operating within Caboto Sim, and a project group which benefits by the expertise of the entire Caboto Group.
At the time of its launch IntesaTrade was operational on nine markets (the Italian markets and the most important foreign markets) and enabled the on line subscription of mutual funds (Intesa Asset Management).
The first results are extremely satisfactory: in just one month of full operations, IntesaTrade has acquired approximately 12,000 clients, immediately positioning itself at the same level as other on line brokers which had entered the market long before.
IntesaTrade, which in terms of quality is positioned as one of the top competitors, has the objective of becoming the reference website for on line investors and, for this purpose, it will constantly upgrade the site with new functions.

Statement of income

The increase in net interest and other banking income (+ 55.8% with respect to the first half of 1999, to 79 million euro) must be correlated to the strong interest for equity markets in the first months of 2000 which favoured a considerable rise in net commissions (50.1 million euro compared to 37 million euro in the first half of 1999) and the development of trading and arbitrage activities which generated a strong increase in profits on financial transactions (24.8 million euro compared to 7.3 million euro in the first half of 1999); the development of this last area must also be correlated to the contraction in interest margin.
Operating costs registered a 102% growth rate (40 million euro as at 30th June 2000 compared to 19.8 million euro in the first half of 1999) which was mostly attributable to increased personnel expenses. The latter was greatly affected by provisions for the variable compensation component linked to the results achieved (9.3 million euro compared to 3.4 million euro in the first half of 1999), as well as higher administrative costs (20.4 million euro compared to 9.3 million euro in the first half of 1999) and greater adjustments to tangible and intangible fixed assets (3.6 million euro compared to 1 million euro in the first half of 1999) essentially attributable to the development of activities relative to IntesaTrade.

Caboto Securities

Financial statements as at 30th June 2000 closed with a net income of 1,067,000 GBP compared to a net income of 252,000 GBP as at 30th June 1999.
The Company greatly increased its dealing activities and doubled its profits on financial transactions with respect to the same period the previous year.

Despite the consequent increase in operating costs, up by 54% with respect to the first half of 1999, net income in the first half of 2000 almost equalled the net income generated in the whole of 1999.
Also total assets increased and reached 52,580,000 GBP with a 68% growth rate with respect to June 1999.

Caboto USA

The Company carries out broker-dealer activities in the US and promotes the operations of the Caboto Group with institutional investors.
Accounts as at 30th June 2000 closed with a net income for the period amounting to 137,600 US dollars compared to a 147,100 US dollar loss as at 30th June 1999.
The Company is still in its start up phase and, as forecasted in its business plan, it is expected to close 2000 at break even.

Intesa Ireland

Over the twelve months the Company presented a 67.8% rise in total assets, which amounted to 2,086 million euro as at 30th June 2000.
The rise is attributable to new intergroup loans for 675 million euro, as well as a 200 million euro deposit opened at Banca Intesa’s Hong Kong branch following the sale of asset swaps.
Therefore, following the sales closed in the period, the asset swaps, mostly on Italian Government securities, registered a 31% drop compared to as at 30th June 1999. The balance is 43% lower than budget projections. Loans and investments in Government securities, corporate and financial institutions outperformed budget forecasts.
At the end of the first half of 2000, 52% of total assets was made up of commercial loans, 42% of intergroup deposits and 6% of other assets.

Interest margin was similar to that reported the previous year while brokerage activities generated impressive revenues, 5.7 million euro compared to 1.6 million euro as at 30th June 1999.
Administrative costs increased; personnel expenses also rose, though more moderately. The rise in the latter occurred even though the number of employees remained the same.
Net income for the first half of 2000 totalled 8 million euro with a considerable improvement with respect to 4.4 million euro recorded the previous year. The result greatly outperformed budget forecasts which did not include the increase registered in the second part of the period in revenues from dealing deriving from the decision to close certain positions in derivatives.

Asset Management

Intesa Asset Management SGR

(in billions of lire)

	30/6/2000	31/12/1999	30/6/1999	Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Balance sheet					
Securities portfolio	329.0	305.4	196.0	7.7%	67.9%
Total assets	762.9	766.3	624.2	(0.4%)	22.2%
Shareholders' equity [(1)]	241.2	211.1	211.2	14.3%	14.2%
Statement of income					
Commission income	921.6	1,566.2	752.4		22.5%
Commission expense	702.8	1,249.9	616.4		14.0%
Net income for the period/year	89.8	110.7	52.7		70.4%
Economic and financial ratios					
Net income for the period-year/ Total assets (ROA) [(2)]	11.77%	14.45%	8.44%		
Net income for the period-year/ Shareholders' equity (ROE) [(2)]	37.23%	52.44%	24.95%		
Volumes of transactions					
Assets under management	159,483	158,723	139,237	0.5%	14.5%
Net funding	(3,520)	24,362	22,498	(114.4%)	(115.6%)
Funds managed *(number)*	72	70	67	5	3
Market share					
Assets under management	13.6%	14.4%	14.9%		

[(1)] *Excluding net income for the period/year and the change in the reserve for general financial risks.*
[(2)] *The change in the reserve for general financial risks was added to net income for the period/year.*

Operating results

Assets managed by Intesa Asset Management SGR (IAM) at the end of June 2000 amounted to 159,483 billion lire, of which 147,975 billion lire relative to mutual funds and Sicavs, 10,921 billion lire relative to individual portfolio schemes (net of investments in IAM funds) and 587 billion lire relative to pension funds.
In the first half of the year net funding of mutual funds/Sicavs was negative and amounted to 3,520 billion lire.
At the end of June 2000 Intesa Asset Management SGR had a 13.6% market share and was ranked in second position among asset management companies in Italy.

In the first half of 2000 the Company pursued its strategy aimed at widening and rationalising its product range by launching two new funds and two new lines of Sicav. During the semester the pension fund sector recorded positive developments with mandates to carry out financial management of certain open-end collective pension funds. Apart from financial management, IAM also carries out the administration services for Banca Intesa executive pension fund (Fopad) and the pension fund of Cassa di Risparmio di Parma e Piacenza employees.
As concerns open-end pension funds, the Company launched five new equity lines for the open-end pension funds Previd-System, Carime Previdenza, Carinord Previdenza and Previmaster.
As regards individual portfolio schemes, the strategy for the concentration and rationalisation inside Gruppo Intesa continued and is aimed at extending just one product range to all distributing banks, creating one autonomous Individual Portfolio Management/Private Banking structure with the IAM brand, thus enabling Group banks to focus on distribution.
The launch of IAM's individual portfolio management schemes invested in mutual funds (GPF), initially targeted to the Group's smaller banks, occurred in April. These have the objective of offering a complete range of the "individual portfolio schemes" product and extend distribution procedures applied to collective management to individual portfolio schemes.
During the first half of 2000 IAM "Private" became operational, with 16 risk/return profiles and the option to allocate the portfolio between different instrument

combinations. The transfer of the Cariplo “Private” to IAM “Private” commenced at the end of 1999 continued. Other “Private” schemes offered by Group banks are also converging, in terms of lines and pricing, to IAM “Private”.

Statement of income

Net income for the first half of 2000 (90 billion lire) was considerably higher (+ 70%) than that reported in the same period of 1999 and included 7.3 billion lire of net extraordinary income gross of fiscal effects.
ROE for the period increased to 37.23% compared to 24.95% in the first half of 1999.
Commission income recorded a 22.5% growth rate, higher than commission expense which increased by 14%.

Caboto International

The Company’s operating income recorded an extremely satisfactory progress: 858,000 CHF, 5.6% higher than budget forecasts with a considerable improvement on the result for the first half of 1999.
Net commissions equalled 2.9 million CHF, up by almost 82% with respect to the same period the previous year; operating costs also increased (+ 57%), due to the development in operations, but less than revenues.
The positive result was achieved in spite of the less-than-satisfactory rise in deposits which reached 456 million CHF at period-end, practically unchanged compared to as at 31st December 1999.
The negative performance registered on financial transactions following the devaluation of the euro and fixed income securities in general affected net income as at 30th June 2000 which totalled 716,000 CHF lower than 782,000 CHF recorded in the first half of 1999.

Intesa Fiduciaria Sim

Intesa Fiduciaria Sim, a company offering dynamic portfolio management, managed to maintain a positive growth rate for individual portfolio management schemes placed by traditional sales networks, despite an economic backdrop of progressively worsening fears of the negative effects of the strong growth persisting for the US economy. This led to an increased volatility which caused strong correlations between stock markets, which severely hit the sectors most sensitive to investments, such as new economy companies.
The Company closed the first half of 2000 with assets under management of 5,844.6 billion lire, compared to 4,964.1 billion lire in December 1999, with a 880.5 billion lire rise, corresponding to a 17.74% growth rate.
The number of fiduciary mandates increased from 18,913 to 25,194 with a 33.2% growth rate.
Commission income and commission expense registered a 56.3% and a 62.9% growth rate respectively; such increases are correlated to the considerable rise in assets under management during the first half of 2000 with respect to as at 30 June 1999.
Net income for the period equalled 3.7 billion lire with a 1.5 billion lire rise compared to the same period in 1999 (+ 66.7%).

Italfid - Italiana Fiduciaria

In the first half of 2000 the Company continued its growth, mostly supported by the contribution of Group banks.
Assets under administration as at 30th June 2000, amounted to 659 billion lire (+ 3.5%).
Net income for the period equalled 26 million lire.
In the first half of 2000 Italfid acquired from Group companies 100% of Gemofid SpA.
On 25th July the respective Boards of Directors approved the merger of Gemofid SpA in Italfid SpA, with fiscal effects as of 1st January 2000.

Specialised business units and other activities

Leasing

Intesa Leasing - Fiscambi-Locazioni Finanziarie

(in billions of lire)

	30/6/2000 (A)	31/12/1999 (B)	30/6/1999 (C)	Changes (A/B)	(A/C)
Balance sheet					
Leased assets	5,678.7	5,233.0	4,667.0	8.5%	21.7%
Total assets	6,881.2	6,423.1	5,605.0	7.1%	22.8%
Due to banks	5,041.0	4,875.1	4,336.0	3.4%	16.3%
Shareholders' equity [(1)]	284.9	265.9	265.9	7.1%	7.1%
Statement of income					
Lease income	1,218.9	2,135.1	993.0		22.7%
Contribution margin	74.9	130.6	70.1		6.8%
Administrative costs	34.0	67.2	34.0		–
Net income for the period/year	21.6	49.4	31.0		(30.3%)
Economic and financial ratios					
Administrative costs/ Contribution margin	45.39%	51.45%	48.50%		
Net income for the period-year/ Total assets (ROA)	0.31%	0.77%	0.55%		
Net income for the period-year/ Shareholders' equity (ROE)	7.58%	18.58%	11.66%		
Other information					
New contracts *(value)*	1,911.7	3,263.0	1,381.0		38.4%
New contracts *(number)*	17,202	19,124	9,630		78.6%
Implicit loans to customers	5,718.4	5,251.0	4,586.0		24.7%

[(1)] Excluding net income for the period/year and provisions to the reserve for general financial risks.

Balance sheet

Intesa Leasing and Fiscambi-Locazioni Finanziarie carry out closely related activities and during the year the two companies will merge. For this reason comments refer to the sum of the figures reported by the two companies.
Operations development was satisfactory and higher than the average growth rate recorded by the sector: 11,916 contracts, for a value of 1,897 billion lire were stipulated in the semester, with growth rates of 23.8% and 37.4% on the figures reported in the same period the previous year.
The real estate leasing segment recorded the highest growth rate with respect to 1999 (+ 66.4%), followed by motor vehicles (+ 34.6%) and other assets (+ 27.9%).
As regards the incidence of each segment on the flow of new contracts, the relative percentages were 51.2% for other asset leasing, 29.8% for real estate leasing and 19% for motor vehicle leasing. Apart from contracts stipulated in the three traditional business lines, in May the Company started offering the product "Tuttinrete", developed as a partnership between Banca Intesa, IBM and Tin.it, which is a complete financial and technological package targeted to the retail customers of Gruppo Intesa banks. 5,286 contracts, amounting to 14,488 million lire, were stipulated in the first two months. Overall the Companies stipulated 17,202 contracts for a value of 1,912 billion lire.
In the first half of 2000 Fiscambi-Locazioni Finanziarie SpA continued to manage the leases of motor vehicles which were not spun off last year to Intesa Leasing SpA.

Leased assets amounted to 5,679 billion lire and depreciation equalled 4,485 billion lire, with an 8.5% growth rate compared to as at 31st December 1999 and a 21.7% rise compared to as at 30th June 1999.
Loans to customers, banks and financial institutions, net of the relevant write-downs, summed up to 114 billion lire.
Total assets amounted to 6,881 billion lire with a 7.1% rise with respect to the end of 1999 and a 22.8% increase on 30th June 1999.

Due to banks totalled 5,041 billion lire with a 3.4% progress compared to as at 31st December 1999. The rise is attributable to the financing of new investments in leased assets.

Statement of income

As regards the statement of income, lease income reached 1,219 billion lire, compared to 993 billion lire in the corresponding period in 1999 (+ 22.8%).
Contribution margin amounted to 74.9 billion lire compared to 70.1 billion lire in the first half of 1999 (+ 6.9%). The rise is attributable to the increase in leased assets.
The administrative costs/contribution margin ratio dropped from 48.5% to 45.4% mostly as a result of the rise in contribution margin.
Net income for the period equalled 21.6 billion lire compared to 31 billion lire in the same period the previous year which however had benefited by a 12.9 billion lire capital gain deriving from the sale of the building where the Company had its registered offices.

Factoring

Mediofactoring

(in billions of lire)

	30/6/2000	31/12/1999	30/6/1999	Changes	
	(A)	(B)	(C)	(A/B)	(A/C)
Balance sheet					
Loans for factoring activities	10,103.1	9,644.7	8,471.5	4.8%	19.3%
Total assets	10,198.6	9,715.6	8,508.5	5.0%	19.9%
Due from factoring activities	3,478.6	3,234.4	2,804.6	7.6%	24.0%
Due to banks	6,071.1	5,801.9	4,952.8	4.6%	22.6%
Shareholders' equity (1)	221.9	217.2	217.3	2.2%	2.1%
Statement of income					
Interest and commissions from factoring activities	203.3	322.2	144.7		40.5%
Contribution margin	77.3	147.7	69.5		11.2%
Administrative costs	33.8	68.7	34.2		(1.2%)
Net income for the period/year	26.5	47.0	20.9		26.8%
Economic and financial ratios					
Administrative costs/ Contribution margin	43.7%	46.5%	49.2%		
Net income for the period-year/ Total assets (ROA) (2)	0.3%	0.6%	0.2%		
Net income for the period-year/ Shareholders' equity (ROE) (2)	11.9%	27.5%	9.6%		
Other information					
Turnover	19,494.0	32,897.2	15,341.6		27.1%
including Pro soluto (without recourse)	*13,935.0*	*23,808.1*	*10,992.3*		*26.8%*
including International activities	*1,365.8*	*1,986.0*	*917.5*		*48.9%*
Turnover per head	61.1	102.5	46.5		31.4%
Staff *(number)*	319	321	330	(2)	(11)

(1) Excluding net income for the period/year and the change in the reserve for general financial risks.
(2) The change in the reserve for general financial risks was added to net income for the period/year.

Balance sheet

In the first half of 2000, Mediofactoring continued its growth, both through direct development and through the Group's network banks, and through the acquisition of the company Fivefactor SpA which will be merged within the end of the year.
Volumes increased as testified by the rise in loans from factoring activities up from 8,471 billion lire as at 30th June 1999 to 10,103 billion lire this year with a 19.3% growth rate.
As regards breakdown of turnover, Mediofactoring confirmed its national leadership in the pro soluto (without recourse) sector and in high value added services.
The guidelines for the upgrading of the Company's IT system were defined during the

period and an investment programme commenced which, in the medium-term, will enable the Company to further improve the quality of its service to customers. As part of the realisation of the Group's new organisational model, in the second half of the year the distribution of Mediofactoring's products and services will be extended to BCI's Italian branches, when the integration with Comit Factoring SpA, currently planned for the first half of 2001, has taken place.
Total assets amounted to 10,199 billion lire and recorded a 19.9% growth rate compared to as at 30th June 1999.
The positive evolution of volumes offset the slight contraction in prices applied to customers resulting from increased competition and the trend recorded by money market interest rates.

Statement of income

Interest and commissions from factoring showed a 40.5% growth rate, from 144.7 billion lire in the first half of 1999 to 203.3 billion lire at the end of June 2000.
Contribution margin rose by 11.2%, up from 69.5 billion lire as at 30th June 1999 to 77.3 billion lire this year.
Operating costs registered a slight contraction with respect to the previous year; the cost/income ratio, under 34%, in any case improved, down by almost one percentage point compared to the figure for the first half of 1999.
The combined effect of these factors was a net income for the period of 26.5 billion lire, 26.8% higher than in June 1999.

Distribution of financial products

Intesa Italia Sim

In an economic framework of sudden changes and high volatility, the results achieved by the Company are particularly satisfactory and for the third year running show strong growth mostly attributable to the development of asset management.
Gross intermediated volumes, up from 3,179 billion lire as at 30th June 1999 to 4,862 billion lire as at 30th June 2000, registered the particularly favourable moment experienced by stock markets with a 52.9% rise, despite the presence in the Company's assets under management of approximately 50% in individual portfolio management schemes invested in mutual funds (GPF) for which changes in asset allocation are carried out internally and are therefore not tracked by statistics.

The growth in gross revenues was particularly noteworthy: up from 74 billion lire to 109 billion lire with a 47% rise, mainly attributable to the positive trend recorded by asset management. In particular, net funding recorded a 14% growth rate compared to the same period the previous year. The Company recorded a positive performance in line with its sector - personal financial consultants networks - while bank branches, after the end of the transfer from assets under administration to asset management, are no longer growing.
In fact, in the first six months of the year, 83% of the system's net funding is attributable to financial consultants networks and only 17% to bank branches.
Also this year, breakdown of intermediated volumes confirmed the Company's vocation for asset management and insurance products.
Operations were carried out and results generated with a staff of 1,235 personal financial consultants as at 30th June.
Net income totalled 13.6 billion lire (8.4 billion lire as at 30th June 1999).

Payment systems

Setefi

In the first half of 2000 Setefi, the company specialised in electronic payment management, increased its growth trend with a significant rise in operations.
The number of cards managed rose from 1,045,000 units as at 30th June 1999 to over 1,381,000 units as at 30 June 2000, with an approximately 32.1% growth rate.

Number of transactions managed with Carta Moneta rose by 32.6%, from approximately 8.2 million in 1999 to over 10.9 million. Value transacted recorded an approximately 37% growth rate compared to as at 30th June 1999, from 1,202 billion lire to 1,648 billion lire. Over the twelve months the number of POS installed registered an approximately 35.4% rise, from 31,624 to 42,832 units. The total number of transactions carried out on Setefi POS machines rose by 35.3%, from 21.9 million in 1999 to 29.6 million in 2000. Total value of transactions rose by approximately 36.7% and exceeded 4,780 billion lire.
As regards statement of income results, commission income rose by 28%, compared to as at 30th June 1999, from 51.4 billion lire to 65.8 billion lire; in particular commissions from retailers registered an approximately 24% growth rate. Revenues from POS rentals also showed a 35% increase. Commission expense and other operating expenses rose (from 24.9 billion lire to 33.1 billion lire); 52% of commission expense referred to costs sustained for the services from the VISA and EC/MC circuits. The increase in such costs is closely related to the rise in transaction volumes.
Net income for the period registered an approximately 18% growth rate compared to as at 30th June 1999, from 11 billion lire to 13 billion lire.

Insurance

Carivita

Carivita closed the first half of 2000 with collected premiums amounting to 1,643 billion lire with an approximately 10% drop compared to the same period the previous year. Net income equalled 9.7 billion lire, in line with budget forecasts and significantly higher than that reported the first half of 1999 (2.4 billion lire).
In line with programmed strategic guidelines, operations development showed better growth rates for traditional products than for products with a higher financial content. The gap with respect to objectives was mostly attributable to a far lower than forecasted development of unit-linked policies, due to the difficulties experienced in network banks, with the exception of Private banking, in the distribution of such products which are alternative to other products distributed by branches. On the contrary, traditional products (Solidità) registered positive performances especially in the first few months of sales due to an effective advertising campaign for their launch.
Statement of income performance was negatively affected, on the one hand, by the lower growth rate recorded by volumes and, on the other hand, by the valuation at market prices of financial investments. Therefore the greater incidence of commissions with respect to the budget due to the different production mix, combined with the higher yields on financial investments, led to an improvement in profitability.
Total net technical reserves as at 30th June 2000 equalled 9,409 billion lire and recorded a 35% growth rate with respect to the figure as at 30th June 1999.

Tax collection

During the first half of 2000, Intesa Riscossione Tributi SpA, Gruppo Intesa’s holding company in tax collection activities, continued to implement certain projects set out in the Industrial plan.
In particular the new IT system for the tax collection of “Ruoli” (tax payer lists) became operational, a centralised help desk providing services to all of the Group’s tax collection companies was formed and the Ruoli business unit started its test phase.
It has the objective of increasing tax collection revenues also via an in-depth review of mandatory tax collection activities.
Furthermore among key projects, the Company stipulated an agreement with Poste Italiane for the new notification process for overdue payments which will lead to a reduction in the costs of this procedure.
As regards company transactions, Intesa Riscossione Tributi SpA acquired a controlling interest in S.Es.I.T. Puglia and in GET - Gestioni Esattorie Tesorerie. The procedure for the merger of the latter in Intesa Riscossione Tributi commenced and will come into accounting and fiscal effects as of 1st January 2000.

The merger will occur after GET has completed its turnaround.

Aggregate results generated by Esa.Tri. - Esazione Tributi, S.Es.I.T. Puglia and E.Tr. - Esazione Tributi showed revenues in line with budget projections even though for over 60% attributable to the so-called “safeguard mechanism”. Cost containment policies commenced and led to an appreciable drop in personnel expenses. The significant reduction in bank debt (approximately 300 billion lire) did not lead to a proportional decrease in financial charges due to the rise in interest rates.
The contrasting results achieved by the different Companies are set out below:

- Intesa Riscossione Tributi closed the statement of income for the period with an approximately 5.5 billion lire loss deriving from the write-down of the equity investment in E.Tr. - Esazione Tributi;
- Esa.Tri. closed the period with a net income of 10.4 billion lire. The Company, in spite of an uncertain regulatory framework due to the delay in the issue of the Implementation regulations of the tax collection reform and the absence of regulation on the access to the tax registrar, in any case commenced to adapt its IT system and organisational structure to the new requirements. The Company continued its activities aimed at obtaining from local authorities the liquidation of reimbursement requests pursuant to Legislative Decree 112/99 and the stipulation of agreements for the spontaneous tax collection service via “Ruolo“ (tax payer list);
- E.Tr. - Esazione Tributi instead closed with an 11 billion lire loss. The transitory tax collection regime led to no tax forms to be issued and therefore to a drop in revenues; furthermore the flow of operations was negatively affected by the impossibility to obtain the provisional benefits on reimbursements requests. The loss is in any case far lower than the previous year due to the higher revenues following the application of the safeguard mechanism provided for by Legislative Decree 112/99.
- S.Es.I.T. Puglia closed the period with a net income of approximately 200 million lire. The Company was lead manager in the bid for the management of the treasury of the Puglia acqueduct which had generated considerable inflows in the past.
- GET - Gestioni Esattorie Tesorerie closed the period with a net income of 4 billion lire attributable to extraordinary income.

Intergroup support services

Intesa Sistemi e Servizi

In the first six months of 2000, Intesa Sistemi e Servizi consolidated its role as the entity integrating and innovating the services, processes and technologies for Group companies for the purpose of realising economies of scale and specialised expertise.
With respect to the previous year, volumes managed directly on behalf of Group companies basically doubled due to the centralisation of procurement contracts related to the IT systems and operating processes as well as certain maintenance services in the Logistics area.
At the moment all of the organisational units of Intesa Sistemi e Servizi are actively involved in two areas: the management of ordinary services and the continuation of the Group’s re-design set out at the time of the integration between Banco Ambrosiano Veneto and Cariplo and recently extended to the new projects of the New Group Model required by the integration with BCI.
Furthermore the Company is operating with most of the structures for the realisation of the management and operational interventions necessary for the merger of Banca Intesa, Cariplo, Ambroveneto, Carime and Mediocredito Lombardo.
The other main development area for the Company is related to the integration of the Group’s Internet distribution channels and the support to the implementation of IntesaTrade in Group banks and the start up of FundsWorld, the Internet-based asset allocation service which invests in mutual funds and Sicav, offered to the customers of Group banks.
Personnel working for the Company as at 30th June 2000 totalled 2,169 resources, of which 16 hired directly and the remaining 2,153 seconded from Group companies.

In the first half of 2000 the share capital of Intesa Sistemi e Servizi was raised from 50 to 95 billion lire.
Net income for the period amounted to 709 million lire.

Intesa Gestione Crediti

As is generally known, inside Gruppo Intesa the Company has been attributed the fundamental mission of improving cost-effectiveness and efficiency of recovery and management of non-performing loans, thus reducing the costs of these activities and improving recovery capacity.
The Industrial plan sets out that all short-term non-performing loans of Group companies be sold pro-soluto (without recourse, that is without guarantee on the solvency of the borrower) to Intesa Gestione Crediti. Before the sale of the loans occurs, non-performing loans are given in management to the Company.
Medium- and long- term loans assisted by guarantees are managed by Intesa Gestione Crediti but remain in the books of the individual Group companies. During the first half of 2000 the Company acquired the following non-performing loans from Group companies:

Seller	**Value of purchased loan portfolios**	
Bankhaus Löbbecke	328	billion lire
Banco Ambrosiano Veneto	53	billion lire
Cariplo	77	billion lire
Cassa di Risparmio di Rieti	13	billion lire
Cassa di Risparmio della Provincia di Viterbo	31	billion lire
Banca Carime	20	billion lire
Banca Popolare FriulAdria	19	billion lire
Total	**541**	**billion lire**

Therefore, at the end of the first half of 2000, Intesa Gestione Crediti held a nominal portfolio in excess of 9,000 billion lire of non-performing loans, purchased at a cost of approximately 4,100 billion lire, and managed over 5,400 billion lire of loans on behalf of other Group banks, including 3,800 billion lire of medium- and long- term non-performing loans.
In the period from 1st January to 30th June 2000, Intesa Gestione Crediti collected payments in excess of 250 billion lire, of which approximately 55 billion lire led to write-backs and 45 billion lire referred to interest on non-performing loans. Sums collected on managed loans reached, in total, 320 billion lire.
The statement of income for the first half of 2000 closed with a net income of 302 million lire, after adjustments to loans amounting to approximately 67 billion lire.

Caridata

Financial statements as at 30th June reported a net income for the period of 1,751 million lire after provisions for income taxes amounting to 1,414 million lire, depreciation (direct and indirect) of 1,290 million lire and provisions for risks and charges of 125 million lire.
The development of the Company’s operations in the first half showed a positive gross margin (3,211 million lire), but lower than expected both for the period (4,271 million lire) and compared to the first half of 1999 (3,823 million lire), due to the marked reduction in revenues with respect both to the previous year and forecasts for 2000 (2,500 million lire lower).
Revenues generated in the first half are broken down as follows in terms of customer segment: 45% Intesa Sistemi e Servizi, 34% Group companies, 21% other clients.
Following the decrease, the Company progressively reduced variable costs (essentially

direct project costs: extra-time, vacations which had not been taken, external services on projects and so on). Despite this, profitability for the period was negatively affected by the impossibility to make similar cuts to indirect and structure costs.
In the first half of 2000, considerable efforts were made to convert the contracts with Intesa Sistemi e Servizi to the new operating requirements defined by the latter; this activity is still under way.

Intesa Formazione

During the first half of 2000, the Company continued to offer training courses for Group personnel.
Efforts in training Group personnel referred to over 33,000 classroom man-days with approximately 16,459 participants, of which 2,533 (with 1,379 participants) of management training. Furthermore, 974 man-days in training in external courses must also be considered.
The “Progetto Orientamento” programme, offered to approximately 600 resources of Banca Intesa and Intesa Sistemi e Servizi, continued and was almost completed. It was financed by the European Social Fund.
Training related to the new IT system for Intesa Gestione Crediti also continued.
The period closed with a net income of 74 million, lire practically in line with budget projections.

Intesa Formazione Sud

The Company, which carries out its training activities for the personnel of Group companies, operates in the Central and Southern Italy and, in the first half of 2000, provided 21,570 man-days, of which 8,940 days of distance training realised by Intesa Formazione.
Activities in the first half of 2000 focused on: offering training courses in the management, commercial, technical and operational areas with specific tailor-made projects to suit the needs of the individual brands; analysing the needs for the development of reconversion and requalification programmes; identifying the opportunities offered by the European Union for the promotion and realisation of training courses financed by public entities, as well as national, regional and international organisations.
Net income for the period equalled 25 million lire.

Significant Subsequent Events

After 30th June 2000 no significant events which may affect strategies and, to any extent, impact on the Group's results occurred.
Activities aimed at preparing the Master plan for the integration with Banca Commerciale Italiana continued during the summer according with the guidelines described in the first chapter and should be completed at the beginning of autumn.

Forecast for the Second Half of 2000

The prospects of the banking system in the second half of 2000

The banking system

Forecasts for the next few months expect the continuation of the trends already recorded in the first half of the year. Due to the improved economic environment, demand for loans should maintain its considerable growth rate, mostly driven by the medium- and long- term component. This should be positively influenced by the demand for mortgages expressed by households and, with regard to companies, the transformation of bank loans into financing with longer maturities.
Direct deposits from resident customers, which are expected to record a lower growth rate than loans to customers, is forecasted to recover, also as a result of persisting stock market volatility. With regard to breakdown by contract type, the gap between the growth in “on demand” deposits, which should remain high, and the trend recorded by issued bonds, which is forecasted to decrease further, should continue.
The different trends recorded by deposits and loans could increase maturity mismatching between assets and liabilities, thus favouring the transformation of maturities carried out by the banking system.

In professional asset management, growth opportunities are forecasted to be related to product innovation, whereas with regard to bancassurance growth prospects remain positive, though strongly dependant on fiscal policies and regulations on State health and pension coverage.
Custody and administration of securities on behalf of third parties, corresponding to so-called customer deposits under administration, are destined to receive new stimuli from the progressive development of on line trading.

Bank interest rates are expected to continue their rise, in line with the trend forecasted for market rates. With regard to interest on assets, this trend has already been clearly observed in the first half of 2000, whereas interest on liabilities should be more viscous in recording market rate increases also in the second half of the year. For this reason a further increase in the spread is forecasted.
As regards the statement of income, operating margin recorded by the banking system in the year 2000 is expected to register a significant rise with respect to 1999. After years of decline, interest margin is forecasted to increase due to the development of volumes and the growth in the interest spread, in particular with regard to the margin on deposits (mark-down). Similarly, net interest and other banking income is expected to increase due, on the one hand, to the contribution, again positive, of income from services, despite growing competition in asset management and, on the other hand, to the forecasted increase in interest on securities, in connection to the rise in the yield curve. However, higher funding costs abroad should worsen the margin on operations in foreign currencies.
Lastly, with regard to costs, forecasts contain a limitation in personnel expenses following the effects of the new national labour contract and the rationalisation of production processes implemented by banks. However, in the second half of 2000, the need for investments related to the review of distribution strategies will not invert the trend of overall rise in operating costs.

As regards more structural developments in the banking industry, the changes in the formation of margins on the various business areas must be noted. The retail segment is becoming increasingly important especially as a result of the progressive customisation of asset management services, offered through a multitude of distribution channels. Lastly, customer-centric orientation is increasing through specialised product offerings via products and distribution channels developed to cater for the needs of homogeneous customer segments.

Gruppo Intesa

In the second half of the year, Group results should be positively affected by the forecasted improvement in the interest rate spread and in the interest margin.

Commissions on services should register percentage growth rates in line with those recorded in the first six months of 2000, whereas the volatility of financial markets could lead to certain adjustments to the securities portfolio which should be in any case far more limited than those carried out the previous year.
Operating costs should be in line with budget projections, whereas adjustments and provisions for risks and charges should overall confirm their appreciable reduction with respect to the corresponding figures recorded in 1999.
The absence of non-recurring positive components should be partly offset by recovered profitability of certain important foreign subsidiaries, particularly those operating in Latin-America.
Forecasts lead to conclude that, for the rest of 2000, operations will confirm their positive trend, with a consolidated net income for the year far higher than that recorded in the pro forma financial statements as at 31st December 1999 which amounted to 2,108 billion lire (1,089 million euro) and basically in line with budget objectives.

Milano, 12th September 2000

The Board of Directors

Report of the Board of Statutory Auditors

The Board of Statutory Auditors

- examined Gruppo Intesa's consolidated Half-Year Report for the first half of the current year, which shows a net profit for the period of 1,514 billion lire and was approved by the Board of Directors on 12th September 2000 and was transmitted to this Board of Statutory Auditors for its opinion;
- examined the Report issued on 28th September 2000 by the Independent Auditors Reconta Ernst & Young SpA appointed for the limited auditing of the aforesaid Half-Year Report and acknowledged the referral to information in it contained;
- acknowledged that this consolidated Half-Year Report is compared with that as at 30th June 1999 and with that as at 31st December 1999; the data contained in such financial statements has been restated to consider the variations in the consolidation area for the purpose of permitting consistent comparisons;
- furthermore, verified that the aforesaid Half-Year Report respects the informative purposes required by the Law and by regulations issued by both the Supervisory Authority and CONSOB.

Given all mentioned above, the Board of Statutory Auditors testifies and states to have no observations on Gruppo Intesa's consolidated Half-Year Report as at 30th June 2000.

Milano, 10th October 2000

The Board of Statutory Auditors

RECONTA ERNST & YOUNG

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AUDITORS' REPORT ON THE REVIEW OF THE MANAGEMENT REPORT OF BANCA INTESA S.p.A. FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2000

(Translation from the original Italian text)

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

1. We have performed the review of the semi-annual Management Report of Banca Intesa S.p.A. as of and for the six month period ended 30 June 2000, represented by the interim consolidated balance sheet, interim consolidated statement of income and related notes. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussion and analysis of the consolidated operations of Banca Intesa S.p.A., solely for the purpose of evaluating its consistency with the above mentioned statements and related notes.

2. Our review was conducted in accordance with auditing standards applicable to the review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of 31 July 1997. The review of the financial data related to the six month period ended 30 June 2000 of certain subsidiary companies, which represent approximately 49% of consolidated total assets and 48% of the consolidated net interest and related income, was performed by other auditors who supplied us with their review reports. A review consists primarily of obtaining relevant information with respect to the financial data included in the statements identified in paragraph 1 of this report, evaluating the consistency of the accounting principles applied through discussions with appropriate members of management and performing analytical procedures applicable to the financial data presented in such statements. A review does not include performing auditing procedures such as tests of compliance on internal controls nor substantive tests on account balances of assets and liabilities. Consequently, the scope of work for a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. We do not, therefore, express an audit opinion on the statements identified in paragraph 1 of this report and related notes of Banca Intesa S.p.A. as of and for the six month period ended 30 June 2000 as we do in connection with reporting on a full scope audit of the annual consolidated financial statements of Banca Intesa S.p.A.

Reconta Ernst & Young S.p.A.
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Capitale Sociale L. 1.720.000.000 i.v.

3. As indicated in the section "Comparison of the semi-annual Management Reports as at 30 June 2000 with 30 June 1999" the Company has restated the financial data of the same period of the preceding year as well as that at 31 December 1999, taking into consideration the changes in the consolidation area. The restated financial data has not been audited and, therefore, we do not express any opinion on such data.

   Concerning the consolidated comparative data as of and for the year ended 31 December 1999 and for the six month period ended 30 June 1999 presented in the accompanying Management Report as originally stated, reference should be made to the audit and review reports issued by other auditors on 24 March 2000 (17 April 2000 with reference to the information disclosed in paragraph 5 of such report) and on 15 September 1999, respectively.

4. As a result of our review, we are not aware of any material modifications that should be made to the statements and related notes identified in paragraph 1 of this report, in order for them to be in conformity with the criteria for the presentation of the semi-annual Management Report, stated by art. 81 of CONSOB regulations as approved in its resolution No. 11971 of 14 May 1999 and subsequent modifications.

5. We bring to your attention the following:

   a) on 28 July 2000, the shareholders resolved the merger of the subsidiaries Cariplo, Banco Ambrosiano Veneto, Banca Carime and Mediocredito Lombardo into Banca Intesa for the purpose of putting in place a new Group organizational structure. The effective date of the merger for accounting and tax purposes is 1 January 2000.

   b) as occurred in the 1999 financial statements, the Group has considered the tax incentives provided by Law N. 461/1998 and the related Legislative Decree N. 153/1999 with respect to bank restructurings, in estimating the tax provision for the period. Management has indicated that such incentives have been suspended subsequent to joint communication issued on 3 April 2000, by the Ministries of Treasury and Finance. The tax benefits resulting from the application of the aforementioned law have been disclosed in the related explanatory notes.

   c) as described in management's consolidated report on operations for 1999, certain new software applications for securities and foreign transactions that Cariplo, a subsidiary, put into use did not function properly, which gave rise to transactions being recorded as held in suspense. From the activity of clarifying and posting such transactions, which will be completed by the end of the current year, no significant charges to the Company's income statement resulted.

Milan, 28 September 2000

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

Gruppo Intesa
Consolidated Financial Statements
as at 30th June 2000

Gruppo Intesa - Consolidated financial statements as at 30th June 2000
Consolidated balance sheet

Assets		30th June 2000 (A)	
10. Cash and deposits with central banks and post offices			2,510
20. Treasury bills and similar bills eligible for refinancing with central banks			15,385
30. Due from banks			102,358
a) repayable on demand		16,639	
b) other		85,719	
40. Loans to customers			337,980
including			
• loans using public funds		108	
50. Bonds and other debt securities			98,176
a) public entities		58,446	
b) banks		22,582	
including			
• own bonds	4,857		
c) financial institutions		9,209	
d) other issuers		7,939	
60. Shares, quotas and other forms of capital			10,140
70. Equity investments			4,912
a) carried at equity		949	
b) other		3,963	
80. Investments in Group companies			971
a) carried at equity		872	
b) other		99	
90. Goodwill arising on consolidation			826
100. Goodwill arising on application of the equity method			511
110. Intangible fixed assets			1,430
including			
• start-up costs		86	
• goodwill		81	
120. Tangible fixed assets			9,231
150. Other assets			50,041
160. Accrued income and prepaid expenses			9,203
a) accrued income		8,342	
b) prepaid expenses		861	
including			
• discounts on issued bonds	136		
Total Assets			**643,674**

(in billions of lire)

	31st December 1999			**30th June 1999**		**% Changes**	
	(B)			**(C)**		**(A/B)**	**(A/C)**
		2,588			2,382	(3.01)	5.37
		21,579			43,588	(28.70)	(64.70)
		84,781			100,603	20.73	1.74
	8,976			18,993			
	75,805			81,610			
		314,830			297,096	7.35	13.76
	114			111			
		92,009			84,467	6.70	16.23
	52,351			46,063			
	22,183			23,784			
6,976			9,310				
	8,244			4,824			
	9,231			9,796			
		3,843			5,236	163.86	93.66
		5,605			4,564	(12.36)	7.62
	886			846			
	4,719			3,718			
		289			384	235.99	152.86
	183			180			
	106			204			
		824			878	0.24	(5.92)
		8			19	n.s.	n.s.
		1,443			1,475	(0.90)	(3.05)
	94			158			
	92			104			
		9,383			9,340	(1.62)	(1.17)
		46,518			44,067	7.57	13.56
		8,180			8,167	12.51	12.69
	7,431			7,300			
	749			867			
196			167				
		591,880			**602,266**	**8.75**	**6.88**

Liabilities and Shareholders' Equity	30th June 2000 (A)	
10. Due to banks		185,838
a) repayable on demand	43,231	
b) time deposits or with notice period	142,607	
20. Due to customers		214,287
a) repayable on demand	158,239	
b) time deposits or with notice period	56,048	
30. Securities issued		120,251
a) bonds	78,281	
b) certificates of deposit	33,797	
c) other	8,173	
40. Deposits and public funds under administration		218
50. Other liabilities		53,447
60. Accrued expenses and deferred income		10,260
a) accrued expenses	8,542	
b) deferred income	1,718	
70. Allowance for employee termination indemnities		2,965
80. Allowances for risks and charges		10,264
a) pensions and similar commitments	2,754	
b) taxation	5,193	
c) risks and charges arising on consolidation	194	
d) other allowances	2,123	
90. Allowance for possible loan losses		661
100. Reserve for general banking risks		273
110. Subordinated liabilities		17,909
120. Negative goodwill arising on consolidation		51
130. Negative goodwill arising on application of the equity method		6
140. Minority shareholders (+/-)		5,442
150. Share capital		5,715
160. Share premium reserve		11,564
170. Reserves		2,506
a) legal reserve	1,496	
b) reserve for own shares	–	
c) statutory reserves	153	
d) other reserves	857	
180. Revaluation reserves		503
200. Net income (loss) for the period/year		1,514
Total Liabilities and Shareholders' Equity		**643,674**

(in billions of lire)

31st December 1999		30th June 1999		% Changes	
(B)		(C)		(A/B)	(A/C)
	160,198		163,672	16.01	13.54
18,323		35,684			
141,875		127,988			
	205,664		202,138	4.19	6.01
156,842		147,256			
48,822		54,882			
	117,412		122,318	2.42	(1.69)
73,621		75,641			
36,667		41,687			
7,124		4,990			
	215		215	1.40	1.40
	43,847		55,009	21.89	(2.84)
	8,962		9,407	14.48	9.07
7,343		7,661			
1,619		1,746			
	2,923		2,897	1.44	2.35
	9,754		7,481	5.23	37.20
2,661		2,643			
4,724		3,292			
194		194			
2,175		1,352			
	683		774	(3.22)	(14.60)
	292		81	(6.51)	237.04
	16,604		13,326	7.86	34.39
	51		50	–	2.00
	6		–	–	–
	5,308		5,715	2.52	(4.78)
	5,406		5,406	5.72	5.72
	10,216		10,164	13.19	13.77
	1,728		1,799	45.02	39.30
494		494			
–		–			
153		163			
1,081		1,142			
	503		463	–	8.64
	2,108		1,351	(28.18)	12.07
	591,880		**602,266**	**8.75**	**6.88**

Gruppo Intesa - Consolidated financial statements as at 30th June 2000
Consolidated balance sheet

Guarantees and Commitments		30th June 2000 (A)
10. Guarantees given		59,776
including		
• acceptances	1,231	
• other guarantees	58,545	
20. Commitments		252,540
including		
• for sale with commitment to repurchase	56	
Total Guarantees and Commitments		**312,316**

(in billions of lire)

31st December 1999		30th June 1999		% Changes	
(B)		(C)		(A/B)	(A/C)
	56,588		92,334	5.63	(35.26)
1,131		6,467			
55,457		85,867			
	135,963		229,895	85.74	9.85
130		283			
	192,551		**322,229**	**62.20**	**(3.08)**

Gruppo Intesa - Consolidated financial statements as at 30th June 2000
Consolidated statement of income

			First half 2000 (A)
10. Interest income and similar revenues			15,452
including from			
• loans to customers		10,118	
• debt securities		3,049	
20. Interest expense and similar charges			(10,150)
including from			
• deposits from customers		(2,380)	
• securities issued		(3,286)	
30. Dividends and other revenues			1,814
a) from shares, quotas and other forms of capital		403	
b) from equity investments		1,408	
c) from investments in Group companies		3	
40. Commission income			4,773
50. Commission expense			(653)
60. Profits (Losses) on financial transactions			164
65. Returns on investment of the allowances for pensions and similar commitments			153
70. Other operating income			661
80. Administrative costs			(6,428)
a) payroll		(4,025)	
including			
• wages and salaries	(2,789)		
• social securities charges	(818)		
• termination indemnities	(200)		
• pensions and similar commitments	(87)		
b) other		(2,403)	
85. Provisions for integrative social security benefits			(149)
90. Adjustments to tangible and intangible fixed assets			(729)
100. Provisions for risks and charges			(308)
110. Other operating expenses			(228)
120. Adjustments to loans and provisions for guarantees and commitments			(1,424)
130. Write-back of adjustments to loans and provisions for guarantees and commitments			403
140. Provisions for possible loan losses			(73)
150. Adjustments to financial fixed assets			(22)
160. Write-back of financial fixed assets			9
170. Income (Loss) from investments carried at equity			110
180. Income (Loss) from operating activities			3,375
190. Extraordinary income		769	
200. Extraordinary charges		(753)	
210. Extraordinary income (loss), net			16
230. Change in the reserve for general banking risks			19
240. Income taxes for the period/year			(1,670)
250. Income attributable to minority shareholders			(226)
260. Net income for the period/year			**1,514**

(in billions of lire)

	First half 1999 (B)			1999 (C)		Changes (A/B) amount	Changes (A/B) %
		14,897			29,049	555	3.73
	9,449			17,957			
	2,847			5,742			
		(9,604)			(18,663)	546	5.69
	(2,101)			(3,699)			
	(3,222)			(6,230)			
		394			594	1,420	n.s.
	314			395			
	73			178			
	7			21			
		4,158			8,532	615	14.79
		(526)			(1,152)	127	24.14
		514			212	(350)	(68.09)
		46			88	107	n.s.
		735			1,639	(74)	(10.07)
		(6,189)			(12,663)	239	3.86
	(3,962)			(7,930)			
(2,711)			(5,454)				
(824)			(1,645)				
(192)			(388)				
(95)			(199)				
	(2,227)			(4,733)			
		(42)			(83)	107	n.s.
		(759)			(1,727)	(30)	(3.95)
		(239)			(488)	69	28.87
		(206)			(356)	22	10.68
		(1,594)			(3,602)	(170)	(10.66)
		274			897	129	47.08
		(108)			(154)	(35)	(32.41)
		(54)			(138)	(32)	(59.26)
		7			21	2	28.57
		34			12	76	n.s.
		1,738			2,018	1,637	94.19
	1,449			2,946			
	(280)			(1,508)			
		1,169			1,438	(1,153)	(98.63)
		(10)			(227)	29	–
		(1,268)			(758)	402	31.70
		(278)			(363)	(52)	(18.71)
		1,351			**2,108**	**163**	**12.07**

Notes to the Consolidated Financial Statements

Introduction

Half-Year Report structure

The Half-Year Report as at 30th June 2000 has been prepared according to CONSOB regulation 11971 of 14th May 1999, integrated by resolution 12475 of 6th April 2000 and in compliance with the provisions contained in Legislative Decree 87 of 27th January 1992 and in the instructions of the Governor of the Bank of Italy of 16th January 1995, and subsequent amendments, the last of which was issued on 7th August 1998.
The Half-Year Report is made up of the consolidated financial statements and the notes to the consolidated financial statements; the Report on operations, as well as the Parent Company's financial statements, have also been included.
Unless otherwise specified, all amounts are stated in billions of lire.

Reconta Ernst & Young SpA performed a review on the Half-Year Report as at 30th June 2000 in accordance with the auditing standards recommended by CONSOB resolution 10867 of 31st July 1997.

Comparison between the consolidated Half-Year Reports as at 30th June 2000 and as at 30th June 1999 and the consolidated Annual Report as at 31st December 1999

Data contained in the consolidated Half-Year Report is compared with consolidated Half-Year Report as at 30th June 1999 and consolidated Annual Report as at 31st December 1999. Both the latter have been restated in order to consider the variations in the consolidation area described below. Furthermore, the 1999 statement of income has been integrated with that of the BCI Group, which was not considered as at 31st December 1999 since control of the Company was acquired on 10th December 1999 and, as provided for by instructions issued by the Bank of Italy and National accounting principles, net income for the year had to be considered in the determination of shareholders' equity at year-end to be eliminated on consolidating the book value of the equity investment.
The same method has been adopted in this Half-Year Report for the first consolidation of Banca CIS, which has therefore solely referred to the consolidation of the balance sheet since control was acquired at the beginning of June 2000.

As regards criteria adopted for the restatement of previous periods, it must be pointed out that, apart from aggregating or eliminating book values expressed by the Companies involved, it was assumed that transactions which led to variations in the consolidation area (increases in capital, acquisitions of equity investments, mergers between companies) occurred on 30th June 1999 and on 31st December 1999.
The comparison between data as at 30th June 2000 and data actually recorded as at 30th June 1999 and as at 31st December 1999 is provided in the attachments.

Explanation added for translation into English

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

Application of benefits provided for by Law 461/98 (so-called Ciampi Law)

The incentives provided for in Law 461 of 23rd December 1998 (so-called Ciampi Law) are considered in the calculation of the tax burden for the period.
Incentives refer to the reduction of the Corporate income tax rate from 37% to 12.5% on income allocated to a special reserve.

The application of the law led to a lower tax burden of 119 billion lire in the consolidated financial statements as at 30th June 2000.

On 3rd April 2000, the Minister of the Treasury and the Minister of Finance diffused a Communication in which they informed that the application of the above-mentioned incentive is suspended. It was decided to consider this incentive also in this Half-Year Report, since, as had occurred for the 1999 Annual Report, we are convinced that the Regulator acted in compliance with Community regulations and that, consequently, the banks' right to benefit by the incentives provided for by the afore mentioned Law 461 of 1998 will be confirmed.
Consequently, the total fiscal benefits considered in the consolidated financial statements amount to 357 billion lire.

Variation in the consolidation area

a) Compared to as at 31st December 1999

INCLUSIONS

Companies subject to full consolidation

Atlantis SA	Formerly valued using the equity method
Banca CIS (Credito Industriale Sardo)	Acquisition carried out in the first half of 2000
Fivefactor SpA	Formerly valued using the equity method
Wiese Bank International	Formerly valued using the equity method
Wiese Inversiones Financieras SA	Formerly valued using the equity method
Depositos SA	Formerly valued using the equity method
Wiese Sociedad Titulizadora SA	Formerly valued at cost
Wiese Sudameris Leasing SA	The Company was established following the merger between • Lima Leasing SA, formerly subject to full consolidation • Wiese Leasing SA, formerly valued using the equity method

Companies valued using the equity method

Banco Caja de Ahorro SA	Acquisition carried out in the first half of 2000
Cassa di Risparmio di Terni e Narni	Acquisition carried out in the first half of 2000
Companhia América do Sul Credito Financiamento y Investimento SA	The Company was formerly subject to full consolidation and its corporate name was Companhia América do Sul Corretora de Cambio, Titulos y Valores Mobiliarios
Privredna Banka Zagreb Group	Acquisition carried out in the first half of 2000

EXCLUSIONS

Companies subject to full consolidation

Companhia América do Sul Corretora de Cambio, Titulos y Valores Mobiliarios	Reduction in the equity interest

Companies subject to proportional consolidation

Credito Fondiario e Industriale Fonspa SpA	Currently under sale

Companies valued using the equity method

Primass SpA	Controlled by Fonspa, currently under sale

b) Compared to as at 30th June 1999 (apart from variations listed in the previous point)

INCLUSIONS

Companies subject to full consolidation

Gruppo Banca Commerciale Italiana	Acquisition carried out in the second half of 1999
Cassa di Risparmio di Foligno	Formerly valued using the equity method
Cassa di Risparmio di Spoleto	Formerly valued using the equity method

Consolidation criteria

The policies adopted for the preparation of the consolidated financial statements comply with Legislative Decree 87 of 27th January 1992 and the Bank of Italy regulations dated 16th January 1995, and subsequent amendments, the last of which was issued on 7th August 1998; these policies are consistent with those used for the preparation of the consolidated financial statements as at 31st December 1999 and the Half-Year Report as at 30th June 1999.

Consolidation area

The area of consolidation includes the Parent Company, Banca Intesa, and the significant equity investments which have been listed in a specific table included in the Notes.

Consolidation method

Full consolidation

This method involves the total aggregation of the individual amounts reported in the balance sheets and statements of income of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests in equity (excluding the allowance for possible loan losses and the revaluation reserves) and the results for the period, the residual value of such equity is eliminated against the book value of the subsidiaries concerned. Any differences arising on consolidation are allocated, where possible, to the assets and liabilities of the consolidated subsidiary; positive differences are also offset against the Group's interest in the allowance for possible loan losses and in the revaluation reserves up to the amounts pertaining to the Group. Residual differences are allocated to "Consolidation differences" and "Other reserves".
The captions used are determined, respectively, with reference to the situation at the time the investment was first consolidated and to subsequent changes in equity value, normally reflecting the results of operations.
If positive consolidation differences arise on the assets side and are not deemed to be justified by the respective company's future profitability, these are fully expensed in the period.

In particular, with regard to the consolidation of Banca CIS, the difference between purchase cost and the acquired portion of shareholders' equity has been accounted for in the Allowance for future integration expenses, since such difference is not deemed to be recovered in the short term considering the unfavourable performance forecasted for the Bank, before its integration in the Group enables it to generate profits.

Proportional consolidation

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

Valuation using the equity method

This approach is applied to subsidiaries which do not carry out banking, financial activities, or do not contribute to Group's operations and to companies not controlled by the Group, but over which the Group exercises significant influence (so-called Associated companies according to Art. 36 of Legislative Decree 87/92).
This method values investments with reference to the Group's interest in their shareholders' equity, including reserves for possible loan losses, revaluation reserves and results for the period. Differences with respect to the individual company accounts are allocated to "Differences arising on application of the equity method" and to "Other reserves", on the basis described in relation to full consolidation.

Other consolidation techniques

- The positive and negative differences arising on consolidation and on application of the equity method are determined at the time the investment is acquired or consolidated for the first time; subsequent disposals or changes in the percentage ownership adjust the original differences.
- If shareholders' equity belonging to the Group resulted negative, the complete write-off of the equity investment has been carried out and any residual negative amount remaining after the write-off has been covered using the "Allowances for risks and charges".
- The equity of foreign subsidiaries is translated into lire using the official period-end exchange rates; the difference between this value and that recorded in the financial statements on formation, or at the time of purchase, is allocated with the appropriate sign to "Other reserves".
- The Half-Year Reports of consolidated companies prepared using policies which differ to those applying to banks are adjusted accordingly.
- Dividends, adjustments and write-backs are reversed if they relate to subsidiary and consolidated companies.
- Adjustments, write-backs and provisions recorded by consolidated companies solely for fiscal purposes are eliminated in order to more fairly reflect the financial and operating position of the Group; provision is made for the related deferred taxation. Accordingly, the Half-Year Report does not include any entries recorded solely for fiscal purposes.
- Following matching balances, all intercompany assets, liabilities, income and expenses are eliminated. Residual amounts are allocated to the statement of income or the balance sheet, in accordance with the instructions issued by the Bank of Italy on 16th January 1995.
- Leases are stated in the consolidated Half-Year Report using lease accounting methodology. This means, essentially, that the cost of the leased asset represents the value of the loan at the start of the leasing contract; subsequently, each instalment payment is treated as a loan repayment comprising both principal and interest, determined using the interest rate implicit in the contract. Leasing transactions between subsidiary companies are reversed by re-determining the historical cost and accumulated depreciation of the assets concerned at period-end. The financial statements therefore reflect the net book value of such assets, stated in accordance with the criteria set out below, after eliminating the effect of intercompany transactions.

Means of consolidation

Subsidiaries which carry out banking, financial activities, or contribute to Group's operations are fully consolidated with the exclusion of Banca Proxima and Intesa Sec. which have not yet started operations and are therefore valued using the equity method. Also Banco Caja de Ahorro and the Privredna Banka Zagreb Group are valued using the equity method, since, for organisational reasons, it was impossible to fully consolidate all the subsidiaries which make up the Group.
Companies which are subject to joint control have been consolidated according to the proportional method.
Subsidiaries whose activities are dissimilar to the above (banking, financial and auxiliary) and Associated companies in which the Group has a significant equity investment are stated with reference to the Group's interest in the shareholders' equity, including net income for the period.
Equity investments in Sicavs and those related to merchant banking activities have been valued at purchase cost.
For the purpose of consolidation, or of valuation according to the equity method, the financial statements as at 30th June 2000 prepared by the Board of Directors of subsidiary companies have been used. For some companies which are not part of the Group, financial statements as at 30th June 2000 were not available and therefore such companies have been valued according to the equity method using information as at 31st December 1999.
The consolidated financial statements as at 30th June 2000 have been used for the following groups: Banca Commerciale Italiana Group, Carinord Group, Agricola Investimenti Group and Banco de Investimento Imobiliario Group.

Valuation criteria

Accounting policies adopted have been prepared in accordance with the Italian law related to the financial statements, interpreted and integrated by the accounting principles established by the Italian Accounting Profession.

Valuation criteria are the same as those used in the preparation of financial statements as at 31st December 1999, whereas are partially changed with respect to those used in the preparation of the Half-Year Report as at 30th June 1999.
Changes refer to the valuation of securities in the trading portfolio traded on regulated markets and off-balance sheet transactions and the application of the accounting principle issued by the National Council of Dottori Commercialisti e Ragionieri (the Italian Accounting Profession) on the accounting treatment of corporate income taxes.

Valuation of trading portfolio's securities traded on regulated markets

Securities which are part of the trading portfolio and are traded on regulated markets are valued according to the "market value" criterium, instead of the "lower between cost and market value" criterium; the latter had been used so far in the Half-Year Report as at 30th June 1999.
The market value of securities traded on regulated markets is represented, like in the past, by the average market price for the last month of the period.
The change in the evaluation criterium applied to securities in the trading portfolio and, consequently, on the corresponding hedging transactions, led to report greater capital gains on securities amounting to 174 billion lire and higher capital losses on derivatives held for hedging purposes of 71 billion lire.

Valuation of off-balance sheet transactions

For consistency purposes the change in the evaluation criterium applied to securities in the trading portfolio led to the change in the criterium used for certain types of off-balance sheet transactions. In particular:

- dealing securities traded on regular markets to be delivered or received in relation to completed contracts that have not been settled at balance-sheet date are considered as a part of the trading portfolio and are always valued consistently with the criterium used for the portfolio to which they refer, which is now accounted for according to market value. For securities to be delivered, the forward sale price contained in the contract is also considered;
- options on dealing securities traded on regular markets are also valued consistently with the valuation of listed securities which, starting with the 1999 financial statements, are accounted for at market value.

The change in the valuation criteria applied to these off-balance sheet transactions compared to that applied in the Half-Year Report as at 30th June 1999 did not have a significant impact on the statement of income.

The accounting treatment of income taxes

The accounting principle applied to corporate income taxes used until the 1999 Half-Year Report set forth that the following taxes were charged to the statement of income: taxes for the period; taxes related to fiscal litigations; deferred taxes relative to realised capital gains and, of course, relative to consolidation operations.
The introduction of the accounting principle regarding the accounting treatment of income taxes and the related instructions issued by the Bank of Italy (Instructions issued on 3rd August 1999) and CONSOB (Communication DAC/99059010 of 30th July 1999) requires that taxes due for the year must consider taxes that are paid in the current period even though they refer to future years (prepaid taxes) and taxes that, though they refer to the current year, will be paid in later years (deferred taxes).
Prepaid and deferred taxes were determined on the basis of all the temporary differences, without temporal limits, according to the so-called "Balance sheet liability method", which requires that both prepaid and deferred taxes which affect the statement of income and those which directly affect shareholders' equity are accounted for.
Assets related to prepaid taxes are accounted for in the balance sheet when there is a reasonable certainty that they will be recovered, whereas deferred taxes have not been accounted for if there are low probabilities that the connected liability may emerge. With

regard to prepaid taxes, the valuation of the reasonable certainty of their recovery was carried out based on past experience and proved by forecasts and in any case the reasonable forecast that the company involved will be capable of continuously producing taxable income even in particularly negative market contexts. Therefore prepaid taxes have been accounted for on all temporary deductible differences regarding, essentially, adjustments to loans and provisions to the allowances for risks and charges.
Liabilities related to deferred taxes, as already occurred in previous years, have been fully accounted for, with the sole exception of those related to shareholders' equity reserves for which taxes are suspended, since it is reasonable to believe that no voluntary actions will be taken for the purpose of taxing such reserves.
With regard to companies operating in Italy, assets related to prepaid taxes and liabilities related to deferred taxes have been calculated separately for Irpeg (corporate income tax), based on the tax rate in force for 2000 (37%), and for Irap (regional tax), based on the tax rate presumably applicable in the period of settlement of the credit or debit;
for companies operating abroad these were calculated considering local regulations.
Prepaid and deferred taxes have been accounted for separately in the balance sheet, respectively in the caption "Other assets" and in the caption "Allowances for risks and charges - allowance for taxation", whereas in the statement of income they have been accounted for in the caption "Income taxes for the period". No prepaid or deferred taxes have been directly expensed in the shareholders' equity captions.
In the statement of income, the economic effect deriving from deferred taxes for the period is negative and amounted to 134 billion lire. It reflected higher prepaid taxes annulled in the semester amounting to 331 billion lire net of those which arose in the semester which equalled 197 billion lire.

Finally, it must be noted that, pursuant to the indications recently issued by the Bank of Italy, the statement of income indicates caption 65 "Returns on investments of the allowances for pensions and similar commitments".

Accounting policies adopted for Parent Company and Group Companies accounts

Loans, guarantees and commitments

Due from banks

Amounts due from banks are generally stated at nominal value, including the interest accrued at the balance sheet date.
Amounts due from certain banks are written down with reference to their solvency conditions; other amounts due from non-resident banks are written down by general reserves that reflect the difficulties in servicing external debt faced by the Countries concerned.
The original value of amounts due from banks is reinstated in subsequent periods, to the extent that the reason for any write-downs cease to apply.

Loans to customers

Loans are recorded among "Loans to customers" to the extent that they have been paid out under the terms of the related contracts.
Loans are stated at their estimated realisable value, which is determined by deducting expected losses at period-end from the principal outstanding.
Expected losses are determined as follows, considering the solvency of customers and any guarantees available:

- a detailed review is made of non-performing loans and other doubtful accounts; this may be integrated by lump-sum adjustments related to loan contract types;
- yields and the basis and timing of repayments are considered with regard to consolidated or restructured loans;
- an overall estimate is made in relation to performing loans to customers located in Countries at risk.

Other loans are written down using lump-sum adjustments to reflect intrinsic risks, applying a percentage that takes into account the problems faced by certain borrower categories, or by certain sectors according to past experience.
The original value of amounts due from customers is reinstated in periods, to the extent that the reasons for any write-downs cease to apply.

Guarantees and commitments

Guarantees are recorded at the total value of the commitment.
The credit risks associated with guarantees and commitments are covered by "Allowances for risks and charges - other allowances"; the allowance has been calculated using the criteria applied to loans to customers described above.
Commitments to place funds with banking counterparts and make loans to customers are stated at the value of the amounts still to be paid over.

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

The securities portfolio is divided into "Investment portfolio" and "Trading portfolio".
Securities registered in the investment portfolio reflect precise predefined strategic decisions taken by Company management. Such securities may be sold before maturity provided a change in management strategy occurs, or if market conditions evolve so to undermine reasons which had brought about the inclusion of such securities in the investment portfolio.
Both securities held for trading and those purchased for liquidity purposes are recorded in the trading portfolio.
Book value of zero-coupon securities has been accounted increased by the value of accrued interest.

Investment portfolio

Securities classified as financial fixed assets are recorded and valued at purchase cost or, if transferred from the trading portfolio, at their book value at the time of transfer.
Investment securities are only written down if a permanent loss of value has occurred in relation to the solvency of the issuer and of the borrowers' resident Countries.
Their original value is reinstated in subsequent periods, to the extent that the reasons for any write-downs cease to apply.
Issue discounts in relation to these securities are registered among interest income on an accruals basis, as an increase in their book value. The difference between purchase cost, including accrued issue discounts, and the higher or lower principal repayment of investment securities goes to increase or decrease interest income which is recognised on an accruals basis.

Trading portfolio

This comprises securities recorded on a LIFO basis using annual layers. Issue discounts in relation to debt securities are recognised on an accruals basis among interest income as an increase in their book value.
The valuation is carried out as follows:

- Italian and foreign securities traded on regulated markets:
  average market price for the last month of the period;
- unlisted securities:
  at the lower between cost or market value; the latter is calculated considering estimated realisable value which, in the case of fixed-income securities, is determined by discounting future financial flows using the market interest rate, obtained on listed securities with similar characteristics or on information system based markets normally used internationally. The solvency of the issuer and the resident Country difficulty in servicing debt is also considered.

Value of written down unlisted securities is reinstated in subsequent periods, to the extent that the reasons for any write-downs cease to apply.
Repurchase agreements are treated as deposit-taking or lending transactions.
In particular:

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

In repurchase agreements on fixed-income securities, the difference between the spot and forward tel quel prices represents interest expense on deposits and interest income from loans and is recognised on an accruals basis.
Transactions in securities and similar instruments are recorded with reference to their settlement dates.

Off-balance sheet transactions (excluding foreign currency transactions)

Dealing securities to be delivered or received in relation to completed contracts that have not been settled at balance-sheet date are considered as a part of the trading portfolio and are valued as described above, considering the forward price contained in the contract. Any write-downs are offset by corresponding adjustment in the "Other liabilities" section of the balance sheet.
Off-balance sheet transactions which refer to derivative contracts on securities, on interest rates, or on indices are valued as follows:

- derivatives used to hedge assets and liabilities (both on- and off- balance sheet) have been valued on a consistent basis with assets and liabilities hedged;
- derivative contracts held for trading are stated at market value;
- derivative contracts which are part of "complex financial portfolios" (made up of various derivative contracts, securities held for trading, forward purchases to be settled) and managed as a single contract in order to achieve a specific result, are stated at market value.

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

Differentials on hedges on interest-bearing assets or liabilities are recognised on the basis used to record the interest itself, in the case of specific hedges, or over the life of the contract (in the case of general hedges).
Differentials on hedges on non-interest-bearing assets or liabilities are recorded in the statement of income at the time of settlement.
Differentials on multi-flow derivative contracts held for trading are registered in the statement of income over the life of the contracts. Differentials on single-flow derivatives are registered at the time of settlement.
Results of off-balance sheet transactions are accounted for in the balance sheet without offsetting assets and liabilities.

Equity investments

Significant investments are valued using the equity method, as described in the consolidation criteria.
Other minority equity investments are recorded on a LIFO basis using annual layers and stated at cost as they are financial fixed assets.
In this regard, the book value of investments held as at 31st December 1992 (which includes any revaluations carried out according to specific regulations) is deemed to represent their cost at that date, as permitted by Art. 8.4 of Legislative Decree 87/92.
As allowed by current fiscal legislation, the book value of equity investments may be written down, in the case of securities listed in regulated markets, also considering market values, estimated using the average prices in the six-month period.
Book value is written down to reflect any permanent reductions in the value of equity investments. However, the original value may be reinstated in subsequent periods, to the extent that the reasons for any write-downs cease to apply.
Dividends and related tax credits are recorded in the period they are declared which, usually, corresponds to the time of collection.

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

Other assets and liabilities denominated in foreign currencies are translated into lire using end-of-period spot exchange rates with the sole exception of equity investments.
Off-balance sheet transactions in foreign currencies including derivative contracts are stated as follows:

- for transactions related to spot contracts to be settled, the values have been calculated using spot exchange rates at the end of the period;
- for transactions related to forward contracts, the values have been obtained using end-of-period forward rates for maturities corresponding to those on the relative contracts;

- for transactions related to specific assets or liabilities, the values have been calculated on a consistent basis and take into account the terms and conditions contained in the relative contracts.

Assets, liabilities and off-balance sheet transactions denominated in currencies which are part of the euro, or are in any case linked to the value of currencies which are part of the euro, have been translated into lire by applying the respective conversion exchange rates, with the exception of equity investments for which the spot exchange rate at the date of purchase has been used as specifically provided for in Art. 21 of Legislative Decree 213/98.
Differentials between the spot and forward rates applying to hedging transactions are recognised in the statement of income on an accruals basis, to match the recognition of interest on the underlying assets or liabilities.
Foreign currency transactions are recorded with reference to the time of settlement.

Tangible fixed assets

Real estate is recorded at purchase cost, including related charges, as well as renovation expenses and any extraordinary repairs, which have determined an increase in its value. The value of certain real estate properties has also been restated as a result of applying revaluation laws and following the allocation of merger deficit or as a result of positive consolidation differences.
Furniture, furnishings, installations and machines are recorded at purchase cost, including related expenses and any improvement expenditure incurred.
The book value of tangible fixed assets is stated net of accumulated depreciation. These assets are automatically depreciated on a straight-line basis using rates which reflect their useful lives.
In particular:

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

Tangible fixed assets identified on the consolidation of intercompany leasing transactions are depreciated on the above basis; the depreciation rates applied by the user are adopted for this purpose.
Advance depreciation provided for fiscal purposes is reversed on consolidation and provision is made for the related deferred taxation.
Maintenance expenditure that does not increase the value of assets is expensed as incurred.

Intangible fixed assets

Intangible fixed assets are stated at purchase cost net of accumulated amortisation.
This caption comprises:

- goodwill paid on the acquisition of companies and negative merger balances which emerge on integration of companies. These are amortised at constant rates over a ten-year period. Positive consolidation differences are considered intangible fixed assets even though these are accounted for in specific captions; these are amortised at constant rates over a ten-year period just like goodwill arising on consolidation and on application of the equity method;
- start-up costs related to new branches located in buildings which are not owned by the Group, costs related to new issues of shares or of other securities. Such costs are amortised at constant rates over a five-year period;
- refurbishing costs for branches and other premises which are not owned by the Group. These costs are amortised on a straight-line basis over the shorter period between their estimated useful life and, in any case, according to provisions set out by Art. 16, par. 1, of Legislative Decree 87 of 27th January 1992, not over five years;
- application software costs of multi-annual use. These are amortised over a maximum of five years according to estimated useful life;
- other deferred charges which are amortised over a maximum period of five years.

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

Other policies

Accruals and deferrals

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

Deposits and public funds under administration

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

Securities issued

Mortgage bonds, other bonds, certificates of deposit and bank cashiers' cheques are stated at their nominal values. Zero-coupon securities (certificates of deposit and bonds) have been stated at issue price plus the accrued interest matured during the period. Residual portion of any discounts on bonds issued below par is reported as a prepaid expense. Residual premium on bonds issued above par is recorded as a deferred income item.

Allowance for employee termination indemnities

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

Allowances for risks and charges

- Allowance for pensions and similar commitments
  It has been constituted as a consequence of specific contracts and is sufficient to guarantee the payment of pensions for which the Group is liable.
- Allowance for taxation
  The provision for income taxes is determined with reference to a prudent estimate of the current tax charge, prepaid taxation and deferred taxation of realised capital gains.

  In particular, prepaid and deferred taxes are determined according to all the temporary differences between the value attributed to an asset or a liability based on the Italian Civil Code accounting principles and the correspondent values for fiscal purposes (irrespective of temporal limits). Asset captions related to prepaid taxes are accounted for in the balance sheet when a reasonable certainty of their recovery exists, based on the company's continuing capacity to generate taxable income.

  Liabilities related to deferred taxes have been fully accounted for, with the sole exception of those related to shareholders' equity reserves for which taxes are suspended, since it is reasonable to believe that no voluntary actions will be taken for the purpose of taxing such reserves.

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

  - those arising from the elimination, in the consolidated Half-Year Report, of adjustments and provisions recorded solely for fiscal purposes;
  - those arising from the registration of positive consolidation differences in the assets of the consolidated company.

  Assets and liabilities related to prepaid or deferred taxes are systematically valued considering any changes in fiscal regulations or tax rates and the situation of the Group companies involved.

  The allowance also contains provisions for tax charges which could derive from controls already notified, or in any case from litigations currently under way with fiscal authorities.
- Allowance for future integration expenses
  The allowance contains negative differences that arise from the comparison of purchase cost of an equity investment and the relevant portion of shareholders' equity

acquired, when the difference reflects negative performances forecasted for the acquired company. The allowance is transferred to the consolidated statement of income for the amount of the losses incurred and when such losses occur.

- Other allowances
  This caption comprises provisions made to cover known or likely losses, the timing or the extent of which cannot be determined at the balance sheet date.
  Such allowances do not adjust the value of corresponding assets.
  The allowances reflect the best estimate of the charges to be incurred, based on available information.

Allowance for possible loan losses

The allowance for possible loan losses has been set up for prudential purposes, considering loan portfolio composition. The item contains provisions for capital losses and provisions for interest on non-performing loans.

Subordinated liabilities

These are stated at nominal value.
Foreign currency subordinated liabilities are translated using the end-of-period spot rates.

Adjustments and provisions recorded for fiscal purposes

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

Information regarding the consolidated balance sheet

Breakdown and concentration of assets and liabilities

Breakdown of loans by borrower's economic sector

Loans to customers (caption 40 - Assets)

a) Governments	6,005
b) Other public agencies	7,540
c) Non-financial businesses	199,778
d) Financial institutions	44,938
e) Personal businesses	16,225
f) Other operators	63,494
Total	**337,980**

Loans to non-financial businesses and resident personal businesses

a) Commerce, salvage and repairs	31,191
b) Construction and public works	18,374
c) Agricultural and industrial machines	8,316
d) Food products, beverages and tobacco-based products	8,101
e) Metal products, excluding cars and vehicles	7,864
f) Other sectors	102,890
Total	**176,736**

Guarantees given (caption 10 - Guarantees and Commitments)

a) Governments	231
b) Other public agencies	67
c) Banks	6,864
d) Non-financial businesses	41,314
e) Financial institutions	7,312
f) Personal businesses	1,966
g) Other operators	2,022
Total	**59,776**

- Breakdown by counterparts is based on the economic sector to which the customer concerned, which is the holder of bonds secured by the Group, belongs.

Concentration of risk: significant exposures

a) Amount	25,302
b) Number	4

Maturities of assets and liabilities

		Specified maturity								
	on demand	up to 3 months	between 3 and 12 months	between 1 and 5 years		beyond 5 years		Unspecified maturity	Total
				fixed rate	indexed rate	fixed rate	indexed rate		
1. Assets									
1.1 treasury bills eligible for refinancing	6	1,184	2,397	3,408	3,940	2,652	1,798	–	15,385
1.2 due from banks	19,599	50,943	21,063	780	3,774	394	382	5,423	102,358
1.3 loans to customers	77,686	65,195	39,443	27,196	52,669	16,503	40,051	19,237	337,980
1.4 bonds and other debt securities	1,078	11,171	17,742	26,315	20,077	11,706	10,087	–	98,176
1.5 off-balance sheet transactions	151,327	540,037	572,858	220,749	36,690	120,279	6,494	–	1,648,434
Total	**249,696**	**668,530**	**653,503**	**278,448**	**117,150**	**151,534**	**58,812**	**24,660**	**2,202,333**
2. Liabilities									
2.1 due to banks	54,486	94,193	31,709	1,858	1,936	660	387	609	185,838
2.2 due to customers	163,986	38,773	4,153	378	185	595	80	6,137	214,287
2.3 securities issued									
• bonds	3,237	1,306	8,885	19,935	22,761	7,592	14,565	–	78,281
• certificates of deposit	1,369	16,478	11,323	2,949	1,462	87	129	–	33,797
• other securities	3,085	4,659	419	10	–	–	–	–	8,173
2.4 subordinated liabilities	–	31	497	48	3,565	4,806	8,962	–	17,909
2.5 off-balance sheet transactions	148,930	513,678	584,599	240,395	29,118	122,543	9,171	–	1,648,434
Total	**375,093**	**669,118**	**641,585**	**265,573**	**59,027**	**136,283**	**33,294**	**6,746**	**2,186,719**

- The allocation of assets and liabilities to the various time bands is based on their residual life.
- The “On demand” column includes assets and liabilities with a maturity of less than 24 hours.
- The “Unspecified maturity” column includes deposits for compulsory reserve and problem or non-performing loans.
- Off-balance sheet transactions are analysed based on the residual life of the related expected inflows and outflows.

Geographic breakdown of assets and liabilities

	Italy	Other EU Countries	Other Countries	Total
1. Assets				
1.1 due from banks	33,175	47,204	21,979	102,358
1.2 loans to customers	266,938	29,765	41,277	337,980
1.3 securities	83,116	14,646	25,939	123,701
Total	**383,229**	**91,615**	**89,195**	**564,039**
2. Liabilities				
2.1 due to banks	36,660	77,273	71,905	185,838
2.2 due to customers	166,675	16,882	30,730	214,287
2.3 securities issued	94,062	12,845	13,344	120,251
2.4 other accounts	11,961	3,479	2,687	18,127
Total	**309,358**	**110,479**	**118,666**	**538,503**
3. Guarantees and commitments	**172,761**	**46,135**	**93,420**	**312,316**

- Assets, liabilities, guarantees and commitments are broken down by geographic area according to the counterpart’s residence. “Other accounts” - liabilities comprise captions 40 (Deposits and public funds under administration) and 110 (Subordinated liabilities).

Assets and liabilities denominated in foreign currencies

a) Assets	
1. due from banks	43,610
2. loans to customers	65,729
3. securities	27,400
4. equity investments	87
5. other	839
Total	**137,665**
b) Liabilities	
1. due to banks	90,042
2. due to customers	38,110
3. securities issued	23,179
4. other	2,727
Total	**154,058**

- Assets and liabilities denominated in foreign currencies comprise, apart from those explicitly denominated in non-EU foreign currencies, also those which are indexed to the exchange rate of the Italian lira with other foreign currencies.
  "Other" - liabilities comprises Subordinated liabilities denominated in foreign currencies (caption 110).

Due from banks - Breakdown of cash loans

Categories/Values	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans			
a.1 non-performing loans	53	(46)	7
a.2 problem loans	9	(9)	–
a.3 loans under restructuring	–	–	–
a.4 restructured loans	4	(3)	1
a.5 loans subject to Country risk	1,457	(422)	1,035
B. Performing loans	101,315	–	101,315
Total	**102,838**	**(480)**	**102,358**

Due from banks - Evolution of doubtful loans

	Non-performing loans	Problem loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A. Initial gross exposure as at 31/12/1999	54	15	–	–	1,490
a.1 including					
• interest on non-performing loans	1	–	–	–	–
B. Increases	3	1	–	4	135
b.1 inflows from performing loans	–	–	–	4	122
b.2 interest on non-performing loans	–	–	–	–	–
b.3 transfers from other doubtful loan categories	3	–	–	–	–
b.4 other increases	–	1	–	–	13
C. Decreases	(4)	(7)	–	–	(168)
c.1 outflows to performing loans	–	–	–	–	(18)
c.2 cancellations	(3)	–	–	–	(25)
c.3 amounts collected	(1)	(4)	–	–	(29)
c.4 amounts following sales	–	–	–	–	–
c.5 transfers to other doubtful loan categories	–	(3)	–	–	–
c.6 other decreases	–	–	–	–	(96)
D. Final gross exposure as at 30/6/2000	53	9	–	4	1,457
d.1 including					
• interest on non-performing loans	1	–	–	–	–

Due from banks - Evolution of total adjustments

	Non-performing loans	Problem loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A. Intitial total adjustments as at 31/12/1999	43	12	–	–	459	4
a.1 including						
• interest on non-performing loans	1	–	–	–	–	–
B. Increases	5	2	–	3	21	–
b.1 adjustments	2	2	–	–	21	–
b.1.1 including						
• interest on non-performing loans	–	–	–	–	–	–
b.2 uses of allowance for possible loan losses	–	–	–	–	–	–
b.3 transfers from other loan categories	2	–	–	–	–	–
b.4 other increases	1	–	–	3	–	–
C. Decreases	(2)	(5)	–	–	(58)	(4)
c.1 write-back of adjustments	–	–	–	–	(19)	(4)
c.1.1 including						
• interest on non-performing loans	–	–	–	–	–	–
c.2 values recovery on collection	–	–	–	–	(3)	–
c.2.1 including						
• interest on non-performing loans	–	–	–	–	–	–
c.3 cancellations	(2)	–	–	–	(18)	–
c.4 transfers to other loan categories	–	(2)	–	–	–	–
c.5 other decreases	–	(3)	–	–	(18)	–
D. Final total adjustments as at 30/6/2000	46	9	–	3	422	–
d.1 including						
• interest on non-performing loans	1	–	–	–	–	–

Loans to customers - Breakdown of cash loans

Categories/Values	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans			
a.1 non-performing loans	26,240	(13,468)	12,772
a.2 problem loans	6,822	(1,108)	5,714
a.3 loans under restructuring	169	(62)	107
a.4 restructured loans	1,370	(284)	1,086
a.5 loans subject to Country risk	3,074	(252)	2,822
B. Performing loans	317,176	(1,697)	315,479
Total	**354,851**	**(16,871)**	**337,980**

Loans to customers - Evolution of doubtful loans

	Non-performing loans	Problem loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A. Initial gross exposure as at 31/12/1999	24,937	5,351	199	1,349	2,928
a.1 including					
• interest on non-performing loans	6,035	193	–	2	–
B. Increases	3,587	3,239	33	207	298
b.1 inflows from performing loans	2,385	2,771	4	94	37
b.2 interest on non-performing loans	475	54	1	18	–
b.3 transfers from other doubtful loan categories	433	294	21	29	2
b.4 other increases	294	120	7	66	259
C. Decreases	(2,284)	(1,768)	(63)	(186)	(152)
c.1 outflows to performing loans	(66)	(601)	(7)	(20)	(92)
c.2 cancellations	(804)	(57)	–	(9)	–
c.3 amounts collected	(996)	(581)	(14)	(98)	(5)
c.4 amounts following sales	(67)	(38)	–	(10)	(55)
c.5 transfers to other doubtful loan categories	(260)	(429)	(42)	(48)	–
c.6 other decreases	(91)	(62)	–	(1)	–
D. Final gross exposure as at 30/6/2000	26,240	6,822	169	1,370	3,074
d.1 including					
• interest on non-performing loans	6,202	173	–	20	–

The significant increase in non-performing loans (+ 824 billion lire) and in problem loans (+ 934 billion lire), attributable to inflows from performing loans, must be referred to the Brazilian subsidiaries following regulatory changes issued by local supervisory authorities. A further appreciable increase, 592 billion lire, was due to the inclusion of loans to Peruvian subsidiaries among non-performing loans.

Loans to customers - Evolution of total adjustments

	Non-performing loans	Problem loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A. Initial total adjustments as at 31/12/1999	12,519	953	56	302	253	1,768
a.1 including						
• interest on non-performing loans	5,138	143	–	1	–	9
B. Increases	2,252	382	19	52	18	349
b.1 adjustments	1,245	218	8	22	4	267
b.1.1 including						
• interest on non-performing loans	342	24	–	2	–	4
b.2 uses of allowance for possible loan losses	13	25	–	1	–	–
b.3 transfers from other loan categories	401	116	8	14	6	10
b.4 other increases	593	23	3	15	8	72
C. Decreases	(1,303)	(227)	(13)	(70)	(19)	(420)
c.1 write-back of adjustments	(97)	(44)	(2)	(2)	(7)	(25)
c.1.1 including						
• interest on non-performing loans	(2)	–	–	–	–	–
c.2 values recovery on collection	(145)	(31)	(3)	(3)	(12)	–
c.2.1 including						
• interest on non-performing loans	(38)	–	–	–	–	–
c.3 cancellations	(792)	(29)	–	(59)	–	(30)
c.4 transfers to other loan categories	(120)	(84)	(8)	(5)	–	(338)
c.5 other decreases	(149)	(39)	–	(1)	–	(27)
D. Final total adjustments as at 30/6/2000	13,468	1,108	62	284	252	1,697
d.1 including						
• interest on non-performing loans	5,355	138	–	19	–	13

Other increases in adjustments to non-performing loans (+ 376 billion lire) and to performing loans (+ 24 billion lire) stemmed from adjustments carried out by Brazilian subsidiaries following the above-mentioned changes in regulations. These adjustments, which were charged to the subsidiaries' shareholders' equity reserves, were included among extraordinary charges in the consolidated statement of income.

Secured loans to customers

a) Loans secured by mortgages	82,070
b) Loans secured by	
1. cash deposits	3,158
2. securities	7,169
3. other assets	2,168
c) Loans secured by guarantees from	
1. Governments	1,771
2. other public agencies	851
3. banks	5,739
4. other parties	62,282
Total	**165,208**

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

Due from central banks	5,451

Breakdown of securities

a) Investment portfolio	25,692
b) Trading portfolio	98,009
Total	**123,701**

Guarantees and Commitments

Guarantees (caption 10 - Guarantees and Commitments)

a) Commercial guarantees	43,836
b) Financial guarantees	15,829
c) Assets lodged in guarantee	111
Total	**59,776**

- Commercial guarantees back specific commercial transactions. Financial guarantees assure the routine settlement of liabilities by the customer concerned.

Commitments (caption 20 - Guarantees and Commitments)

a) Commitments to grant finance (certain to be called on)	31,034
b) Commitments to grant finance (not certain to be called on)	221,506
Total	**252,540**

- Commitments to grant finance are defined as certain to be called on when the customer has firm requirements for the funds. Other commitments are left to the discretion of the customer concerned.

Unused credit lines

a) Central banks	2,908
b) Other banks	4,337

Forward transactions

Type of transactions	Hedging	Dealing	Other
1. Purchase/sale of			
1.1 securities			
• purchases	–	15,182	530
• sales	–	17,420	–
1.2 currency			
• currency against currency	24,930	34,892	–
• purchases against euro	15,991	82,642	–
• sales against euro	6,641	80,021	–
2. Deposits and loans			
• to be made	–	–	6,224
• to be received	–	–	24,520
3. Derivative contracts			
3.1 with exchange of principal			
a) securities			
• purchases	52	19,158	5,654
• sales	751	26,254	296
b) currency			
• currency against currency	3,396	4,286	–
• purchases against euro	2,745	9,312	–
• sales against euro	2,184	10,075	–
c) other instruments			
• purchases	93	271	–
• sales	78	1,160	–
3.2 without exchange of principal			
a) currency			
• currency against currency	916	3,687	–
• purchases against euro	238	2,781	–
• sales against euro	8	1,033	–
b) other currency			
• purchases	69,211	737,128	–
• sales	70,478	781,054	5,214
Total	**197,712**	**1,826,356**	**42,438**

• The table above includes off-balance sheet transactions open at period-end which relate to:

- contracts for the sale/purchase of securities and foreign currency not yet settled;
- derivative contracts with underlying securities;
- derivative contracts on foreign currency;
- derivative contracts without underlying securities, linked to interest rates, stock market indices or other assets;
- deposits and loans to be given or received at a fixed future date.

So-called “basis swaps”, which entail the exchange of two indexed interest rates, were accounted for in caption 3.2 - Derivative contracts without exchange of principal, for 82,684 billion lire in both purchases and sales.

“Derivative contracts with exchange of principal - securities: purchases” included 4,987 billion lire corresponding to the nominal value of warrants issued by the Parent Company at the time of the Tender Offer launched on Banca Commerciale Italiana and distributed to shareholders which accepted the Tender Offer. The terms of the transaction - which was accepted by 88.4% of holders of BCI ordinary shares and 88.2% of holders of BCI saving shares - entailed that, if acceptances exceeded the number of shares subject to the Offer (70%), each accepting Shareholder would have received a “Warrant put” to be exercised in November 2002 at a price of 7.8 euro for each ordinary or saving share tendered and not exchanged by the Offeror in the proportional allotment of Intesa shares. The issue of these put warrants will not affect the statement of income.

Amounts due to and from Group companies and from subsidiaries

	Group companies	Companies that are not part of the Group
a) Assets		
1. due from banks	26	1,579
including		
• subordinated	–	15
2. due from financial institutions	103	356
3. due from other customers	847	658
4. bonds and other debt securities	22	77
including		
• subordinated	–	19
b) Liabilities		
1. due to banks	62	567
2. due to financial institutions	–	65
3. due to other customers	153	44
4. securities issued	–	–
5. subordinated liabilities	–	–
c) Guarantees and commitments		
1. guarantees given	15	215
2. commitments	32	282

Portfolio management

Portfolio management	161,970

Total capital and capital requirements

A. Total capital	
a.1 Tier 1 capital	26,212
a.2 Tier 2 capital	14,162
a.3 amounts to be deducted	1,455
a.4 total capital	38,919
B. Capital requirements	
b.1 credit risks	31,815
b.2 market risks [1]	2,551
including	
• trading portfolio risk	3,914
• foreign exchange risk	279
b.3 other capital requirements	–
b.4 total capital requirements	34,366
C. Risk-weighted assets and capital ratios	
c.1 risk-weighted assets	429,575
c.2 Tier 1 capital/risk-weighted assets	6.10%
c.3 Tier 1 + Tier 2 capital /risk-weighted assets	9.06%

[1] Capital requirement for market risks is net of Tier 3 subordinated loans. For this reason the sum of “including” items is higher than the total.

Other information regarding the consolidated balance sheet

Negative goodwill arising on consolidation and on application of the equity method
(caption 120 and caption 130 of Liabilities and Shareholders' equity)

No change in negative goodwill arising on consolidation occurred in the period.

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

	Balance as at 31/12/1999	Additions in the period	Amortisation charges	Balance as at 30/6/2000
Finanziaria BTB	23	–	11	12
Cariplo	648	–	41	607
Bankhaus Löbbecke	19	–	1	18
Mediocredito Lombardo	15	–	1	14
Cassa di Risparmio di Ascoli Piceno	26	–	1	25
Cassa di Risparmio di Foligno	40	–	2	38
Cassa di Risparmio di Rieti	14	–	1	13
Cassa di Risparmio di Spoleto	32	–	2	30
Fivefactor	–	7	–	7
Banco Wiese Sudameris	–	27	1	26
Banco América do Sul	–	38	2	36
Total	**817**	**72**	**63**	**826**

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

	Balance as at 31/12/1999	Additions in the period	Amortisation charges	Balance as at 30/6/2000
Agos Itafinco	8	–	1	7
Carivita	–	49	2	47
Cassa Risparmio Terni e Narni	–	41	–	41
Privredna Banka Zagreb	–	269	11	258
Banco Caja de Ahorro	–	162	4	158
Total	**8**	**521**	**18**	**511**

Positive differences recorded in the period referred to the entrance in the consolidation area of new associated companies acquired by the Group, with the exception of the increases related to Banco Wiese Sudameris and Banco América do Sul, which instead derived from the increase in equity investments in these companies held by the holding company Banque Sudameris.

Information regarding the consolidated statement of income

Breakdown of interest

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

Interest income and similar revenues are described in detail in the table below:

		First half 2000		First half 1999	% Change
a) On amounts due from banks including • deposits with central banks	96	2,263	208	2,580	(12.29)
b) On loans to customers including • loans with public funds under administration	–	10,118	–	9,449	7.08
c) On debt securities		3,049		2,847	7.10
d) Other interest income		22		21	4.76
e) Positive differentials on hedging transactions		–		–	–
Total caption 10 - Statement of income		**15,452**		**14,897**	**3.73**
Differentials on hedging transactions connected to dividends and other revenues		106		154	–
Total caption 10 - Reclassified statement of income		**15,558**		**15,051**	**3.37**

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

Interest expense and similar charges are broken down as follows:

		First half 2000		First half 1999	% Change
a) On amounts due to banks		4,427		4,068	8.82
b) On amounts due to customers		2,379		2,101	13.23
c) On debt securities including • on certificates of deposit	1,056	2,863	1,264	3,034	(5.64)
d) On public funds under administration		1		–	–
e) On subordinated liabilities		423		321	31.78
f) Negative differentials on hedging transactions		57		80	(28.75)
Total caption 20 - Statement of income		**10,150**		**9,604**	**5.69**
Differentials on hedging transactions connected to dividends and other revenues		(57)		(80)	–
Total caption 20 - Reclassified statement of income		**10,093**		**9,524**	**5.97**

- The difference between interest on amounts due to customers (letter b) registered in the first half of 2000 and the amount recorded in caption 20 of the statement of income (which amounted to 1 billion lire) has been included in letter d) “Interest on public funds under administration”.
- The difference between interest on debt securities (letter c) registered in the first half of 2000 and the amount recorded in caption 20 of the statement of income (which amounted to 423 billion lire) has been included in letter e) “Interest on subordinated liabilities”.
- As regard the reclassification of negative differentials on hedging transactions connected to dividends and other revenues, it must be pointed out that their amount exceeded the overall balance of negative differentials; therefore, following the reclassification, the same balance changes its sign and from negative it becomes positive.

Analysis of interest

Interest income and similar revenues on foreign currency assets	5,245

Interest expense and similar charges on foreign currency liabilities	4,568

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

	First half 2000	First half 1999	% Change
a) On shares, quotas and other forms of capital	403	314	28.34
b) On equity investments	1,408	73	
c) On investments in Group companies	3	7	
Total caption 30 - Statement of income	**1,814**	**394**	
Differentials on hedging transactions connected to dividends and other revenues	(163)	(234)	
Total caption 30 - Reclassified statement of income	**1,651**	**160**	

Commissions

Breakdown of caption 40 “Commission income”

Commission income is broken down as follows:

		First half 2000		First half 1999	% Change
a) Guarantees given		159		150	6.00
b) Collection and payment services		410		375	9.33
c) Management, dealing and consultancy services		2,536		2,171	16.81
1. dealing in securities	292		189		
2. dealing in currency	89		89		
3. portfolio management	254		207		
4. custody and administration of securities	134		108		
5. placement of securities	195		268		
6. consultancy services	15		16		
7. “door-to-door” sale of securities, financial products and services	15		12		
8. acceptance of instructions	200		119		
9. management of mutual funds	1,342		1,163		
d) Tax collection services		228		189	20.63
e) Other services		1,440		1,273	13.12
Total		**4,773**		**4,158**	**14.79**

Breakdown of caption 50 “Commission expense”

Commission expense is broken down as follows:

		First half 2000		First half 1999	% Change
a) Collection and payment services		88		76	15.79
b) Management and dealing services		361		294	22.79
1. dealing in securities	36		20		
2. dealing in currency	7		8		
3. portfolio management	1		2		
4. custody and administration of securities	19		9		
5. placement of securities	41		41		
6. “door-to-door” sale of securities, financial products and services	105		77		
7. management of mutual funds	152		137		
c) Other services		204		156	30.77
Total		**653**		**526**	**24.14**

Breakdown of “Profits (Losses) on financial transactions”

	First half 2000	First half 1999	% Change
Securities transactions	(179)	208	(186.06)
Currency transactions	212	205	3.41
Other transactions	131	101	29.70
Total	**164**	**514**	**(68.09)**

Extraordinary income and charges

Extraordinary income (caption 190 - Statement of income)

	First half 2000	First half 1999	% Change
Capital gains on the sale of equity investments and investment securities	385	935	(58.82)
Contribution from allowance for possible loan losses due to recovered amounts	66		
Gains on sale of assets	47	109	(56.88)
Out-of-period income and other extraordinary income	271	405	(33.09)
Total	**769**	**1,449**	**(46.93)**

Extraordinary charges (caption 200 - Statement of income)

	First half 2000	First half 1999	% Change
Provisions for possible loan losses ex Law 2682 relative to Brazilian subsidiaries	400		
Charges for the agreement for the BCI pension fund	55		
Losses on sales of assets	10		
Out-of-period expenses and other extraordinary charges	288	280	2.86
Total	**753**	**280**	**168.93**

Other information

Average number of employees

Companies subject to full consolidation	73,656
Companies subject to proportional consolidation	1,698

Figures have been calculated as the average of number of employees as at 30th June 2000 and as at 31st December 1999.

Number of branches

Companies subject to full consolidation	4,393
Companies subject to proportional consolidation	160

Consolidation area

The Parent Company Banca Intesa is subject to full consolidation.

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
A. Consolidated companies					
A.1 Companies subject to full consolidation					
1 América do Sul Leasing SA Arrendamento Mercantil - Leasul Share capital 67,425,000 R$ in shares without nominal value	São Paulo	1	Banco América do Sul	99.49	99.46
2 Atlantis SA Share capital 78,574,090 ARP in shares of 1 ARP	Buenos Aires	1	Banque Sudameris	81.25	
3 Banca Carime SpA Share capital 1,606,516,000,000 lire in shares of 1,000 lire	Cosenza	1	Banca Intesa	99.92	
4 Banca CIS SpA Share capital 329,673,900,000 lire in shares of 100,000 lire	Cagliari	1	Banco Ambrosiano Veneto Mediocredito Lombardo	2.14 53.23	
5 Banca Commerciale Italiana (France) SA Share capital 188,000,000 euro in shares without nominal value	Paris	1	Banca Commerciale Italiana	99.99	
6 Banca Commerciale Italiana (Ireland) Plc. Share capital 8,000,000 euro in shares of 50 euro	Dublin	1	Banca Commerciale Italiana	99.99	
7 Banca Commerciale Italiana (Suisse) Share capital 100,000,000 CHF in shares of 1,000 CHF	Zürich	1	Comit Holding International	100.00	
8 Banca Commerciale Italiana of Canada Share capital 107,900,000 CAD in shares without nominal value	Toronto	1	Comit Holding International	100.00	
9 Banca Commerciale Italiana SpA Share capital 1,794,759,365,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	70.00	
10 Banca di Legnano SpA Share capital 50,050,000,000 lire in shares of 1,000 lire	Legnano *(Milano)*	1	Banca Commerciale Italiana	55.00	
11 Banca di Trento e Bolzano SpA Share capital 97,318,082,000 lire in shares of 1,000 lire	Trento	1	Banco Ambrosiano Veneto Finanziaria BTB	8.38 57.64	
12 Banca Intesa (France) SA Share capital 260,000,000 FRF in shares of 100 FRF	Paris	1	Banca Intesa	99.99	
13 Banca Intesa International SA Share capital 35,000,000 euro in shares of 1,000 euro	Luxembourg	1	Banca Intesa Mediocredito Lombardo	99.99 0.01	
14 Banca Popolare FriulAdria SpA Share capital 14,565,685,000 lire in shares of 1,000 lire	Pordenone	1	Banca Intesa	66.47	
15 Banco Ambrosiano Veneto SpA Share capital 1,212,500,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
16 Banco América do Sul SA Share capital 450,775,974.10 R$ in shares without nominal value	São Paulo	1	Sudameris Distribuidora de Titulos e Valores	90.14	93.20

continued

Companies		Registered offices	Type of relationship (A)	Investment		Votes available at Shareholders' Meeting (%)
				direct ownership	% held	
17	Banco di Chiavari e della Riviera Ligure SpA Share capital 70,000,000,000 lire in shares of 1,000 lire	Chiavari *(Genova)*	1	Banca Commerciale Italiana	69.62	
18	Banco Sudameris Argentina SA Share capital 89,000,000 ARP in shares of 1 ARP	Buenos Aires	1	Banque Sudameris Atlantis Sociedad Anonima	49.80 50.20	
19	Banco Sudameris Brasil SA Share capital 1,200,916,702 R$ in shares without nominal value	São Paulo	1	Banque Sudameris SATA	78.25 2.51	78.41 2.47
20	Banco Sudameris Colombia Share capital 20,000,000 COP in shares of 400 COP	Santa Fé de Bogota	1	Banque Sudameris	67.60	
21	Banco Sudameris de Investimento SA Share capital 14,500,000 R$ in shares without nominal value	São Paulo	1	Banco Sudameris Brasil	73.03	47.43
22	Banco Sudameris Paraguay S.A.E.C.A. Share capital 36,341,962,000 PYG in shares of 1,000 PYG	Asunción	1	Banque Sudameris Sudameris Inmobiliaria	90.12 0.37	 0.36
23	Banco Wiese Sudameris SA Share capital 778,333,283.06 PEN in shares of 0.4727 PEN	Lima	1	Lima Sudameris Holding	64.83	67.00
24	Bankhaus Löbbecke & Co. KG Capital 168,098,818 DEM	Berlin	1	Beteiligungsgesellschaft für das Bankhaus Löbbecke Cariplo	1.22 98.78	
25	Banque Sudameris SA Share capital 316,886,065 euro in shares without nominal value	Paris	1	Comit Holding International	99.96	
26	BCI Canada Securities Inc. Share capital 200,000 CAD in shares of 500 CAD	Toronto	1	Banca Commerciale Italiana of Canada	100.00	
27	BCI Funding Corporation Share capital 10,000 US$ in shares of 1 US$	Wilmington *(Delaware)*	1	Comit Holding International	100.00	
28	BCI US Funding LLC I *(b)* Share capital 10,000,000 US$ in "common shares" of 10,000 US$	Wilmington *(Delaware)*	1	Banca Commerciale Italiana	100.00	
29	BCI US Funding LLC II *(c)* Share capital 27,500,000 euro in "common shares" of 1,000 euro	Wilmington *(Delaware)*	1	Banca Commerciale Italiana	100.00	
30	BCI US Funding LLC III *(d)* Share capital 6,000,000 GBP in "common shares" of 1,000 GBP	Wilmington (Delaware)	1	Banca Commerciale Italiana	100.00	
31	Beteiligungsgesellschaft für das Bankhaus Löbbecke Capital 3,096,900 DEM	Berlin	1	Cariplo	100.00	
32	Caboto (International) SA Share capital 10,000,000 CHF in shares of 1,000 CHF	Lugano	1	Banca Intesa	100.00	
33	Caboto Holding Sim SpA Share capital 162,500,000 euro in shares of 52 euro	Milano	1	Banca Intesa	100.00	
34	Caboto Securities Ltd. Share capital 10,000,000 GBP in shares of 1 GBP	London	1	Caboto Holding	100.00	

continued

Companies		Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
35	Caboto Sim SpA Share capital 28,912,000 euro in shares of 52 euro	Milano	1	Caboto Holding	96.13	
36	Caboto USA Inc. Share capital 1,000,000 US$ in shares of 100 US$	New York	1	Caboto Holding	100.00	
37	Caridata SpA Share capital 2,000,000,000 lire in shares of 1,000 lire	Milano	1	Cariplo	60.00	
38	Cariplo Finance Inc. Share capital 1,000 US$ in shares of 1 US$	Delaware	1	Cariplo	100.00	
39	Cariplo SpA Share capital 3,500,000,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
40	Cassa di Risparmio della Provincia di Viterbo SpA Share capital 96,876,581,000 lire in shares of 1,000 lire	Viterbo	1	Holding Intesa Centro	70.93	79.09
41	Cassa di Risparmio di Ascoli Piceno SpA Share capital 137,000,000,000 lire in shares of 500,000 lire	Ascoli Piceno	1	Cariplo	66.00	
42	Cassa di Risparmio di Biella e Vercelli SpA Share capital 235,000,000,000 lire in shares of 10,000 lire	Biella	1	Banca Commerciale Italiana	55.00	
43	Cassa di Risparmio di Città di Castello SpA Share capital 47,500,000,000 lire in shares of 1,000 lire	Città di Castello *(Perugia)*	1	Holding Intesa Centro	64.24	
44	Cassa di Risparmio di Foligno SpA Share capital 34,078,500,000 lire in shares of 1,000 lire	Foligno *(Perugia)*	1	Holding Intesa Centro Carivita	70.47 0.06	
45	Cassa di Risparmio di Parma e Piacenza SpA Share capital 1,187,500,330,000 lire in shares of 1,000 lire	Parma	1	Banca Intesa	76.58	
46	Cassa di Risparmio di Rieti SpA Share capital 91,654,000,000 lire in shares of 100,000 lire	Rieti	1	Holding Intesa Centro	80.00	
47	Cassa di Risparmio di Spoleto SpA Share capital 67,442,950,000 lire in shares of 1,000 lire	Spoleto *(Perugia)*	1	Holding Intesa Centro	59.44	65.31
48	Central-European International Bank Ltd. Share capital 23,500,000,000 HUF in shares of 1,000 HUF	Budapest	1	Comit Holding International	100.00	
49	CIB Investment Fund Management Ltd. Share capital 20,000,000 HUF in shares of 1,000,000 HUF	Budapest	1	CIB Securities	100.00	
50	CIB Leasing Co. Ltd. Share capital 20,000,000 HUF in shares of 1,000,000 HUF	Budapest	1	Central-European International Bank	100.00	
51	CIB Rent Leasing and Trading Co. Ltd. Share capital 17,000,000 HUF in shares without nominal value	Budapest	1	Central-European International Bank CIB Securities	85.29 14.71	
52	CIB Securities Co. Ltd. Share capital 4,400,000,000 HUF in 20,000 ordinary shares of 100,000 HUF, 240,000 preferred shares of 10,000 HUF	Budapest	1	Central-European International Bank	100.00	

continued

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
53 CIB Service Rt. Share capital 11,433,500,000 HUF in ordinary shares of 10,000 HUF	Budapest	1	Central-European International Bank	100.00	
54 Cofragef SA Share capital 250,000 FRF in shares of 100 FRF	Paris	1	Banca Intesa (France)	99.76	
55 Comit Asset Management SGR SpA Share capital 15,000,000,000 lire in shares of 100,000 lire	Milano	1	Banca Commerciale Italiana	100.00	
56 Comit Factoring SpA Share capital 106,000,000,000 lire in shares of 1,000	Milano	1	Banca Commerciale Italiana	100.00	
57 Comit Gestioni SGR SpA Share capital 20,000,000,000 lire in shares of 1,000,000 lire	Milano	1	Banca Commerciale Italiana	100.00	
58 Comit Holding International SA Share capital 1,793,472,000 euro in shares of 512 euro	Luxembourg	1	Banca Commerciale Italiana	99.99	
59 Comit Investments (Ireland) Ltd. Share capital 6,000 euro in shares of 60 euro	Dublin	1	Banca Commerciale Italiana	99.00	
60 Comit Service Srl. Capital 55,000,000,000 lire	Milano	1	Banca Commerciale Italiana	100.00	
61 Depositos SA Share capital 30,013,860 PEN in shares of 10 PEN	Lima	1	Banco Wiese Sudameris	99.98	
62 E.Tr. - Esazione Tributi SpA Share capital 10,000,000,000 lire in shares of 1,000 lire	Cosenza	1	Intesa Riscossione Tributi	100.00	
63 Esa. Tri. - Esazione Tributi SpA Share capital 34,710,744,000 lire in shares of 1,000 lire	Milano	1	Cariplo	66.68	
64 Finanziaria BTB SpA Share capital 109,294,080,000 lire in shares of 1,000 lire	Trento	1	Banco Ambrosiano Veneto	99.28	
65 Finreme Sim SpA Share capital 30,000,000,000 lire in shares of 10,000 lire	Milano	1	Mediocredito Lombardo	53.76	
66 Fiscambi-Locazioni Finanziarie SpA Share capital 3,000,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
67 Fivefactor SpA Share capital 16,500,000,000 lire in shares of 10,000 lire	Milano	1	Mediofactoring	100.00	
68 GET - Gestioni Esattorie Tesorerie SpA (in liquidation) Share capital 1,767,000,000 lire in shares of 1,000 lire	Cosenza	1	Intesa Riscossione Tributi	100.00	
69 Gemofid Società Fiduciaria SpA Share capital 200,000,000 lire in shares of 1,000 lire	Milano	1	Italfid Italiana Fiduciaria	100.00	
70 GenerComit Distribuzione SpA Società di Intermediazione Mobiliare Share capital 10,000,000,000 lire in shares of 100,000 lire	Mogliano Veneto *(Treviso)*	1	Banca Commerciale Italiana	100.00	

continued

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
71 Holding Intesa Centro SpA Share capital 765,212,406,000 lire in shares of 1,000 lire	Spoleto	1	Cariplo	97.63	
72 Immobiliare Maram Srl. Capital 9,250,000,000 lire	Milano	1	Banco Ambrosiano Veneto	100.00	
73 IMSA - Inversiones Mobiliarias SA Share capital 218,990,000 PEN in shares of 1 PEN	Lima	1	Banque Sudameris	89.38	
74 Intesa Asset Management SGR SpA Share capital 46,668,752 euro in shares of 52 euro	Milano	1	Banca Intesa Banca Carime C.R. della Provincia di Viterbo C.R. di Città di Castello C.R. di Foligno C.R. di Parma e Piacenza C.R. di Spoleto	78.61 0.56 0.28 0.28 0.28 6.63 0.28	
75 Intesa Bank Overseas Ltd. Share capital 10,000,000 US$ in shares of 1 US$	Grand Cayman	1	Banca Intesa	100.00	
76 Intesa Fiduciaria Sim SpA Share capital 5,000,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
77 Intesa Formazione Scpa Share capital 200,000,000 lire in shares of 100,000 lire	Milano	1	Banca Intesa Banca Carime Banca di Trento e di Bolzano Banca Popolare FriulAdria Banco Ambrosiano Veneto Caboto Holding Caboto Sim Cariplo C.R. della Provincia di Viterbo C.R. di Ascoli Piceno C.R. di Città di Castello C.R. di Parma e Piacenza C.R. di Rieti Intesa Fiduciaria Sim Intesa Gestione Crediti Intesa Italia Sim Intesa Leasing Intesa Sistemi e Servizi Italfid Italiana Fiduciaria Mediocredito Lombardo	59.50 3.00 3.00 3.00 5.00 2.00 1.00 5.00 1.00 1.00 1.00 5.00 1.00 0.50 0.50 1.00 1.00 3.00 0.50 3.00	
78 Intesa Formazione Sud Scpa Share capital 200,000,000 lire in shares of 100,000 lire	Napoli	1	Banca Carime Intesa Formazione Mediocredito Lombardo	37.55 51.00 10.00	
79 Intesa Gestione Crediti SpA Share capital 500,000,000,000 lire in shares of 10,000 lire	Milano	1	Banca Intesa	100.00	
80 Intesa Ireland Plc. Share capital 500,000 IEP in shares of 1 IEP	Dublin	1	Banca Intesa Mediocredito Lombardo	99.99 0.01	
81 Intesa Italia Sim SpA Share capital 10,000,000,000 lire in shares of 1,000 lire	Assago *(Milano)*	1	Banca Intesa	100.00	
82 Intesa Leasing SpA Share capital 65,145,953,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa C.R. di Parma e Piacenza Mediocredito Lombardo	78.57 16.68 3.39	
83 Intesa Preferred Capital Company LLC [(e)] Share capital 46,000,000 euro in "common shares" of 1 euro	Wilmington *(Delaware)*	1	Banca Intesa	100.00	

continued

Companies		Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
84	Intesa Preferred Capital Company LLC II (f) Share capital 4,000,000 euro in "common shares" of 1 euro	Wilmington *(Delaware)*	1	Banca Intesa	100.00	
85	Intesa Riscossione Tributi SpA Share capital 150,000,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
86	Intesa Sistemi e Servizi Scpa Share capital 95,000,000,000 lire in shares of 100,000 lire	Milano	1	Banca Intesa Banco Ambrosiano Veneto Cariplo	98.65 0.50 0.85	
87	Italfid Italiana Fiduciaria SpA Share capital 2,000,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
88	La Centrale Consulenza SpA Share capital 1,000,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
89	Leasing Sudameris SA Compañia de Financiamiento Comercial - Leasameris Share capital 6,145,904,000 COP in shares of 1,000 COP	Santa Fé de Bogota	1	Banco Sudameris Colombia Banque Sudameris	94.90 5.10	
90	Lima Sudameris Holding SA Share capital 681,144,050 PEN in shares of 1 PEN	Lima	1	Banque Sudameris IMSA Banco Sudameris Brasil	32.71 37.13 10.01	
91	Magazzini Generali Fiduciari Cariplo SpA Share capital 20,000,000,000 lire in shares of 1,000 lire	Milano	1	Cariplo	100.00	
92	Mediocredito Lombardo SpA Share capital 229,118,667,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa Banca Carime Banco Ambrosiano Veneto C.R. di Parma e Piacenza	85.90 1.67 0.23 1.06	
93	Mediofactoring SpA Share capital 100,761,600,000 lire in shares of 100,000 lire	Milano	1	Banca Intesa C.R. di Parma e Piacenza	92.60 7.40	
94	Phönix KG Capital 85,000,000 DEM	Berlin	1	Beteiligungsgesellschaft für das Bankhaus Löbbecke Cariplo	 1.22 98.78	
95	Prontofund Advisory SA Share capital 75.000 euro in shares of 25 euro	Luxembourg	1	Banca Commerciale Italiana Société Européenne de Banque	99.97 0.03	
96	S.Es.I.T. Puglia Servizio Esazione Imposte e Tributi SpA Share capital 1,000,000,000 lire in shares of 1,000 lire	Bari	1	Intesa Riscossione Tributi	54.94	
97	S.I.Re.F. Gestioni Società di Intermediazione Mobiliare SpA Share capital 2,000,000,000 lire in shares of 1,000 lire	Milano	1	S.I.Re.F.	100.00	
98	SATA - Sociedade de Assessoria Técnica e Administrativa SA Share capital 4,250,000 R$ in shares of 1 R$	São Paulo	1	Banque Sudameris	99.99	
99	Servitia SA Share capital 1,000,000 euro in shares without nominal value	Luxembourg	1	Société Européenne de Banque	99.99	

continued

	Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
100	Setefi SpA Share capital 15,750,000,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
101	S.I.Re.F. SpA Società Italiana di Revisione e Fiduciaria Share capital 3,000,000,000 lire in shares of 1,000 lire	Milano	1	Banca Commerciale Italiana Banco di Chiavari Banca di Legnano	60.00 20.00 20.00	
102	Société d'Investissements et de Financements Immobiliers - Finameris SA Share capital 5,000,000 FRF in shares of 100 FRF	Paris	1	Banca Commerciale Italiana (France)	99.99	
103	Société Européenne de Banque SA Share capital 45,000,000 euro in shares without nominal value	Luxembourg	1	Comit Holding International	99.99	
104	Société Foncière Meyerbeer SARL Share capital 180,000 euro in shares of 40 euro	Paris	1	Banque Sudameris	99.56	
105	Sudameris - Sociedade de Fomento Comercial e de Serviços Ltda. Capital 1,450,000 R$ in quotas of 1 R$	Barueri *(São Paulo)*	1	Sudameris Arrendamento Mercantil	99.99	
106	Sudameris Administradora de Cartão de Crédito e Serviços SA Share capital 5,550,000 R$ in shares without nominal value	Barueri *(São Paulo)*	1	Banco Sudameris Brasil	100.00	
107	Sudameris Agencia de Valores SA Share capital 229,204,492 CLP in shares without nominal value	Santiago	1	Banque Sudameris Inversiones Sudameris Chile	95.00 5.00	
108	Sudameris Arrendamento Mercantil SA Share capital 45,700,000 R$ in shares without nominal value	Barueri *(São Paulo)*	1	Banco Sudameris Brasil	99.99	
109	Sudameris Corretora de Câmbio y Valores Mobiliários SA Share capital 3,100,000 R$ in shares without nominal value	São Paulo	1	Banco Sudameris de Investimento	100.00	
110	Sudameris Distribuidora de Títulos y Valores Mobiliários SA Share capital 463,560,000 R$ in shares without nominal value	São Paulo	1	Banco Sudameris Brasil	99.99	
111	Sudameris Empreendimentos e Serviços Ltda. Capital 100,000,000 R$ in quotas of 1R$	Santo Amaro *(São Paulo)*	1	Banco Sudameris Brasil Sudameris Arrendamento Mercantil Sudameris Distribuidora de Títulos Sudameris Corretora de Câmbio Sudameris Sociedade de Fomento	97.20 2.00 0.80 n.s. n.s.	
112	Sudameris Leasing SA Share capital 1,334,538,039 CLP in shares without nominal value	Santiago	1	Banque Sudameris Inversiones Sudameris Chile	95.00 5.00	
113	Wiese Bank International Share capital 15,625,000 US$ in shares of 1 US$	George Town	1	Banco Wiese Sudameris	100.00	
114	Wiese Inversiones Financieras SA Share capital 9,562,756 PEN in shares of 1 PEN	Lima	1	Banco Wiese Sudameris	99.70	
115	Wiese Sudameris Leasing SA Share capital 124,846,650 PEN in shares of 50 PEN	San Isidro *(Lima)*	1	Banco Wiese Sudameris	99.82	

continued

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
A. Consolidated companies					
A. 2 Companies subject to proportional consolidation					
1 Carinord Holding SpA (and its Group) Share capital 277,315,000,000 lire in shares of 1,000 lire	Milano	7	Cariplo	30.94	
2 Serit Picena SpA Share capital 2,000,000,000 lire in shares of 1,000,000 lire	San Benedetto del Tronto *(Ascoli Piceno)*	7	C.R. di Ascoli Piceno	50.00	
B. Valued using equity method					
B. 1 Controlled					
1 Adria Investing dd Share capital 97,104,600 HRK in shares of 900 HRK	Zagreb	1	Riadria Banka	94.04	
2 Agricola Investimenti SpA Share capital 5,000,000,000 lire in shares of 1,000 lire	Milano	1	Cariplo	99.99	
3 Allevamenti Le Colombaie Srl. Capital 35,600,000,000 lire	Milano	1	Agricola Investimenti Cariplo	80.00 20.00	
4 Assiprogetti Gestione Polizze di Assicurazione SpA Share capital 1,719,500,000 lire in shares of 1,000 lire	Milano	1	Banco Ambrosiano Veneto	50.28	
5 Azienda Agricola Ballottino Srl. (in liquidation) Capital 1,403,000,000 lire	Milano	1	Allevamenti Le Colombaie Cariplo	51.00 49.00	
6 Banca Proxima SpA Share capital 6,103,889,000 lire in shares of 1,000 lire	Milano	1	Banca Intesa	100.00	
7 Banco Caja de Ahorro SA Share capital 73,000,000 ARP in shares of 100 ARP	Buenos Aires	1	Atlantis SA Banque Sudameris	99.99 0.01	
8 C.G.M. International SpA (in liquidation) Share capital 5,000,000,000 lire in shares of 1,000 lire	Milano	1	Cariplo	80.00	
9 Carivita SpA Share capital 160,000,000,000 lire in shares of 10,000 lire	Milano	1	Cariplo	80.00	
10 Fiduciaria Sudameris SA - Fiduameris Share capital 3,368,187,000 COP in shares of 1,000 COP	Santa Fé de Bogota	1	Banco Sudameris Colombia Banque Sudameris	94.99 5.01	
11 Intesa Sec. Share capital 100,000 euro in shares of 100 euro	Milano	1	Banca Intesa	60.00	
12 Invest Holding doo Karlovac Capital 30,000,000 HRK in quotas	Karlovac *(Zagreb)*	1	Privredna Banka Zagreb	56.38	
13 La Caja de Ahorro SA Sociedad de Bolsa Share capital 3,619,500 ARP in shares of 1 ARP	Buenos Aires	1	Banco Caja de Ahorro	99.99	100.00
14 Liburnainvest doo Capital 400,000 HRK in quotas	Rijeka	1	Riadria Banka	100.00	
15 Palazzo Legnazzi Srl. (in liquidation) Capital 5,000,000,000 lire	Milano	1	Agricola Investimenti Cariplo	65.50 24.50	
16 Paros International Insurance Brokers Srl. Capital 2,000,000,000 lire	Milano	1	Banca Carime Cariplo	2.00 76.37	

continued

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
17 Pbz American Express doo Capital 1,000,000 HRK in quotas	Zagreb	1	Privredna Banka Zagreb	100.00	
18 Pbz Im - Und Export Handel Service GmbH (in liquidation) Capital 20,000 DEM in quotas	Frankfurt am Main	1	Privredna Banka Zagreb	100.00	
19 Pbz Invest doo Capital 1,000,000 HRK in quotas	Zagreb	1	Privredna Banka Zagreb	100.00	
20 Pbz Investolding doo Capital 35,000,000 HRK in quotas	Zagreb	1	Privredna Banka Zagreb	100.00	
21 Pbz Kapital doo Capital 400,000 HRK in quotas	Zagreb	1	Privredna Banka Zagreb	100.00	
22 Pbz Leasing doo Capital 20,000 HRK in quotas	Zagreb	1	Privredna Banka Zagreb	100.00	
23 Pbz Nekretine doo Capital 250,000 HRK in quotas	Zagreb	1	Privredna Banka Zagreb	100.00	
24 PREVINET - Servizi per la previdenza SpA Share capital 10,000,000,000 lire in shares of 1,000,000 lire	Mogliano Veneto *(Treviso)*	1	Banco Ambrosiano Veneto Banca Commerciale Italiana	5.00 47.50	
25 Privredna Banka - Laguna Banka dd Share capital 60,014,000 HRK in shares of 3,700 HRK	Poreč	1	Privredna Banka Zagreb	100.00	
26 Privredna Banka Zagreb dd Share capital 1,666,000,000 HRK in shares of 100 HRK	Zagreb	1	Comit Holding International	66.30	
27 Riadria Banka dd Share capital 165,813,000 HRK in shares of 300 HRK	Rijeka	1	Privredna Banka Zagreb	67.74	
28 Seguradora América do Sul SA - SEASUL Share capital 13,200,000 R$ without nominal value	São Paulo	1	Banco América do Sul	99.69	
29 Skuda dd Share capital 9,334,200 HRK in shares of 100 HRK	Zagreb	1	Privredna Banka Zagreb	83.35	
30 Wiese Sudameris Fondos SA Share capital 8,566,240 PEN in shares of 1 PEN	Lima	1	Banco Wiese Sudameris	100.00	
31 Wiese Sudameris Sociedad Agente de Bolsa - SA Share capital 7,632,973 PEN in shares of 1 PEN	Lima	1	Banco Wiese Sudameris	100.00	
32 Wiese Sociedad Titulizadora SA Share capital 21,502,500,000 PEN in shares of 1 PEN	Lima	1	Banco Wiese Sudameris	100.00	
B.2 Associated					
1 Agos Itafinco SpA Share capital 26,750,000,000 lire in shares of 1,000,000 lire	Milano	8	Banca Intesa	30.00	
2 América do Sul Credito Financiamento y Investimento Share capital 7,000,000 R$ in shares without nominal value	Bela Vista *(São Paulo)*	8	Banco America do Sul	39.32	40.00
3 ASSIBA - Società di Assicurazioni SpA Share capital 175,000,000,000 lire in shares of 10,000 lire	Milano	8	Banca Commerciale Italiana Banco di Chiavari Banca di Legnano	48.00 1.00 1.00	

continued

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
4 Banco de Investimento Imobiliario (and its Group) Share capital 60,000,000 euro in shares of 5 euro	Lisboa	8	Banca Intesa	50.00	
5 Bank Austria Creditanstalt Share capital 1,996,920,000 CZK in shares of 10,000 CZK	Praha	8	Banca Intesa	20.00	
6 Car World Italia SpA Share capital 6,000,000,000 lire in shares of 100,000 lire	Milano	8	Mediocredito Lombardo	30.00	
7 Caralt SpA Share capital 5,000,000,000 lire in shares of 100,000 lire	Alessandria	8	Cariplo	35.00	
8 Cassa di Risparmio della Provincia di Chieti SpA Share capital 100,000,000,000 lire in shares of 1,000 lire	Chieti	8	Cariplo	20.00	
9 Cassa di Risparmio della Provincia di Teramo SpA Share capital 50,000,000,000 lire in shares of 1,000 lire	Teramo	8	Cariplo	20.00	
10 Cassa di Risparmio di Fermo SpA Share capital 75,975,000,000 lire in shares of 100,000 lire	Fermo *(Ascoli Piceno)*	8	Cariplo	33.33	
11 Cassa di Risparmio Terni e Narni SpA Share capital 35,000,000,000 lire in shares of 10,000 lire	Terni	8	Cariplo	35.00	
12 Chiari & Forti SpA Share capital 6,333,000,000 lire in shares of 10,000 lire	Silea *(Treviso)*	8	Mediocredito Lombardo	21.05	
13 Compagnie Monégasque de Banque SAM Share capital 111,110,000 euro in shares of 200 euro	Monte Carlo	8	Comit Holding International	33.86	
14 Credito Agricolo Italiano SpA Share capital 22,500,000,000 lire in shares of 1,000 lire	Roma	8	Cariplo C.R. della Provincia di Viterbo C.R. di Ascoli Piceno C.R. di Città di Castello C.R. di Foligno C.R. di Rieti C.R. di Spoleto	21.20 2.98 8.88 1.54 3.63 2.19 1.36	
15 Dante Prini SpA Share capital 10,000,000,000 lire in shares of 1,000 lire	Montano Lucino *(Como)*	8	Mediocredito Lombardo	32.50	
16 Ente Nazionale Sementi Elette Endowment fund 65,971,115 lire	Milano	8	Cariplo	49.41	
17 Euroholding SA Share capital 23,500,000 ARP in shares of 1,000 ARP	Buenos Aires	8	Banco Sudameris Argentina Banque Sudameris	10.00 15.00	
18 Euromilano Srl. Capital 12,500,000,000 lire	Milano	8	Mediocredito Lombardo	37.50	
19 FIDIA - Fondo Interbancario d'Investimento Azionario SpA Share capital 30,000,000,000 lire in shares of 1,000,000 lire	Milano	8	Banca Commerciale Italiana	25.00	

continued

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
20 First Skelligs International Finance Company Ltd. Share capital 1,500,000,000 lire in shares of 1,000 lire	Dublin	8	Banco Ambrosiano Veneto	33.33	
21 Lo.Se.Ri. Lombarda Servizi di Riscossione SpA Share capital 2,877,697,000 lire in shares of 1,000 lire	Cremona	8	Cariplo	30.50	
22 Luxicav Conseil SA Share capital 75,000 euro in shares of 25 euro	Luxembourg	8	Société Européenne de Banque	50.00	
23 Luxiprivilège Conseil SA Share capital 75,000 euro in shares of 25 euro	Luxembourg	8	Société Européenne de Banque	50.00	
24 Mediocredito dell'Umbria Share capital 86,434,211,000 lire in shares of 1,000 lire	Perugia	8	Banca Commerciale Italiana Cariplo C.R. di Città di Castello C.R. di Foligno C.R. di Spoleto	0.02 6.67 4.31 4.98 5.70	
25 Po Vita Assicurazioni SpA Share capital 40,000,000,000 lire in shares of 1,000 lire	Parma	8	C.R. di Parma e Piacenza	44.99	
26 PROMINVESTMENT SpA Share capital 1,000,000,000 lire in shares of 1,000 lire	Roma	8	Banca Commerciale Italiana	25.00	
27 Servizi Assicurativi Padano Srl. Capital 180,000,000 lire; paid up 72,000,000 lire	Parma	8	C.R. di Parma e Piacenza	40.00	
28 Sim Co.Ge.F. SpA Share capital 8,000,000,000 lire in shares of 1,000,000 lire	Milano	8	Banca Commerciale Italiana	40.00	
29 So.Ri.T SpA Share capital 1,386,000,000 lire in shares of 33 lire	Foligno *(Perugia)*	8	C.R. di Città di Castello C.R. di Spoleto C.R. di Foligno	6.77 3.33 12.03	
30 Sudameris Generali C.ia de Seguros e Previdência Privada Share capital 3,900,000 R$ in shares without nominal value	São Paulo	8	Banco Sudameris de Investimento	50.00	
31 Systema Bic Basilicata Scpa Share capital 2,065,871 euro in share of 1 euro	Potenza	8	Banca Carime Mediocredito Lombardo	18.00 4.50	
32 Termomeccanica SpA Share capital 6,000,000,000 lire in shares of 10,000 lire	La Spezia	8	Cariplo	32.32	
C. Other significant investments					
C.1 Controlled					
1 América do Sul Administradora de Cartao de Credito e Assessoria Ltda. (*) Capital 50,000 R$ in quotas of 1 R$	São Caetano do Sul	1	Banco América do Sul	99.99	
2 América do Sul Fomento Comercial Ltda. (*) Capital 170 R$ in quotas of 2 R$	São Caetano do Sul	1	Banco América do Sul	97.65	
3 Azienda Agricola "Il Bottone" Srl. (*) Capital 300,000,000 lire	Busseto *(Parma)*	1	C.R. di Parma e Piacenza	80.00	

continued

	Companies	Registered offices	Type of relationship (A)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting (%)
4	BCI Nominees Ltd. (**) Share capital 100 GBP in shares of 1 GBP	London	1	Banca Commerciale Italiana	100.00	
5	BCILUX CONSEIL SA (*) Share capital 75,000 euro in shares of 25 euro	Luxembourg	1	Banca Commerciale Italiana (Suisse) Société Européenne de Banque	50.00 50.00	
6	BIL Servizi Finanziari SpA (*) Share capital 160,000 euro in shares of 1 euro	Milano	1	Banca di Legnano	100.00	
7	Biverbroker Srl. (*) Capital 90,000,000 lire in quotas of 1,000 lire	Biella	1	Cassa di Risparmio di Biella e Vercelli	55.00	
8	Candesa SA Gerente de Fondos Comunes de Inversion (*) Share capital 130,000 ARP in shares of 1 ARP	Buenos Aires	1	Banco Sudameris Argentina Atlantis	99.99 0.01	
9	Centro Aurelia Srl. (in liquidation) (**) Capital 194,082,000 lire	Milano	1	Cariplo	100.00	
10	Consul Service (in liquidation) (**) Share capital 32,000,000 lire in shares of 1,000 lire	Cagliari	1	Banca CIS	98.41	
11	Consult-Ameris SA (*) Share capital 8,000 US$ in shares of 100 US$	Montevideo	1	Banque Sudameris	100.00	
12	Cormano Srl. (*) Capital 50,000,000 lire	Olgiate Olona *(Varese)*	1	Banca Commerciale Italiana	70.82	
13	Finanziaria Colonna Srl. (*) Capital 20,000,000	Roma	1	Cariplo	100.00	
14	Grundstücksverwaltungsgesellschaft für das Bankhaus Löbbecke (*) Share capital 100,000 DEM	Berlin	1	Bankhaus Löbbecke	100.00	
15	Intermodal Cargo SA (*) Share capital 100,720 PEN in shares of 10 PEN	Lima	1	Depositos SA	69.50	
16	Inversiones Sudameris CA (*) Share capital 10,000,000 VEB in shares of 1,000 VEB	Caracas	1	Banque Sudameris	99.97	
17	Inversiones Sudameris Chile Ltda. (*) Capital 38,040,000 CLP in quotas without nominal value	Santiago	1	Banque Sudameris Sudameris Inmobiliaria	83.33 16.67	
18	La Bufalina Srl. (in liquidation) (**) Capital 153,056,000 lire	Milano	1	Cariplo	100.00	
19	Giotto Finance SpA (*) Share capital 129,000 euro in shares of 1 euro	Milano	1	Caboto Holding Caboto Sim	60.00 40.00	
20	Löbco Immobilien- und Handelsgesellschaft (*) Share capital 100,000 DEM	Berlin	1	Bankhaus Löbbecke	100.00	
21	Marvany Vendeglo Kft (§) Capital 95,090,000 HUF in quotas	Budaors	1	CIB Service	100.00	
22	Nemetria Servizi Srl. (*) Capital 20,000,000 lire	Foligno *(Perugia)*	1	C.R. di Foligno C.R. di Spoleto	80.00 5.00	
23	Petrochemical Investments Ltd. (*) Share capital 22,000,000 US$ in shares of 1 US$	George Town *(Grand Cayman)*	1	Banca Commerciale Italiana	100.00	

continued

Companies	Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
24 Realtanoda u. 12 Vagyonkezelo Kft (§) Capital 3,000,000 HUF in quotas	Budapest	1	CIB Service	100.00	
25 Scala Advisory SA (*) Share capital 75,000 euro in shares of 25 euro	Luxembourg	1	Banca Commerciale Italiana Société Européenne de Banque	99.97 0.03	
26 SEB Trust Ltd. (*) Share capital 250,000 GBP in shares of 1 GBP	Jersey	1	Société Européenne de Banque	99.99	
27 Sphera (*) Share capital 50,000 FRF in shares of 100 FRF	Paris	1	Banca Intesa (France)	100.00	
28 Sudameris Capital Markets SA (*) Share capital 178,650 ARP in shares of 250 ARP	Buenos Aires	1	Banque Sudameris	99.24	
29 Sudameris Inmobiliaria SA (*) Share capital 100,000 US$ in shares of 100 US$	Panama	1	Banque Sudameris	100.00	
30 Sudameris Investment Chile SA (*) Share capital 2,233,118,627 CLP in shares without nominal value	Santiago	1	Banque Sudameris Inversiones Sudameris Chile	99.99 0.01	
31 Sudpar International Inc. (*) Share capital 125,000 US$ in shares of 1 US$	George Town *(Grand Cayman)*	1	Banque Sudameris	100.00	
32 Sunto Srl. (*) Capital 190,000,000 lire	Milano	1	C.R. di Parma e Piacenza	100.00	
33 Transalpine de Paris SA (**) Share capital 82,030,000 FRF in shares of 100 FRF	Paris	1	C.R. di Parma e Piacenza Caboto Sim	99.99 0.01	
34 Wohnungs- und Grundstücksgesellschaft für das Bankhaus Löbbecke (*) Capital 200,000 DEM	Berlin	1	Bankhaus Löbbecke	100.00	
C.2 Associated					
1 América do Sul de Arrendamento Mercantil SA (*) Share capital 7,000,000,44 R$ in shares without nominal value	São Paulo	8	Banco America do Sul	39.70	
2 Bci Soditic Trade Finance Ltd. (*) Share capital 5,000,000 US$ in shares of 1 US$	London	8	Comit Holding International	50.00	
3 Cantiere Darsena Italia SpA (in liquidation) (**) Share capital 5,000,000,000 lire in shares of 1,000 lire	Viareggio *(Lucca)*	8	Cariplo	20.00	
4 Consorzio Zona Industriale di Tempio Pausania (*) Endowment fund 11,700,000 lire	Tempio Pausania *(Sassari)*	8	Banca CIS	21.37	
5 Credito Fondiario e Industriale Fonspa (#) Share capital 106,769,668,000 lire in shares of 1,000 lire	Roma	8	Banca Commerciale Italiana	24.63	
6 Del Mar SA (*) Share capital 55,075,200 PEN in shares of 10 PEN	Lima	8	Banco Wiese Sudameris	21.57	
7 Editrade SAC (*) Share capital 11,659,600 PEN in shares of 100 PEN	San Isidro *(Lima)*	8	Wiese Inversiones Financieras	22.50	

continued

Companies		Registered offices	Type of relationship (A)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%)
8	GENSEB - Generali & SEB Risk Service SA (*) Share capital 250,000 euro in shares of 25 euro	Luxembourg	8	Société Européenne de Banque	50.00	
9	Grifo Insurance Brokers Srl. (*) Capital 200,000,000 lire	Perugia	8	Paros	30.64	
10	Immobiliare Palvareto Srl. (in liquidation) (**) Capital 20,000,000 lire	Cremona	8	Cariplo	50.00	
11	Infocorp SA (*) Share capital 4,251,436 PEN in shares of 1 PEN	San Isidro *(Lima)*	8	Wiese Bank International	20.73	
12	Ipef Partners Ltd. (*) Share capital 1,000 GBP in shares of 1 GBP	London	8	Mediocredito Lombardo	40.50	
13	LEASEMAC SpA (in liquidation) (**) Share capital 500,000,000 lire in shares of 1,000,000 lire	Milano	8	Banca di Legnano	33.40	
14	Monte Mario 2000 Srl. (*) Capital 99,000,000 lire	Roma	8	Finanziaria Colonna	47.50	
15	Revisud SpA (in liquidation) (**) Share capital 287,000,000 lire in shares of 10,000 lire	Bari	8	Banca Carime Mediocredito Lombardo	23.00 4.00	
16	Saper Empreendimentos Imobiliarios Ltda. (*) Capital 363,63 R$ in quotas of 0,000364 R$	São Paulo	8	SATA	37.89	
17	SIDER CORP. SA (*) Share capital 79,538,000 PEN in shares of 1,000 PEN	Santa Anita *(Lima)*	8	Wiese Inversiones Financieras	20.05	
18	Sudameris Casa de Bolsa SA (*) Share capital 100,000,000 PYG in shares of 1,000,000 PYG	Asunción	8	Banco Sudameris Paraguay	49.00	
19	The Maple Gas Development Corporation (*) Share capital 50,000 US$ in shares of 1 US$	San Isidro *(Lima)*	8	Wiese Inversiones Financieras	33.33	

Notes:

Banca Proxima SpA was excluded from the consolidation pursuant to Art. 29 of Legislative Decree 87/92, since it was not operative at the balance sheet date.

(a) *Nature of relationship:*

1 - control, as defined by Art. 2359.1.1 of the Italian Civil Code (majority of voting rights at Ordinary Shareholders' Meetings);
2 - control, as defined by Art. 2359.1.2 of the Italian Civil Code (dominant influence at Ordinary Shareholders' Meetings);
3 - control, as defined by Art. 23.2.1 of the Italian Banking Law (agreements with other members);
4 - other forms of control;
5 - common management as defined in Art. 26.1 of the "Decree";
6 - common management as defined in Art. 26.2 of the "Decree";
7 - joint control;
8 - associated company.

(b) *Considering the preferred shares issued by BCI US Funding Trust for a total of 200,000,000 US$, the equity stake equals 4.76%.*
(c) *Considering the preferred shares issued by BCI US Funding Trust for a total of 550,000,000 euro, the equity stake equals 4.76%.*
(d) *Considering the preferred shares issued by BCI US Funding Trust for a total of 120,000,000 GBP, the equity stake equals 4.76%.*
(e) *Considering the preferred shares issued for a total of 200,000,000 euro, the equity stake equals 18.70%.*
(f) *Considering the preferred shares issued for a total of 150,000,000 euro, the equity stake equals 2.60%.*
(*) *Company excluded from consolidation or the valuation according to the equity method since the total value of this Company is not significant.*
(**) *Company excluded from consolidation or the valuation according to the equity method since the Company is in liquidation.*
(#) *Company excluded from consolidation or the valuation according to the equity method, since the Company is currently under sale.*
(§) *Company excluded from consolidation or the valuation according to the equity method since acquired following the recovery of a doubtful loan.*

Attachments
to the Consolidated Financial Statements

Attachments

Gruppo Intesa - Consolidated financial statements as at 30th June 2000 expressed in euro
Consolidated balance sheet

Assets		30th June 2000 (A)	
10. Cash and deposits with central banks and post offices			1,296
20. Treasury bills and similar bills eligible for refinancing with central banks			7,946
30. Due from banks			52,863
a) repayable on demand		8,593	
b) other		44,270	
40. Loans to customers			174,552
including			
• loans using public funds		56	
50. Bonds and other debt securities			50,704
a) public entities		30,185	
b) banks		11,663	
including			
• own bonds	2,508		
c) financial institutions		4,756	
d) other issuers		4,100	
60. Shares, quotas and other forms of capital			5,237
70. Equity investments			2,537
a) carried at equity		490	
b) other		2,047	
80. Investments in Group companies			501
a) carried at equity		450	
b) other		51	
90. Goodwill arising on consolidation			427
100. Goodwill arising on application of the equity method			264
110. Intangible fixed assets			739
including			
• start-up costs		44	
• goodwill		42	
120. Tangible fixed assets			4,767
150. Other assets			25,844
160. Accrued income and prepaid expenses			4,753
a) accrued income		4,308	
b) prepaid expenses		445	
including			
• discounts on issued bonds	70		
Total Assets			**332,430**

(in millions of euro)

31st December 1999 (B)			30th June 1999 (C)			% Changes (A/B)	% Changes (A/C)
		1,337			1,230	(3.07)	5.37
		11,145			22,511	(28.70)	(64.70)
		43,786			51,957	20.73	1.74
	4,636			9,809			
	39,150			42,148			
		162,596			153,437	7.35	13.76
	59			57			
		47,519			43,623	6.70	16.23
	27,037			23,790			
	11,457			12,283			
3,603			4,808				
	4,258			2,491			
	4,767			5,059			
		1,985			2,704	163.83	93.68
		2,895			2,357	(12.37)	7.64
	458			437			
	2,437			1,920			
		150			198	234.00	153.03
	95			93			
	55			105			
		426			453	0.23	(5.74)
		4			10	n.s.	n.s.
		745			762	(0.81)	(3.02)
	49			82			
	48			54			
		4,846			4,824	(1.63)	(1.18)
		24,022			22,760	7.58	13.55
		4,225			4,218	12.50	12.68
	3,838			3,770			
	387			448			
101			86				
		305,681			**311,044**	**8.75**	**6.88**

Liabilities and Shareholders' Equity	30th June 2000 (A)	
10. Due to banks		95,977
a) repayable on demand	22,327	
b) time deposits or with notice period	73,650	
20. Due to customers		110,670
a) repayable on demand	81,724	
b) time deposits or with notice period	28,946	
30. Securities issued		62,105
a) bonds	40,429	
b) certificates of deposit	17,455	
c) other	4,221	
40. Deposits and public funds under administration		113
50. Other liabilities		27,603
60. Accrued expenses and deferred income		5,299
a) accrued expenses	4,412	
b) deferred income	887	
70. Allowance for employee termination indemnities		1,531
80. Allowances for risks and charges		5,300
a) pensions and similar commitments	1,422	
b) taxation	2,682	
c) risks and charges arising on consolidation	100	
d) other allowances	1,096	
90. Allowance for possible loan losses		341
100. Reserve for general banking risks		141
110. Subordinated liabilities		9,249
120. Negative goodwill arising on consolidation		26
130. Negative goodwill arising on application of the equity method		3
140. Minority shareholders (+/-)		2,811
150. Share capital		2,952
160. Share premium reserve		5,972
170. Reserves		1,295
a) legal reserve	773	
b) reserve for own shares	–	
c) statutory reserves	79	
d) other reserves	443	
180. Revaluation reserves		260
200. Net income (loss) for the period/year		782
Total Liabilities and Shareholders' Equity		**332,430**

(in millions of euro)

31st December 1999 (B)		30th June 1999 (C)		% Changes (A/B)	% Changes (A/C)
	82,735		84,529	16.01	13.54
9,463		18,429			
73,272		66,100			
	106,216		104,395	4.19	6.01
81,002		76,051			
25,214		28,344			
	60,639		63,172	2.42	(1.69)
38,022		39,065			
18,937		21,530			
3,680		2,577			
	111		111	1.80	1.80
	22,647		28,410	21.88	(2.84)
	4,628		4,859	14.50	9.06
3,792		3,957			
836		902			
	1,510		1,496	1.39	2.34
	5,037		3,863	5.22	37.20
1,374		1,365			
2,440		1,700			
100		100			
1,123		698			
	353		400	(3.40)	(14.75)
	151		42	(6.62)	235.71
	8,575		6,882	7.86	34.39
	26		26	–	–
	3		–	–	–
	2,741		2,952	2.55	(4.78)
	2,792		2,792	5.73	5.73
	5,276		5,249	13.19	13.77
	892		929	45.18	39.40
255		255			
–		–			
79		84			
558		590			
	260		239	–	8.79
	1,089		698	(28.19)	12.03
	305,681		**311,044**	**8.75**	**6.88**

Gruppo Intesa - Consolidated financial statements as at 30th June 2000 expressed in euro
Consolidated balance sheet

Guarantees and Commitments		30th June 2000 (A)
10. Guarantees given		30,872
including		
• acceptances	636	
• other guarantees	30,236	
20. Commitments		130,426
including		
• for sales with commitment to repurchase	29	
Total Guarantees and Commitments		**161,298**

(in millions of euro)

31st December 1999		30th June 1999		% Changes	
(B)		(C)		(A/B)	(A/C)
	29,225		47,687	5.64	(35.26)
584		3,340			
28,641		44,347			
	70,219		118,731	85.74	9.85
67		146			
	99,444		**166,418**	**62.20**	**(3.08)**

Gruppo Intesa - Consolidated financial statements as at 30th June 2000 expressed in euro
Consolidated statement of income

		First half 2000 (A)	
10. Interest income and similar revenues			7,980
including from			
• loans to customers		5,226	
• debt securities		1,575	
20. Interest expense and similar charges			(5,242)
including from			
• deposits from customers		(1,229)	
• securities issued		(1,697)	
30. Dividends and other revenues			937
a) from shares, quotas and other forms of capital		208	
b) from equity investments		727	
c) from investments in Group companies		2	
40. Commission income			2,465
50. Commission expense			(337)
60. Profits (Losses) on financial transactions			85
65. Returns on investment of the allowance for pensions and similar commitments			79
70. Other operating income			341
80. Administrative costs			(3,320)
a) payroll		(2,079)	
including			
• wages and salaries	(1,440)		
• social securities charges	(422)		
• termination indemnities	(103)		
• pensions and similar commitments	(45)		
b) other		(1,241)	
85. Provisions for integrative social security benefits			(77)
90. Adjustments to tangible and intangible fixed assets			(376)
100. Provisions for risks and charges			(159)
110. Other operating expenses			(118)
120. Adjustments to loans and provisions for guarantees and commitments			(735)
130. Write-back of adjustments to loans and provisions for guarantees and commitments			208
140. Provisions for possible loan losses			(38)
150. Adjustments to financial fixed assets			(11)
160. Write-back of financial fixed assets			5
170. Income (Loss) from investments carried at equity			57
180. Income (Loss) from operating activities			1,744
190. Extraordinary income		396	
200. Extraordinary charges		(389)	
210. Extraordinary income (loss), net			7
230. Change in the reserve for general banking risks			10
240. Income taxes for the period/year			(862)
250. Income attributable to minority shareholders			(117)
260. Net income for the period/year			**782**

(in millions of euro)

	First half 1999 (B)			1999 (C)			Changes	
							amount	%
			7,694			15,003	286	3.72
		4,880			9,274			
		1,470			2,965			
			(4,960)			(9,639)	282	5.69
		(1,085)			(1,910)			
		(1,664)			(3,218)			
			204			307	733	n.s.
		162			204			
		38			92			
		4			11			
			2,147			4,406	318	14.81
			(272)			(595)	65	23.90
			265			109	(180)	(67.92)
			24			45	55	n.s.
			380			846	(39)	(10.26)
			(3,196)			(6,540)	124	3.88
		(2,046)			(4,096)			
	(1,400)			(2,817)				
	(426)			(850)				
	(99)			(200)				
	(49)			(103)				
		(1,150)			(2,444)			
			(22)			(43)	55	n.s.
			(392)			(892)	(16)	(4.08)
			(123)			(252)	36	29.27
			(106)			(184)	12	11.32
			(823)			(1,860)	(88)	(10.69)
			142			463	66	46.48
			(56)			(80)	(18)	(32.14)
			(28)			(71)	(17)	(60.71)
			4			11	1	25.00
			18			6	39	n.s.
			900			1,040	844	93.78
		747			1,523			
		(145)			(779)			
			602			744	(595)	(98.84)
			(5)			(117)	15	–
			(655)			(391)	207	31.60
			(144)			(187)	(27)	(18.75)
			698			**1,089**	**84**	**12.03**

Powers of Banca Intesa's Administrative Bodies

Pursuant to CONSOB Ruling 97001574 of 20th February 1997 powers attributed to Banca Intesa's Directors and Managers are indicated below.

Chairman of the Board of Directors

Pursuant to Art. 23 of the Company's Articles of Association, the Chairman of the Board of Directors represents the Company before any third party, also in any judicial proceeding, and may sign in the name and on behalf of the Company.
In case of urgency - pursuant to Art. 19 of the Company's Articles of Association - the Chairman of the Board of Directors may take decisions normally attributed to the Executive Committee and the Board of Directors, whenever the Executive Committee could not meet, provided that decisions are not exclusively attributed to the Board.
Should the Chairman be unavailable, the Deputy Chairman or, in his absence, the Managing Director and Chief Executive Officer have the same power.
The competent Administrative Bodies must be informed of any such decisions in their first following meeting.

Executive Committee

Art. 20 of the Company's Articles of Association states that the Executive Committee must be appointed by the Board of Directors; the latter must also determine the period of the appointment, the powers and the operating terms.
It is made up of 5 to 10 members and must include the Chairman of the Board of Directors and the Managing Director and Chief Executive Officer, if appointed.
The current Executive Committee was appointed by the Board of Directors on 18th April 2000 and integrated on 20th June 2000. It will be in power until the Shareholders' Meeting for the approval of the 2000 financial statements.
The Executive Committee has the power to authorise - within the limits set forth by the Board of Directors - loan facilities, employment contracts, personnel promotions or dismissals, client transactions and purchase of goods and services.

Managing Director and Chief Executive Officer

Art. 19 of the Company's Articles of Association allows the Board of Directors, in respect of the Law and Company's Articles of Association, to delegate its powers to the Managing Director and Chief Executive Officer and to fix the limits of such delegation.
The current Managing Director and Chief Executive Officer was appointed by the Board of Directors on 16th April 1998 and will be in power until the Shareholders' Meeting for the approval of the 2000 financial statements.
The Managing Director and Chief Executive Officer has the same powers as the Executive Committee, for lower amounts.

General Manager and Chief Operating Officer

Pursuant to Art. 25 of the Company's Articles of Association, the General Manager and Chief Operating Officer is the head of operating activities and exercises its functions within the powers attributed by the Board of Directors.
The General Manager and Chief Operating Officer in office was appointed by the Board of Directors held on 12th April 1999.
The General Manager and Chief Operating Officer has the same powers as the Managing Director and Chief Executive Officer, for lower amounts. In case of absence or unavailability, according to the criteria set forth by the Board of Directors, the General Manager and Chief Operating Officer is substituted by one of the Joint General Managers or, if unavailable, by one of the Deputy General Managers.

Gruppo Intesa
Quarterly consolidated financial statements as at 30th June 2000
Consolidated balance sheet data

(in billions of lire)

	30/6/2000	31/3/2000	31/12/1999
Loans to customers	337,980	330,659	314,830
Due from and to banks, net	(83,480)	(81,717)	(75,417)
Securities			
• not held in the investment portfolio	98,009	101,821	90,407
• held in the investment portfolio	25,692	26,930	27,024
Equity investments	5,883	5,941	5,894

Total direct customer deposits	334,756	338,182	323,291
Subordinated liabilities	17,909	17,894	16,604

Gruppo Intesa
Quarterly consolidated financial statements as at 30th June 2000
Consolidated statement of income data

(in billions of lire)

	Second quarter 2000	First half 2000	Second quarter 1999	First half 1999
Interest margin	2,719	5,465	2,809	5,527
Net commissions	2,019	4,120	1,943	3,632
Profits (Losses) on financial transactions	(7)	164	30	514
Dividends	1,712	1,761	166	194
Other income, net	173	433	384	529
Net interest and other banking income	6,616	11,943	5,332	10,396
Administrative costs	(3,231)	(6,428)	(3,145)	(6,189)
a) payroll	(1,997)	(4,025)	(1,979)	(3,962)
b) other administrative costs	(1,234)	(2,403)	(1,166)	(2,227)
Adjustments to tangible and intangible fixed assets	(379)	(729)	(375)	(759)
Operating margin	3,006	4,786	1,812	3,448
Net adjustments to loans and provisions for possible loan losses	(672)	(1,094)	(839)	(1,428)
Provisions for risks and charges	(184)	(308)	(189)	(239)
Net adjustments to financial fixed assets	(12)	(13)	(47)	(47)
Net operating income	2,138	3,371	737	1,734
Extraordinary income, net	281	16	748	1,169
Income before taxes	2,419	3,387	1,485	2,903
Income taxes for the period	(1,044)	(1,666)	(688)	(1,264)
Change in the reserve for general banking risks	7	19	(5)	(10)
Income (Losses) for the period attributable to minority shareholders	(325)	(226)	(150)	(278)
Net income for the period	**1,057**	**1,514**	**642**	**1,351**

Gruppo Intesa
Consolidated financial statements as at 30th June 2000
Statement of cash flows

(in billions of lire)

Cash generated from operations		
Net income	1,514	
Change in the reserve for general banking risks	(19)	
Adjustments to tangible and intangible fixed assets	729	
Net adjustments to financial fixed assets	13	
Net adjustments to loans	1,021	
Net adjustments to securities	503	
Increase/(decrease) in allowance for possible loan losses	(22)	
Increase/(decrease) in allowance for employee termination indemnities	42	
Increase/(decrease) in allowance for retirement benefits	93	
Increase/(decrease) in allowances for risks and charges - other	(52)	
Increase/(decrease) in allowances for risks and charges - taxation	469	
Increase/(decrease) in consolidation allowance for possible risks and charges	–	
(Increase)/decrease in accrued income and prepaid expenses	(1,023)	
Increase/(decrease) in accrued expenses and deferred income	1,298	
Cash generated from operations		**4,566**
Cash utilised in investment activities		
(Increase)/decrease in securities	(6,773)	
(Increase)/decrease in tangible fixed assets	(207)	
(Increase)/decrease in intangible fixed assets	(275)	
(Increase)/decrease in positive consolidation differences	(587)	
(Increase)/decrease in equity investments	(2)	
(Increase)/decrease in due from banks *(excluding amounts due on demand)*	(9,914)	
(Increase)/decrease in loans to customers	(24,171)	
(Increase)/decrease in other assets	(3,523)	
Cash utilised in investment activities		**(45,452)**
Cash generated from funding activities		
Increase/(decrease) in due from banks *(excluding amounts due on demand)*	732	
Increase/(decrease) in due to customers	8,626	
Increase/(decrease) in securities issued	2,839	
Increase/(decrease) in other liabilities	9,600	
Increase/(decrease) in subordinated liabilities	1,305	
Increase/(decrease) in minority shareholders	134	
Increase/(decrease) in shareholders' equity	1,209	
Dividends paid	(882)	
Cash generated from funding activities		**23,563**
Increase/(decrease) in cash, liquid funds and due from banks on demand, net		(17,323)
Cash, liquid funds and due from banks on demand, net - opening balance		(6,759)
Cash, liquid funds and due from banks on demand, net - closing balance		**(24,082)**

Gruppo Intesa - Consolidated financial statements as at 30th June 2000
Consolidated balance sheet - not restated

Assets			30th June 2000 (A)
10. Cash and deposits with central banks and post offices			2,510
20. Treasury bills and similar bills eligible for refinancing with central banks			15,385
30. Due from banks			102,358
a) repayable on demand		16,639	
b) other		85,719	
40. Loans to customers			337,980
including			
• loans using public funds		108	
50. Bonds and other debt securities			98,176
a) public entities		58,446	
b) banks		22,582	
including			
• own bonds	4,834		
c) financial institutions		9,209	
d) other issuers		7,939	
60. Shares, quotas and other forms of capital			10,140
70. Equity investments			4,912
a) carried at equity		949	
b) other		3,963	
80. Investments in Group companies			971
a) carried at equity		872	
b) other		99	
90. Goodwill arising on consolidation			826
100. Goodwill arising on application of the equity method			511
110. Intangible fixed assets			1,430
including			
• start-up costs		86	
• goodwill		81	
120. Tangible fixed assets			9,231
150. Other assets			50,041
160. Accrued income and prepaid expenses			9,203
a) accrued income		8,342	
b) prepaid expenses		861	
including			
• discounts on issued bonds	136		
Total Assets			**643,674**

(in billions of lire)

31st December 1999			30th June 1999			% Changes	
(B)			(C)			(A/B)	(A/C)
		2,585			1,061	(2.90)	136.57
		21,572			36,463	(28.68)	(57.81)
		84,415			49,300	21.26	107.62
	8,930			9,669			
	75,485			39,631			
		312,798			177,082	8.05	90.86
	106			95			
		91,798			51,150	6.95	91.94
	52,231			24,782			
	22,093			18,288			
6,955			9,077				
	8,244			1,769			
	9,230			6,311			
		3,827			1,566	–	–
		5,502			2,687	(10.72)	82.81
	891			665			
	4,611			2,022			
		431			148	–	–
	325			127			
	106			21			
		817			791	1.10	4.42
		8			19	–	–
		1,424			927	0.42	54.26
	94			158			
	92			104			
		9,298			5,325	(0.72)	73.35
		45,910			30,822	9.00	62.35
		8,144			3,785	13.00	143.14
	7,415			3,327			
	729			458			
196			85				
		588,529			**361,126**	**9.37**	**78.24**

Liabilities and Shareholders’ Equity	30th June 2000 (A)	
10. Due to banks		185,838
a) repayable on demand	43,231	
b) time deposits or with notice period	142,607	
20. Due to customers		214,287
a) repayable on demand	158,239	
b) time deposits or with notice period	56,048	
30. Securities issued		120,251
a) bonds	78,281	
b) certificates of deposit	33,797	
c) other	8,173	
40. Deposits and public funds under administration		218
50. Others liabilities		53,447
60. Accrued expenses and deferred income		10,260
a) accrued expenses	8,542	
b) deferred income	1,718	
70. Allowance for employee termination indemnities		2,965
80. Allowances for risks and charges		10,264
a) pensions and similar commitments	2,754	
b) taxation	5,193	
c) risks and charges arising on consolidation	194	
d) other allowances	2,123	
90. Allowance for possible loan losses		661
100. Reserve for general banking risks		273
110. Subordinated liabilities		17,909
120. Negative goodwill arising on consolidation		51
130. Negative goodwill arising on application of the equity method		6
140. Minority shareholders (+/-)		5,442
150. Share capital		5,715
160. Share premium reserve		11,564
170. Reserves		2,506
a) legal reserve	1,496	
b) reserve for own shares	–	
c) statutory reserves	153	
d) other reserves	857	
180. Revaluation reserves		503
200. Net income (loss) for the period/year		1,514
Total Liabilities and Shareholders’ Equity		**643,674**

(in billions of lire)

31st December 1999 (B)		30th June 1999 (C)		% Changes	
				(A/B)	(A/C)
	159,879		77,323	16.24	140.34
18,279		15,489			
141,600		61,834			
	204,392		118,204	4.84	81.29
156,137		93,341			
48,255		24,863			
	116,792		93,763	2.96	28.25
73,166		65,593			
36,553		26,089			
7,073		2,081			
	162		135	34.57	61.48
	43,780		36,664	22.08	45.78
	8,904		4,763	15.23	115.41
7,286		3,669			
1,618		1,094			
	2,911		1,808	1.86	63.99
	9,474		5,504	8.34	86.48
2,593		2,343			
4,715		2,062			
–		–			
2,166		1,099			
	686		766	(3.64)	(13.71)
	292		81	(6.51)	237.04
	16,603		8,181	7.87	118.91
	51		51	–	–
	6		–	–	–
	5,109		1,373	6.52	296.36
	5,406		3,333	5.72	71.47
	10,216		5,924	13.19	95.21
	1,728		1,798	45.02	39.38
494		494			
–		–			
153		163			
1,081		1,141			
	490		449	2.65	12.03
	1,648		1,006	(8.13)	50.50
	588,529		**361,126**	**9.37**	**78.24**

Gruppo Intesa - Consolidated financial statements
as at 30th June 2000
Consolidated balance sheet - not restated

Guarantees and Commitments		30th June 2000 (A)
10. Guarantees given		59,776
including		
• acceptances	1,231	
• other guarantees	58,545	
20. Commitments		252,540
including		
• for sales with commitment to repurchase	56	
Total Guarantees and Commitments		**312,316**

(in billions of lire)

31st December 1999 (B)		30th June 1999 (C)		% Changes (A/B)	% Changes (A/C)
	56,551		19,894	5.70	200.47
1,131		376			
55,420		19,518			
	135,681		123,325	86.13	104.78
130		283			
	192,232		**143,219**	**62.47**	**118.07**

Gruppo Intesa - Consolidated financial statements as at 30th June 2000
Consolidated statement of income - not restated

			First half 2000 (A)	
10.	**Interest income and similar revenues**			15,452
	including from			
	• loans to customers		10,118	
	• debt securities		3,049	
20.	**Interest expense and similar charges**			(10,150)
	including from			
	• deposits from customers		(2,380)	
	• securities issued		(3,286)	
30.	**Dividends and other revenues**			1,814
	a) from shares, quotas and other forms of capital		403	
	b) from equity investments		1,408	
	c) from investments in Group companies		3	
40.	**Commission income**			4,773
50.	**Commission expense**			(653)
60.	**Profits (Losses) on financial transactions**			164
65.	**Returns on investments of the allowances for pensions and similar commitments**			153
70.	**Other operating income**			661
80.	**Administrative costs**			(6,428)
	a) payroll		(4,025)	
	including			
	• wages and salaries	(2,789)		
	• social security charges	(818)		
	• termination indemnities	(200)		
	• pensions and similar commitments	(87)		
	b) other		(2,403)	
85.	**Provisions for integrative social security benefits**			(149)
90.	**Adjustments to tangible and intangible fixed assets**			(729)
100.	**Provisions for risks and charges**			(308)
110.	**Other operating expenses**			(228)
120.	**Adjustments to loans and provisions for guarantees and commitments**			(1,424)
130.	**Write-back of adjustments to loans and provisions for guarantees and commitments**			403
140.	**Provisions for possible loan losses**			(73)
150.	**Adjustments to financial fixed assets**			(22)
160.	**Write-back of financial fixed assets**			9
170.	**Income (Loss) from investments carried at equity**			110
180.	**Income (Loss) from operating activities**			3,375
190.	**Extraordinary income**		769	
200.	**Extraordinary charges**		(753)	
210.	**Extraordinary income (loss), net**			16
230.	**Change in the reserve for general banking risks**			19
240.	**Income taxes for the period/year**			(1,670)
250.	**Income attributable to minority shareholders**			(226)
260.	**Net income for the period/year**			**1,514**

(in billions of lire)

		First half 1999 (B)			1999 (C)	Changes amount	Changes %
		7,988			15,998	7,464	93.44
	5,000			9,807			
	1,731			3,624			
		(4,665)			(9,358)	5,485	n.s.
	(970)			(1,757)			
	(2,360)			(4,538)			
		70			185	1,744	n.s.
	17			56			
	53			129			
	–			–			
		2,585			5,514	2,188	84.64
		(405)			(840)	248	61.23
		184			(268)	(20)	(10.87)
		–			–	153	–
		383			834	278	72.58
		(3,646)			(7,649)	2,782	76.30
	(2,377)			(4,792)			
(1,664)			(3,356)				
(469)			(954)				
(116)			(229)				
(85)			(170)				
	(1,269)			(2,857)			
		(42)			(83)	107	n.s.
		(421)			(1,009)	308	73.16
		(186)			(357)	122	65.59
		(77)			(154)	151	n.s.
		(657)			(1,601)	767	n.s.
		171			469	232	n.s.
		(106)			(138)	(33)	(31.13)
		(21)			(48)	1	4.76
		1			2	8	n.s.
		19			(5)	91	n.s.
		1,175			1,492	2,200	n.s.
	747			1,980			
	(78)			(870)			
		669			1,110	(653)	(97.61)
		(10)			(221)	29	–
		(755)			(630)	915	n.s.
		(73)			(103)	153	n.s.
		1,006			**1,648**	**508**	**50.50**

Banca Intesa
Financial Statements as at 30th June 2000

Banca Intesa - Financial statements as at 30th June 2000
Balance sheet

Assets	30th June 2000 (A)	
10. Cash and deposits with central banks and post offices		170
20. Treasury bills and similar bills eligible for refinancing with central banks		4,044,215
30. Due from banks		55,324,818
a) repayable on demand	13,175,814	
b) other	42,149,004	
40. Loans to customers		11,490,779
50. Bonds and other debt securities		18,269,604
a) public entities	10,374,496	
b) banks	5,625,546	
c) financial institutions	1,922,035	
d) other issuers	347,527	
60. Shares, quotas and other forms of capital		87,190
70. Equity investments		1,620,990
80. Investments in Group companies		21,386,297
90. Intangible fixed assets		143,215
including		
• start-up costs	47,432	
100. Tangible fixed assets		43,441
130. Other assets		4,571,559
140. Accrued income and prepaid expenses		978,949
a) accrued income	878,320	
b) prepaid expenses	100,629	
including		
• discounts on issued bonds	2,952	
Total Assets		**117,961,227**

(in millions of lire)

31st December 1999 (B)		30th June 1999 (C)		% Changes (A/B)	% Changes (A/C)
	–		–	n.s.	n.s.
	66,765		18,515	n.s.	n.s.
	6,217,078		3,069,929	n.s.	n.s.
1,364,924		1,038,514			
4,852,154		2,031,415			
	4,656,435		2,816,300	n.s.	n.s.
	5,483,209		387,956	n.s.	n.s.
5,094,994		–			
388,215		387,956			
–		–			
–		–			
	–		–	n.s.	n.s.
	1,258,296		36,352	28.82	n.s.
	21,284,929		13,516,042	0.48	58.23
	161,623		200,248	(11.39)	(28.48)
49,893		101,826			
	43,487		41,093	(0.11)	5.71
	3,841,636		1,334,221	19.00	n.s.
	64,290		34,574	n.s.	n.s.
62,868		29,687			
1,422		4,887			
787		–			
	43,077,748		**21,455,230**	**173.83**	**449.80**

Liabilities and Shareholders' Equity		30th June 2000 (A)
10. Due to banks		73,506,999
a) repayable on demand	15,701,128	
b) time deposits or with notice period	57,805,871	
20. Due to customers		4,360,745
a) repayable on demand	2,207,043	
b) time deposits or with notice period	2,153,702	
30. Securities issued		5,477,540
a) bonds	3,388,473	
b) certificates of deposit	2,089,050	
c) other	17	
50. Other liabilities		2,778,363
60. Accrued expenses and deferred income		1,031,427
a) accrued expenses	824,386	
b) deferred income	207,041	
70. Allowance for employee termination indemnities		2,715
80. Allowances for risks and charges		1,659,262
a) pensions and similar commitments	–	
b) taxation	1,363,451	
c) other allowances	295,811	
90. Allowance for possible loan losses		36,000
100. Reserve for general banking risks		–
110. Subordinated liabilities		8,230,813
120. Share capital		5,715,039
130. Share premium reserve		11,563,960
140. Reserves		2,341,865
a) legal reserve	1,496,490	
b) reserve for own shares	–	
c) statutory reserves	152,776	
d) other reserves	692,599	
150. Revaluation reserves		394,441
170. Net income (loss) for the period/year		862,058
Total Liabilities and Shareholders' Equity		**117,961,227**

(in millions of lire)

31st December 1999 (B)		30th June 1999 (C)		% Changes (A/B)	% Changes (A/C)
	12,986,985		3,183,467	n.s.	n.s.
10,721,454		983,467			
2,265,531		2,200,000			
	124,121		152,782	n.s.	n.s.
124,121		152,782			
–		–			
	1,452,203		–	n.s.	n.s.
1,452,203		–			
–		–			
–		–			
	262,819		113,508	n.s.	n.s.
	82,062		122,579	n.s.	n.s.
82,062		120,696			
–		1,883			
	503		459	n.s.	n.s.
	1,551,726		653,753	6.93	n.s.
–		–			
1,198,248		512,816			
353,478		140,937			
	36,000		20,000	–	80.00
	–		15,000	n.s.	(100.00)
	7,334,027		5,854,207	12.23	40.60
	5,405,739		3,332,792	5.72	71.48
	10,215,789		5,924,379	13.20	95.19
	858,094		824,112	172.91	184.17
493,650		493,650			
–		–			
152,649		162,649			
211,795		167,813			
	394,441		349,254	–	–
	2,373,239		908,938	(63.68)	(5.16)
	43,077,748		**21,455,230**	**173.83**	**449.80**

Banca Intesa - Financial statements as at 30th June 2000
Balance sheet

Guarantees and Commitments		30th June 2000 (A)
10. Guarantees given		3,742,329
including		
• other guarantees	3,742,329	
20. Commitments		14,469,991
Total Guarantees and Commitments		**18,212,320**

(in millions of lire)

31st December 1999		30th June 1999		% Changes	
(B)		(C)		(A/B)	(A/C)
	2,531,085		2,491,874	47.85	50.18
2,531,085		2,491,874			
	5,502,197		259,299	n.s	n.s
	8,033,282		**2,751,173**	**126.71**	**561.98**

Banca Intesa - Financial statements as at 30th June 2000
Statement of income

	First half 2000		First half 2000 Dividends in accrual	First half 2000 Total (A)	
10. Interest income and similar revenues		1,042,553			1,042,553
including from					
• loans to customers	136,631			136,631	
• debt securities	340,971			340,971	
20. Interest expense and similar charges		(1,121,933)			(1,121,933)
including from					
• deposits from customers	(52,004)			(52,004)	
• securities issued	(129,375)			(129,375)	
30. Dividends and other revenues		44,192			1,575,829
a) from shares, quotas and other forms of capital	1,275			1,275	
b) from equity investments	42,917			42,917	
c) from investments in Group companies	–		1,531,637	1,531,637	
40. Commission income		38,461			38,461
50. Commission expense		(25,640)			(25,640)
60. Profits (Losses) on financial transactions		(37,735)			(37,735)
70. Other operating income		128,457			128,457
80. Administrative costs		(289,052)			(289,052)
a) payroll	(52,302)			(52,302)	
including					
• wages and salaries	(37,961)			(37,961)	
• social securities charges	(9,603)			(9,603)	
• termination indemnities	(1,391)			(1,391)	
• pensions and similar commitments	(2,338)			(2,338)	
b) other	(236,750)			(236,750)	
90. Adjustments to tangible and intangible fixed assets		(26,366)			(26,366)
100. Provisions for risks and charges		(5,100)			(5,100)
110. Other operating expenses		(112)			(112)
120. Adjustments to loans and provisions for guarantees and commitments		(41)			(41)
140. Provisions for possible loan losses		–			–
150. Adjustments to financial fixed assets		(11,661)			(11,661)
170. Income (Loss) from operating activities		(263,977)	1,531,637		1,267,660
180. Extraordinary income	2,835			2,835	
190. Extraordinary charges	(3,437)			(3,437)	
200. Extraordinary income (loss), net		(602)			(602)
210. Change in the reserve for general banking risks		–			–
220. Income taxes for the period/year		154,449	(559,449)		(405,000)
260. Net income (loss) for the period/year		**(110,130)**	**972,188**		**862,058**

(in millions of lire)

First half 1999		1999		Changes A/B	
(B)		(C)		amount	%
	102,462		239,727	940,091	n.s.
40,082		93,704			
8,209		27,265			
	(193,360)		(393,551)	928,573	n.s.
(351)		(350)			
(60,964)		(123,506)			
	1,339,602		2,435,632	236,227	n.s.
–		–			
488		488			
1,339,114		2,435,144			
	258		29,230	38,203	n.s.
	(6,948)		(22,636)	18,692	n.s.
	(20)		(288)	37,715	n.s.
	33,432		128,242	95,025	n.s.
	(130,150)		(488,266)	158,902	n.s.
(6,843)		(24,471)		45,459	n.s.
(5,055)		(17,600)			
(1,529)		(5,324)			
(256)		(630)			
–		(714)			
(123,307)		(463,795)		113,443	n.s.
	(28,560)		(113,963)	(2,194)	n.s.
	(20,330)		(32,000)	(15,230)	n.s.
	–		–	112	n.s.
	–		–	41	n.s.
	(7,000)		(23,000)	(7,000)	n.s.
	(42,996)		(95,728)	(31,335)	n.s.
	1,046,390		1,663,399	221,270	21.15
250,608		1,863,372			
(60)		(203,832)			
	250,548		1,659,540	(251,150)	n.s.
	–		15,000	–	–
	(388,000)		(964,700)	17,000	n.s.
	908,938		**2,373,239**	**(46,880)**	**(5.16)**

Notes

The structure of Banca Intesa's Half-Year Report reflects the Bank's transitory situation before the completion of the merger with Ambroveneto, Cariplo, Banca Carime and Mediocredito Lombardo which has already been resolved upon by the Board of Directors. Until as at 31st December 1999 balance sheet items recorded the operations of a holding company, with numerous equity investments and intense acquisition projects.
As of February 2000, the Group's Finance and Treasury activities were centralised in Banca Intesa. Later, in May, the foreign branches based in London, New York, Singapore, Hong Kong and Grand Cayman started operations; to these branches, the co-existing foreign branches of Ambroveneto and Cariplo will transfer their assets and liabilities within the end of the year.
The expansion in operations is reflected by the increase in due from banks, which reached 55,325 billion lire (compared to 6,217 billion lire as at 31st December 1999 and just over 3,000 billion lire as at 30th June 1999) and in the securities portfolio, which, in the half-year accounts, exceeded 22,400 billion lire, compared to 5,500 billion lire recorded at the end of 1999 and to a mere 406 billion lire as at 30th June 1999. Also loans to customers and loans granted to Group companies registered a vigorous growth: from 2,816 billion lire as at June 1999, to 4,656 billion lire as at 31st December 1999, to 11,491 billion lire recorded in this Half-Year Report.
Similar increases were also registered by liabilities: both by due to banks, which rose to 73,507 billion lire from 12,987 billion lire as at 31st December 1999 and 3,183 billion lire as at 30th June 1999, and from customer deposits and due to Group companies, which reached 9,838 billion lire, compared to 1,576 billion lire and 153 billion lire of the previous reference periods.

It must also be remembered that as a result of the merger, which will come into effects as of 1st January 2000, Banca Intesa's financial statements for the year 2000 will also include balance sheet and statement of income data recorded by the merged Companies; for this reason, the structure of the Company's Annual Report for the year 2000 will reflect that of a large bank.

The statement of income for the first half of 2000 also reflects the evolution of operations: compared to the same period the previous year, both interest income and interest expense increased, as well as administrative costs. Net income for the period amounted to 862 billion lire.
Comparison with data recorded in the first half of 1999 requires a comment regarding the accounting criterium applied to dividends.
Starting with the 1999 financial statements, Banca Intesa reported dividends of directly controlled companies in the year in which profits are generated. This criterium is deemed to give a truer view of the operations of a holding company whose main statement of income component is represented by dividends. Furthermore, thanks to the inclusion of dividends in the accounts referring to the year in which profits of the subsidiary companies are achieved, the profits generated by the operational companies are immediately transferred to the Parent Company's shareholders.
Therefore, according to the principle which sets forth the continuity of accounting criteria with respect to 1999 accounts, and considering the fact that the Half-Year Report's function is to be merely informative, the statement of income as at 30th June 2000 included among dividends: dividends resolved upon in the period (caption 30a and caption 30b); the portion of the profits generated by the operating companies in the first six months of the year, as contained in the distribution assumptions decided by the competent Boards of Directors and used by the subsidiary banks and investment service companies to calculate total shareholders' equity as at 30th June 2000. The amount, indicated in caption 30c and highlighted in a specific column of the statement of income, totalled 1,532 billion lire (including tax credits).
Figures referring to dividends as at the end of the first half of 2000 are not consistent with those recorded in the same period the previous year, since at that time dividends

were accounted for in the year in which they were resolved upon. Therefore, the first half of 1999 reported dividends decided by subsidiary companies on total income generated in 1998.
It was not possible to draw up the statement of income for the first half of 1999 on a consistent basis since it is impossible to determine ex post the portion of profits generated in that period by the subsidiary companies and attributable to the Parent Company.
If Banca Intesa had not changed the accounting criterium regarding dividends starting from the 1999 financial statements, dividends amounting to 2,435 billion lire (including tax credits) would have been reported in the statement of income for the first half of 2000.

Co-ordination	Banca Intesa External Relations, Corporate Image and Communications
Translation	Networking IR, Milano
Impagination	Studio DLT Comunicazione Visiva, Milano
Printed by	Grafiche Agema SpA, Milano